

# LCRA RETIREMENT PLAN

## ACTUARIAL VALUATION

AS OF

**JANUARY 1, 2025**



**Rudd and Wisdom, Inc.**

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March 31, 2025

LCRA Retirement Benefits Board of Trustees  
Lower Colorado River Authority  
Post Office Box 220  
Austin, Texas 78767

Re: Actuarial Valuation as of January 1, 2025

Dear Trustees:

Enclosed is the Actuarial Valuation of the Lower Colorado River Authority (LCRA) Retirement Plan as of January 1, 2025. The purpose of this report is to present the actuarial condition of the plan as of January 1, 2025 and to recommend the LCRA contributions for the plan year beginning one year later on January 1, 2026.

### Recommended Contributions

In order for a public employee retirement plan to have an adequate contribution arrangement, contributions must be made that are sufficient to pay the plan's normal cost and to amortize the plan's unfunded actuarial accrued liability (UAAL) over a reasonable period of time. The LCRA Board of Directors amended the plan to close it to new entrants effective May 1, 2012. Given the closed group of employee participants, we recommended in the April 1, 2012 actuarial valuation report that the amortization of the UAAL should switch from level percent of participant payroll contributions to level dollar contributions over a closed 25-year period. Effective January 1, 2020, we recommended that amortization contributions for the plan be based on the same level dollar UAAL amortization method but that the closed amortization period be reset at 20 years.

To facilitate timely budgeting of LCRA's contributions, there is a one-year delay between the actuarial valuation date and the effective date of our actuarially determined recommended contribution. Based on the January 1, 2024 actuarial valuation, our recommended contribution for the 2025 plan year was an annual amount of \$21,399,091, which is \$823,041.96 biweekly. This amount is expected to pay the normal cost for 2025 and to fund the UAAL with a level dollar amount. For the 2026 plan year, our recommended contribution is \$797,255.46 biweekly, which is an annual total of \$20,728,642. This recommended amount is based on this actuarial valuation as of January 1, 2025 and is expected to pay the normal cost for 2026 and to fund the UAAL with a level dollar amount over the remaining 14 years of the period ending in 2039.

With the recommended annual aggregate biweekly contributions of \$20,728,642 for the 2026 plan year in this report, we are of the opinion that the LCRA Retirement Plan has an adequate contribution arrangement that is expected to fund the benefits of the plan on a sound actuarial basis. We further believe that this recommended contribution is consistent with our responsibilities as Plan Actuary described in Sections 6.02 and 6.03 of the LCRA Retirement Plan document. Furthermore, our recommended contributions are based on an amortization period for the UAAL of 15 years as of January 1, 2025, which meets the Texas Pension Review Board guidelines for pension funding (less than 30 years, with a target funding period of 15 years by September 1, 2040).

In our opinion, the above recommended contribution is a reasonable actuarially determined contribution consistent with prescribed Actuarial Standards of Practice.

### **Plan Provisions**

Plan provisions reflected in this valuation are the same as those reflected in the prior actuarial valuation. All current plan provisions are outlined and summarized in Section V of this report.

### **Review of Actuarial Assumptions**

As a part of each actuarial valuation, we review the actuarial assumptions used in the prior actuarial valuation. Periodically at your request, we perform a detailed experience study for the purpose of making appropriate adjustments in the actuarial assumptions. The most recent such study was completed in 2021. It documented a four-year experience study for the 2017-2020 plan years and included a review of all actuarial assumptions and recommendations of actuarial assumptions for the January 1, 2022 actuarial valuation.

For this January 1, 2025 actuarial valuation, we prepared a report of our review of actuarial assumptions dated January 17, 2025. In it, we recommended using the same assumptions as we used for the prior actuarial valuation, except the 2025 rate for determining actuarially equivalent lump sums to be selected by pension participants was updated to reflect the actual rate for determining actuarial equivalence in 2025. All actuarial assumptions and methods are described in Section IV of this report.

### **Changes in the Unfunded Actuarial Accrued Liability**

In comparing this year's valuation to last year's valuation, the UAAL decreased \$9,577,030 from \$156,862,720 to \$147,285,690 for the following reasons:

- The passing of one year with the experience following the assumptions would have resulted in a decrease in the UAAL of \$5,513,403 because the recommended contributions available to amortize the UAAL were more than the assumed interest on the UAAL for the plan year.
- LCRA made contributions in 2024 in excess of the recommended contributions. Those contributions with assumed interest reduced the UAAL by \$7,349,441.
- The investment rate of return for 2024, net of all investment-related expenses paid by the plan, was 11.36% based on the unaudited market value of assets for the plan year ending December 31, 2024. However, based on the smoothed actuarial value of assets from last year's valuation to this valuation, the net investment rate of return was 6.61%. Since that rate of return is less than the assumed rate of 7.00%, the UAAL was increased by \$1,827,253 due to the adverse actuarial investment experience.
- The actual salary increases in 2024 were more than assumed, which increased the UAAL by \$1,782,503.
- Assumption changes increased the UAAL by \$162,959.
- All other actuarial experience in 2024 (retirement, termination, and mortality experience and administrative expenses) resulted in a net \$486,901 decrease in the UAAL.

### Sensitivity of Results to Changes in the Investment Return Assumptions

How sensitive is the recommended contribution for the 2026 plan year to the investment return assumption? The table below shows the recommended contribution components as of January 1, 2026 and the total if paid biweekly with 6.5%, 7%, and 7.5% as the investment return assumption and all other assumptions unchanged. Comparisons to the recommended amount based on 7% are in the last two lines.

	Investment Return Assumption		
	6.5%	7%	7.5%
Cost as of January 1, 2026			
Normal cost	\$ 5,116,436	\$ 4,648,033	\$ 4,232,189
Administrative expenses	300,000	300,000	300,000
UAAL cost	17,819,105	15,068,850	12,363,506
Total	\$ 23,235,541	\$ 20,016,883	\$ 16,895,695
Total paid biweekly	\$ 24,003,906	\$ 20,728,642	\$ 17,538,390
Increase amount	\$ 3,275,264		\$ (3,190,252)
Relative increase	15.8%		(15.4%)

### 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 current economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements;
- Changes in economic or demographic assumptions; and
- Changes in plan provisions.

Analysis of the potential range of such future measurements resulting from a possible source of measurement variability is provided under the 6.5% and 7.5% investment return scenarios above. These scenarios were designed to assess the effect on recommended contributions of changing the investment return assumption in the future. In addition, we have provided the staff with a projection model to test how different investment return assumptions and different contribution amounts would affect the amortization of the UAAL and of the net pension liability for accounting. We could perform other sensitivity analysis in a subsequent report if desired by the Board of Trustees.

## Summary

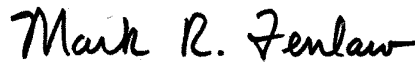
As a result of our January 1, 2025 actuarial valuation of the LCRA Retirement Plan, we recommend annual aggregate biweekly contributions of \$20,728,642 for the 2026 plan year, which will pay the normal cost and amortize the UAAL over the remaining 14 years of the closed 20-year amortization period ending in 2039. Our recommended contribution amount for 2026 is consistent with the board's current funding policy, which is expected to be an adequate contribution arrangement. The actuarial valuation of the plan reported herein has been performed both in accordance with appropriate actuarial methodology and standards of practice and in accordance with pension funding guidelines established by the Texas Pension Review Board applicable to public employee retirement systems.

Respectfully submitted,

RUDD AND WISDOM, INC.



Ronald W. Tobleman, F.S.A. CFA, CFP®, ChFC, CASL



Mark R. Fenlaw, F.S.A.



Amanda L. Murphy, F.S.A.

RWT/MRF/ALM:wlb

Enclosures

cc: Laura Flores, LCRA Sr. Benefits Specialist  
Sabrina Heenan, LCRA Sr. Accountant  
Morgan Holmes, LCRA General Accounting Manager  
Randy Loughlin, LCRA Controller  
Vic Ramirez, LCRA Legal Services  
Dionne Walker, LCRA Director, Compensation and Benefits

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**ACTUARIAL VALUATION**

**AS OF**

**JANUARY 1, 2025**

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## Section I – Certification of Actuarial Valuation as of January 1, 2025

At the request of the LCRA Retirement Benefits Board of Trustees, we have performed an actuarial valuation of the LCRA Retirement Plan as of January 1, 2025. The purpose of this report is to present the actuarial condition of the plan as of January 1, 2025 and to recommend a contribution for the plan year ending December 31, 2026 which is part of a funding policy expected to be an adequate contribution arrangement.

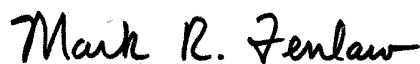
We have based our valuation on employee and pensioner census data as of January 1, 2025 and asset information for the plan year ending December 31, 2024 provided by LCRA Human Resources and Accounting. We have relied on the accuracy of both the census data and the unaudited preliminary asset information provided. We have used the actuarial methods and assumptions described in Section IV of this report. The actuarial valuation has been performed on the basis of the plan benefits described in Section V.

To the best of our knowledge, no material biases exist with respect to any imperfections in the census data provided. We have not audited the data provided but have reviewed it for reasonableness and consistency relative to the census data received for the January 1, 2024 actuarial valuation.

All current employees eligible to participate in the plan as of the valuation date and all other individuals who have a current or deferred vested benefit under the plan have been included in the valuation. Further, all plan benefits have been considered in the development of plan costs. We have utilized software licensed from Winklevoss Technologies, LLC in the development of the liabilities summarized in the report. We have independently confirmed the model developed by Winklevoss and have sufficiently tested it to ensure the model is an accurate representation of the plan's liabilities.

To the best of our knowledge, the actuarial information supplied in this report is complete and accurate. In our opinion the assumptions used, in the aggregate and individually, are reasonably related to the experience of the plan and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the plan over the long-term future, and their selection complies with the applicable actuarial standards of practice. In our professional judgment, the combined effect of the actuarial assumptions used for this actuarial valuation is expected to have no significant bias, i.e., it is not significantly optimistic or pessimistic.

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 opinions contained herein.



Mark R. Fenlaw, F.S.A.  
Enrolled Actuary Number 23-5526  
Member of American Academy of Actuaries



Ronald W. Tobleman, F.S.A.  
Enrolled Actuary Number 23-2917  
Member of American Academy of Actuaries



Amanda L. Murphy, F.S.A.  
Enrolled Actuary Number 23-6653  
Member of American Academy of Actuaries

## Section II – Summary of Actuarial Valuations

	January 1, 2024	January 1, 2025
<b>1. Participant Census at Valuation Date</b>		
a. Actives	733	681
b. Vested terminated deferred benefit	62	53
c. Disabled deferred benefit	5	4
d. Retirees and beneficiaries in pay status	1,030	1,056
e. Total	1,830	1,794
<b>2. Projected Participant Compensation for Plan Year Following the Valuation Date</b>	\$ 92,233,202	\$ 91,363,531
<b>3. Actuarial Present Value of Future Benefits</b>		
a. Active participants	\$ 244,900,804	\$ 243,387,133
b. Vested terminated deferred benefit	5,773,045	5,187,462
c. Disabled deferred benefit	449,742	409,570
d. Retirees and beneficiaries	427,366,267	432,403,242
e. Total	\$ 678,489,858	\$ 681,387,407
<b>4. Actuarial Present Value of Future Normal Cost</b>	\$ 40,271,712	\$ 37,640,186
<b>5. Actuarial Accrued Liability (Item 3e – Item 4)</b>	\$ 638,218,146	\$ 643,747,221
<b>6. Actuarial Value of Assets</b>	\$ 481,355,426	\$ 496,461,531
<b>7. Unfunded Actuarial Accrued Liability (UAAL) (Item 5 – Item 6)</b>	\$ 156,862,720	\$ 147,285,690
<b>8. Recommended Annual LCRA Contributions as of Valuation Date</b>		
a. Normal cost	\$ 5,090,272	\$ 4,862,763
b. Administrative expenses	300,000	300,000
c. UAAL amortization <sup>1</sup>	15,518,802	15,113,250
d. Total	\$ 20,909,074	\$ 20,276,013
<b>9. Recommended Annual LCRA Contributions Paid Biweekly<sup>2</sup></b>	\$ 21,399,091	\$ 20,728,642
<b>10. UAAL Amortization Period in Years<sup>3</sup></b>	16	15
<b>11. Funded Ratio (Item 6 ÷ Item 5)<sup>4</sup></b>	75.4%	77.1%

<sup>1</sup> Level annual amount required to amortize Item 7 over the period of years in Item 10.

<sup>2</sup> Payable in the plan year beginning one year after the valuation date, determined according to method described in Section IV(A).

<sup>3</sup> Level dollar amortization.

<sup>4</sup> The funded ratio is not appropriate for assessing either the need for or the amount of future contributions or the adequacy of the funding policy. Using the market value of assets instead of the actuarial value of assets for item 11 would have resulted in funded ratios of 71.5% as of January 1, 2024 and 76.3% as of January 1, 2025.

## Section III – Plan Asset Information

### A. Statement of Changes in Assets for the Plan Year Ending December 31, 2024

	Unaudited
<b>Additions</b>	
1. Contributions	
a. Employer	\$ 28,500,000
b. Employees	109,493
c. Total	\$ 28,609,493
2. Investment Income	
a. Interest and dividends	\$ 13,627,492
b. Net appreciation in fair value	39,256,538
c. Total	\$ 52,884,030
<b>Total Additions</b>	<b>\$ 81,493,523</b>
<b>Deductions</b>	
3. Benefit Payments	\$ 44,586,313
4. Expenses	
a. Investment-related	\$ 1,931,164
b. Administrative	217,886
c. Total	\$ 2,149,050
<b>Total Deductions</b>	<b>\$ 46,735,363</b>
<b>Net Increase in Assets</b>	<b>\$ 34,758,160</b>
5. Market Value of Assets (Plan Net Position)	
a. Beginning of Year	\$ 456,573,873 <sup>1</sup>
b. End of Year	\$ 491,332,033
6. Rate of Return Net of Investment-Related Expenses	
a. Market Value of Assets	<b>11.36 %</b>
b. Actuarial Value of Assets	<b>6.61 %</b>

<sup>1</sup> This is the unaudited amount used for the prior actuarial valuation.

## B. Development of Actuarial Value of Assets

Plan Year Ending	12/31/2024	12/31/2023	12/31/2022	12/31/2021
1. Market Value of Assets as of beginning of year	\$ 456,573,873	\$ 425,541,750	\$ 517,931,333	\$ 478,899,204
2. Employer Contributions	28,500,000	27,490,741	28,546,029	27,500,012
3. Buyback and OCS Contributions	109,493	73,859	431,707	215,774
4. Benefit Payments and Administrative Expenses <sup>1</sup>	(44,804,200)	(54,990,561)	(48,313,871)	(46,052,814)
5. Expected Investment Return <sup>2</sup>	<u>31,393,356</u>	<u>28,828,014</u>	<u>35,578,429</u>	<u>32,881,148</u>
6. Expected Market Value of Assets as of end of year	\$ 471,772,522	\$ 426,943,803	\$ 534,173,627	\$ 493,443,324
7. Actual Market Value of Assets as of end of year	<u>491,332,033</u>	<u>456,573,873</u>	<u>425,541,750</u>	<u>517,931,333</u>
8. Actuarial Investment Gain/(Loss)	\$ 19,559,511	\$ 29,630,070	\$ (108,631,877)	\$ 24,488,009
9. Market Value Rate of Return Net of Expenses	11.36%	14.19%	(14.37)%	12.21%

<sup>1</sup> Administrative expenses are included because the investment return assumption was net of investment-related expenses for those years.

<sup>2</sup> Assuming uniform distribution for contributions and benefit payments during the plan year. Expected annual investment return was 7% for the plan years ending December 31, 2021, 2022, 2023 and 2024.

Plan Year Ending	Investment Gain/(Loss)	Deferred Percentage	Deferred Gain/(Loss) Amount as of 12/31/2024
12/31/2024	19,559,511	80%	\$ 15,647,609
12/31/2023	29,630,070	60%	17,778,042
12/31/2022	(108,631,877)	40%	(43,452,751)
12/31/2021	24,488,009	20%	<u>4,897,602</u>
Total			\$ (5,129,498)

Actuarial Value of Assets as of December 31, 2024	
10. Market Value of Assets as of December 31, 2024	\$ 491,332,033
11. Deferred Gain/(Loss) to be recognized in future	<u>(5,129,498)</u>
12. Preliminary Value (Item 10 - Item 11)	\$ 496,461,531
13. 80% of Market Value as of December 31, 2024 (minimum)	\$ 393,065,626
14. 120% of Market Value as of December 31, 2024 (maximum)	\$ 589,598,440
15. Actuarial Value as of December 31, 2024	\$ 496,461,531
16. Write up (down) of assets under this method (Item 15 - Item 10)	\$ 5,129,498

## Section IV – Actuarial Methods and Assumptions

### A. Actuarial Methods

#### 1. Actuarial Cost Method

The Entry Age Normal actuarial cost method is an actuarial cost method in which the actuarial present value of projected benefits of each active participant included in the actuarial valuation is allocated as a level percentage of compensation over the period from age at hire to the last age before 100% assumed retirement. The normal cost for the plan is the sum of normal costs for each active participant, recognizing whether each one is a Pension Participant or a Cash Balance Participant. Each active participant's normal cost is the current annual contribution in a series of annual contributions which, if made throughout the participant's total period of employment, would fund his expected benefits. Each participant's normal cost is calculated to be an annual constant percentage of his expected compensation in each year of employment.

The plan's current actuarial accrued liability is the excess of the actuarial present value of expected future benefits over the actuarial present value of all future remaining normal cost contributions. (The present value of expected future benefits and the present value of future normal costs for each active participant reflect whether he is a Pension Participant or a Cash Balance Participant.) The unfunded actuarial accrued liability (UAAL) is the amount by which the actuarial accrued liability exceeds the actuarial value of assets. The UAAL is recalculated each time a valuation is performed. Experience gains and losses, which represent deviations of the UAAL from its expected value based on the prior valuation, are determined at each valuation and are amortized as part of the newly calculated UAAL.

#### 2. Amortization Method

The UAAL is being amortized over a 20-year closed period that began in 2020 and will end December 31, 2039, with level dollar payments in accordance with LCRA's funding policy recommended by Rudd and Wisdom, Inc.

#### 3. Actuarial Value of Assets Method

The preliminary market value of assets is adjusted to uniformly spread actuarial gains or losses (as measured by actual market value investment return vs. assumed investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value nor greater than 120% of market value.

#### 4. Method of Determining the Recommended Contributions for 2026

To reflect the one-year lag between the actuarial valuation date and the effective date of the recommended contribution for the year beginning then, the UAAL was projected to January 1, 2026, assuming the 2025 plan year biweekly contributions will be the \$21,399,091 amount recommended for 2025 in the January 1, 2024 actuarial valuation. The projected UAAL would be amortized over the 14 years remaining as of January 1, 2026 by annual payments of \$15,068,850. The projected January 1, 2026 normal cost of \$4,648,033 plus assumed administrative expenses of \$300,000 bring the total annual contribution to \$20,016,883. The equivalent amount contributed biweekly is \$20,728,642 or \$797,255.46 weekly.

## B. Actuarial Assumptions

We review the actuarial assumptions as a part of each actuarial valuation. Periodically we perform a detailed study or review or analysis of specific assumptions. The year of the most recent detailed study or review or analysis, relied on for our overall review this year or the year of the most recent change, is indicated parenthetically after each assumption name.

1. Mortality (2021): Active and retired participants of the plan are expected to exhibit mortality in accordance with the following published mortality tables, projected for mortality improvement generationally using the projection scale MP-2020:
  - a. Pre-retirement Mortality: PubG-2010(A) for employees (sex distinct)
  - b. Post-retirement Mortality: PubG-2010(A) for retirees (sex distinct)
  - c. Post-disability Mortality: PubG-2010(A) for retirees (sex distinct)
  
2. Termination (2021):
  - a. Active pension participants enrolled in both Option A and Option B are assumed to terminate their employment for causes other than death, disability or retirement in accordance with annual rates per 1,000 participants as illustrated below.

Years of Service	Entry Age Group								
	20	25	30	35	40	45	50	55	60
0	250	150	150	150	135	135	135	100	150
5	70	70	85	85	85	90	90	100	150
10	45	45	60	60	60	65	80	100	
15	15	15	25	25	40				
20	15	10	10						
25	10								

3. Investment Return (2021): Current and future plan assets are assumed to reflect an annual investment return of 7% net of investment-related expenses. See item B.14 for general administrative expenses.
  
4. Compensation Progression (2021): The increase in the levels of participant compensation is assumed to occur at annual rates as illustrated below, with an ultimate rate of 4.25% (2.5% inflation plus 1.75% productivity), the general wage increase part of the assumption, for years of service beyond the last year shown:

Years of Service	Entry Age Group								
	20	25	30	35	40	45	50	55	60
0	10.75%	9.55%	8.55%	7.85%	7.25%	6.75%	6.25%	5.25%	4.75%
5	7.65	6.75	6.05	5.65	5.25	4.85	4.45	4.25	4.25
10	5.95	5.45	4.95	4.45	4.25	4.25	4.25	4.25	
15	4.95	4.45	4.25	4.25	4.25	4.25	4.25		
20	4.25	4.25	4.25	4.25	4.25	4.25			

5. Retirement Rates (2021):

- a. Active Option A retirement plan participants who are eligible for early, normal or late retirement are assumed to retire in accordance with annual rates per 1,000 participants as illustrated below.

Attained Age	Entry Age Group								
	20	25	30	35	40	45	50	55	60
50	100								
51	100								
52	150	70							
53	150	70							
54	150	70							
55	250	70	100		100				
56	250	70	100		100				
57	250	180	100	100	100				
58	120	180	100	100	100				
59	120	180	100	100	100				
60	120	120	120	120	120	120			
61	120	120	120	120	120	120			
62	120	120	120	120	120	120			
63	180	180	180	180	180	180			
64	180	180	180	180	180	180			
65	350	350	350	350	350	350	350	350	350
66	250	250	250	250	250	250	250	250	250
67	250	250	250	250	250	250	250	250	250
68	250	250	250	250	250	250	250	250	250
69	250	250	250	250	250	250	250	250	250
70	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

- b. Active Option B participants at least age 55 with at least 15 years of service (or age 65 with at least 5 years of service) are assumed to retire in accordance with annual rates per 1,000 participants as illustrated below. Any retirements before age 55 by the Rule of 80 are effectively anticipated by the assumed rates of termination.

Attained Age	Entry Age Group								
	20	25	30	35	40	45	50	55	60
55	100	100	100	100	100				
56	100	100	100	100	100				
57	100	100	100	100	100				
58	100	100	100	100	100				
59	100	100	100	100	100				
60	150	150	150	150	150	150			
61	150	150	150	150	150	150			
62	150	150	150	150	150	150			
63	150	150	150	150	150	150			
64	150	150	150	150	150	150			
65	300	300	300	300	300	300	300	300	300
66	150	150	150	150	150	150	150	150	150
67	150	150	150	150	150	150	150	150	150
68	150	150	150	150	150	150	150	150	150
69	150	150	150	150	150	150	150	150	150
70	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

6. Disability (2021): Active participants are expected to become disabled as defined under the plan in accordance with annual rates as illustrated below:

Attained Age	Disabilities per 1,000 Participants
35	0.24
40	0.56
45	0.92
50	1.65
55	2.92
60	3.73

7. Recognition of IRC Section 415 Limitations (2021): The dollar benefit limitations under IRC Section 415(b) have been reflected in the determination of plan costs. Increases in Section 415(b) dollar limit are projected to increase at 2.5% per year, the same as the price inflation assumption in Item B.4.
8. Additional Credited Service Due to Unused Sick Leave (2021): Aggregate benefits paid for pension participants are increased by the actual amount of unused sick leave as of their date of termination, converted to credited service. Sick leave as of their termination date has been assumed to be the actual amount of unused sick leave as of the valuation date.
9. Inflation Component in Earnings Progression and Investment Return Assumptions (2021): 2.5%
10. Assumed Form of Payment (2021):
- Pension participants: Twenty-five percent (25%) of retirement payments for active participants who are eligible for immediate monthly benefits are assumed to be paid in the form of a single lump sum payment. The remaining seventy-five percent (75%) of such retirement payments are assumed to be paid in the normal form annuity (10 years certain and life). Active participants who terminate employment before they are eligible for immediate monthly benefits are assumed to receive their benefit in the form of a single lump sum payment at the time of termination of employment. The same 25%/75% assumption is used for disabled pension participants with their benefit deferred to normal retirement age.
  - Cash balance participants: All active participants are assumed to receive their benefits in the form of a single lump sum payment, the normal form. The same single lump sum payment assumption is used for disabled cash balance participants with their benefit deferred to normal retirement age.
  - Retirees retiring just before the valuation date who have not made an affirmative election: All such retirees, if any, are assumed to elect a single lump sum payment.
  - To the extent optional forms of payment are elected and conversions are determined under an actuarial basis which differs from the basis used in the valuation, actuarial gains or losses will occur. These gains or losses are expected to be very small and will be recognized through the valuation process for those new retirees making an optional election since the prior valuation.

11. Lump Sum Interest Rate (2022): The rate for determining actuarially equivalent lump sums to be selected by pension participants retiring in the future are assumed to be in accordance with the rates in the table below:

Year	Rate
2025	7.5% <sup>1</sup>
2026 and beyond	6.5%

<sup>1</sup> The actual rate for determining actuarial equivalence in 2025

The unisex mortality basis for determining actuarially equivalent optional benefits is in the plan document and is shown in item J of Section V, the outline of the plan provisions.

12. Projected Compensation (2021): For the plan year first following the valuation date, the assumed compensation for each active participant is the actual gross pay in the calendar year immediately preceding the date of the actuarial valuation increased by the assumed annual rate of earnings progression determined by the participant's age at hire and current years of service.
13. Total Projected Compensation (2021): For the plan year first following the valuation date, the total projected compensation is the sum of the assumed compensation for the first plan year following the valuation date for all active participants on the valuation date.
14. General Administrative Expenses (2021): The expenses paid from plan assets for other than investment-related expenses are assumed to be \$300,000 per year and are treated as part of the recommended contributions.

## Section V – Outline of Principal Plan Eligibility and Benefit Provisions as of January 1, 2025

<b>A. Identifying Data</b>	<p><i>Plan Name:</i> Lower Colorado River Authority Retirement Plan</p> <p><i>Type of Plan:</i> Defined benefit pension benefits for closed group hired before January 1, 2002 with cash balance benefits for closed group hired after December 31, 2001 and before May 1, 2012 and for employees hired earlier who opted in</p> <p><i>Plan Sponsor:</i> Lower Colorado River Authority</p> <p><i>Plan Year:</i> April 1 - March 31 through March 31, 2016; calendar year beginning January 1, 2017; short plan year April 1 - December 31, 2016</p>
<b>B. Participation</b>	<p><i>Minimum Age:</i> None</p> <p><i>Maximum Age at Hire:</i> None</p> <p><i>Service:</i> N/A for Pension participants (no new participants after January 1, 2002); three consecutive months of Credited Service for Cash Balance participants (no new participants after May 1, 2012)</p> <p><i>Employee Classification:</i> All employees working 1,000 or more hours per plan year</p> <p><i>Entry Date:</i> N/A for Pension participants; monthly anniversary date coincident with or first following completion of service requirement for Cash Balance Participants</p>
<b>C. Contributions</b>	<p><i>Participant:</i> None required</p> <p><i>Employer:</i> All amounts necessary to adequately finance plan benefits.</p>
<b>D. Eligibility for Retirement</b>	<p><i>Normal Retirement:</i> Age 65 plus 5 full years of credited service or satisfaction of Rule of 80</p> <p><i>Early Retirement:</i> Age 55 plus 15 full years of credited service</p> <p><i>Disability:</i> Continuously receiving a benefit from the LCRA Long Term Disability Income Plan until eligible for early or normal retirement</p>
<b>E. Retirement Benefit Monthly Amount</b>	<p><i>Normal Retirement for Pension Participants:</i> 1.75% of average monthly compensation per year of credited service plus 0.40% of average monthly compensation in excess of integration level per year of credited service</p> <p><i>Late Retirement for Pension Participants:</i> Same as Normal Retirement</p> <p><i>Early Retirement for Pension Participants:</i> Amount equal to monthly normal retirement benefit accrued at early retirement date reduced ½% for every month early retirement precedes the earlier of (a) normal retirement age or (b) attainment of date where age and credited service total to 80 years. There is no reduction, however, if total of age and credited service is 80 or more years.</p> <p><i>Cash Balance Account for Cash Balance Participants:</i> The Cash Balance Account consists of a Beginning Balance, monthly Contribution Credits and monthly interest credits. The Beginning Balance is zero unless Option B under the Retirement Choice Program was elected prior to January 1, 2002. The Beginning Balance is the pension plan lump sum value, if any, as of December 31, 2001 or, if greater, the transition value determined as of December 31, 2001. The transition value was based upon Credited Service and Compensation averaged over 60 months of employment. Contribution Credits are equal to 4% of Compensation paid during each month of participation. Interest credits are added at the end of each month to the Cash Balance Account based on an annual effective interest rate of 7%.</p>

	<p><i>Disability:</i> For Pension Participants, amount payable at normal retirement age assuming continuation of service and compensation from date of disability to normal retirement age; for Cash Balance Participants, amount payable at normal retirement age assuming continuation of service, but no future compensation is recognized.</p>						
<p><b>F. Payment Options for Pension Participants</b></p>	<ul style="list-style-type: none"> <li>• The normal form of monthly payment is 10 years certain and life.</li> <li>• Other actuarially equivalent monthly payment forms are available.</li> <li>• Effective January 1, 2002, a 100% lump sum payment option or a 50% lump sum payment plus 50% monthly payment option is available.</li> </ul>						
<p><b>G. Payment Options for Cash Balance Participants</b></p>	<ul style="list-style-type: none"> <li>• The normal form of monthly payment is a 100% lump sum payment.</li> <li>• If the participant has an account balance of at least \$5,000 and is at least age 55 with at least 15 years of service (or age 65 with at least 5 years of service), monthly payment forms equivalent to the Cash Balance Account are available options.</li> <li>• The 50% lump sum payment plus 50% monthly payment option is available if the participant meets the requirements in the second bullet point above.</li> </ul>						
<p><b>H. Vested Termination Benefits</b></p>	<p><i>Benefit:</i> For Pension Participants, entitlement to vested percentage of accrued normal retirement benefit at normal retirement age; for Cash Balance Participants, entitlement to vested percentage of account balance upon termination.</p> <p><i>Vesting Schedule:</i></p> <table border="1" data-bbox="553 951 1279 1083"> <thead> <tr> <th>Full Years of Credited Service</th> <th>Vesting Percent</th> </tr> </thead> <tbody> <tr> <td>Less than 3</td> <td>0%</td> </tr> <tr> <td>3 or more</td> <td>100%</td> </tr> </tbody> </table> <p>A Pension Participant is always 100% vested in the portion of the accrued normal retirement benefit attributable to any employee contributions.</p> <p><i>Accrued Normal Retirement Benefit for Pension Participants:</i> A monthly benefit payable in the normal form of payment beginning at normal retirement age; the amount of the accrued benefit is determined when a participant terminates employment and is calculated using the normal retirement benefit formula but using only years of credited service and compensation credited at date of termination</p>	Full Years of Credited Service	Vesting Percent	Less than 3	0%	3 or more	100%
Full Years of Credited Service	Vesting Percent						
Less than 3	0%						
3 or more	100%						
<p><b>I. Pre-retirement Death Benefits</b></p>	<ul style="list-style-type: none"> <li>• For Pension Participants, payment of benefit which is actuarially equivalent to the present value of the participant's vested accrued normal retirement benefit or, if greater, the present value of an immediately available early retirement benefit.</li> <li>• For Cash Balance Participants, payment of Cash Balance Account balance if vested. Such death benefit will be paid to the beneficiary in a lump sum unless the deceased Cash Balance Participant met the eligibility requirement to choose a monthly payment option (item G above).</li> </ul>						
<p><b>J. Basis of Actuarial Equivalence</b></p>	<p>8% (plus or minus an annual adjustment rounded to the nearest 0.5% based on the average 30-year U.S. bond yield) and the PubG-2010 Above-Median Male Mortality Table projected to 2026 with Scale MP-2020 and the Pub G-2010 Above-Median Female Mortality Table projected to 2026 with Scale MP-2020 (80% male and 20% female for employees and 20% male and 80% female for spouses, joint pensioners and beneficiaries) for monthly benefits and lump sum payments</p>						
<p><b>K. Integration Level for Pension Participants</b></p>	<p>Monthly amount of \$3,300.00 for termination in 2020 or later</p>						
<p><b>L. Average Monthly Compensation for Pension Participants</b></p>	<p>Plan compensation averaged over 60 consecutive months of highest total plan compensation</p>						

<b>M. Unused Sick Leave for Pension Participants</b>	Accumulated unused sick leave is added to credited service in the determination of accrued benefits at the rate of 173 1/3 hours equals 1 month of credited service
<b>N. Buyback Credited Service for Pension Participants</b>	In special circumstances initiated under pre-1984 plan provisions, prior periods of employment with the plan sponsor or other employers were credited by purchasing such service via buyback contributions paid by the participant to the plan.
<b>O. Optional Credited Service for Pension Participants</b>	Eligible Pension Participants may purchase additional credited service on a cost neutral basis to the plan (assuming the purchaser would have otherwise worked until eligible to retire); spousal beneficiaries of Pension Participants who die within five years of becoming eligible for early retirement may also purchase additional credited service. Purchases of additional credited service can be for satisfying eligibility requirements only or for both satisfying eligibility requirements and increasing the benefit amount. However, additional credited service cannot be purchased for service beyond attainment of Rule of 80 or normal retirement date (either attained or projected as may be applicable).

## Section VI – Participant Census Summary

### A. Participant Data Comparison

	Prior Year 01/01/2024	Current Year 01/01/2025
<b>1. Active Participant Count</b>		
a. Pension	216	192
b. Cash balance participants	517	489
c. Total	733	681
<b>2. Age, Salary and Service of Active Participants</b>		
a. Average attained age	51.5 years	52.0 years
b. Aggregate projected annual salary	\$ 92,233,202	\$ 91,363,531
c. Number of actives included in Item 2b	722	669
d. Average projected annual salary <sup>1</sup>	\$ 127,747	136,567
e. Average benefit service earned	20.7 years	21.5 years
<b>3. Immediate Retirement Benefits</b>		
a. Retirees and beneficiaries in pay status	1,030	1,056
b. Aggregate monthly benefit	\$ 3,242,807	\$ 3,331,773
c. Average monthly benefit	\$ 3,148	\$ 3,155

<sup>1</sup> Average salary = Item 2b ÷ Item 2c. Item 2b excludes the salary for the actives who are assumed to be retired because of being age 70 or above as of the valuation date (the difference between Item 1c and Item 2c). Item 2b also excludes the salary in excess of the maximum compensation that may be recognized for benefits under the Internal Revenue Code for a qualified plan.

## B. Number of Employees by Attained Age and Service

Age, Service, and Average Compensation Table for Actives as of January 1, 2025

Current Years of Benefit Service									
Current Age	<10	10<=T<15	15<=T<20	20<=T<25	25<=T<30	30<=T<35	>=35	Age Totals/Row Averages	Percentage of Total
< 32.5	0	1	0	0	0	0	0	1	0.15%
	0	128,033	0	0	0	0	0	128,033	0.14%
32.5<=X<37.5	0	14	3	0	0	0	0	17	2.50%
	0	136,084	98,861	0	0	0	0	129,516	2.47%
37.5<=X<42.5	0	15	50	2	0	0	0	67	9.84%
	0	121,489	129,667	140,888	0	0	0	128,171	9.61%
42.5<=X<47.5	0	18	60	48	6	0	0	132	19.38%
	0	117,384	134,512	138,823	144,352	0	0	134,191	19.83%
47.5<=X<52.5	0	21	42	58	27	2	0	150	22.03%
	0	156,930	126,788	137,579	139,141	94,067	0	136,968	22.99%
52.5<=X<57.5	0	14	37	55	28	5	2	141	20.70%
	0	133,609	120,590	139,389	115,872	102,878	115,101	127,573	20.13%
X>=57.5	0	12	32	49	32	10	38	173	25.40%
	0	145,719	112,741	125,896	128,276	200,592	119,822	128,262	24.83%
<b>Service Totals</b>	<b>0</b>	<b>95</b>	<b>224</b>	<b>212</b>	<b>93</b>	<b>17</b>	<b>40</b>	<b>681</b>	<b>100.00%</b>
<b>Percent of Total</b>	<b>0.00%</b>	<b>13.95%</b>	<b>32.89%</b>	<b>31.13%</b>	<b>13.66%</b>	<b>2.50%</b>	<b>5.87%</b>	<b>100.00%</b>	
<b>Compensation Average</b>	<b>0</b>	<b>135,612</b>	<b>126,095</b>	<b>135,661</b>	<b>128,733</b>	<b>159,320</b>	<b>119,586</b>	<b>131,208</b>	<b>100.00%</b>
<b>Percent of Total</b>	<b>0.00%</b>	<b>14.42%</b>	<b>31.61%</b>	<b>32.19%</b>	<b>13.40%</b>	<b>3.03%</b>	<b>5.35%</b>	<b>100.00%</b>	

Average Age at Hire = 30.4  
 Average Service = 21.5  
 Average Attained Age = 52.0

### C. Number of Employees by Entry Age and Service

Entry Age and Service Table for Actives as of January 1, 2025

Current Years of Benefit Service									
Age at Hire	<10	10<=T<15	15<=T<20	20<=T<25	25<=T<30	30<=T<35	>=35	Row Totals	Percentage of Total
X<22.5	0	12	21	25	11	3	15	87	12.78%
22.5<=X<27.5	0	13	73	60	36	7	17	206	30.25%
27.5<=X<32.5	0	19	37	56	24	4	7	147	21.59%
32.5<=X<37.5	0	23	42	34	17	2	1	119	17.47%
37.5<=X<42.5	0	15	33	20	4	1	0	73	10.72%
42.5<=X<47.5	0	3	10	13	1	0	0	27	3.95%
47.5<=X<52.5	0	6	7	4	0	0	0	17	2.50%
52.5<=X<57.5	0	3	1	0	0	0	0	4	0.59%
X>=57.5	0	1	0	0	0	0	0	1	0.15%
<b>Service Totals</b>	<b>0</b>	<b>95</b>	<b>224</b>	<b>212</b>	<b>93</b>	<b>17</b>	<b>40</b>	<b>681</b>	<b>100.00%</b>
<b>Percent of Total</b>	<b>0.00%</b>	<b>13.95%</b>	<b>32.89%</b>	<b>31.13%</b>	<b>13.66%</b>	<b>2.50%</b>	<b>5.87%</b>	<b>100.00%</b>	

Average Age at Hire = 30.4  
 Average Service = 21.5  
 Average Attained Age = 52.0

## Section VII – Summary of Participant Data

### A. Participant Data Reconciliation

	Active Participants <sup>1</sup>	Current Payment Status <sup>2</sup>	Vested Terminated <sup>3</sup>	Disabled Participants	Total
<b>1. As of January 1, 2024</b>	733	1,030	62	5	1,830
<b>2. Change of status</b>					
a. normal retirement	(2)	4	(2)	0	0
b. late retirement	(11)	12	(1)	0	0
c. early retirement	(17)	19	(2)	0	0
d. disability	0	0	0	0	0
e. death	(4)	(7)	1	0	(10)
f. nonvested termination	0	0	0	0	0
g. vested termination	(1)	0	1	0	0
h. completion of payment	(17)	(2)	(6)	(1)	(26)
i. rehires	0	0	0	0	0
j. other	0	0	0	0	0
k. net changes	(52)	26	(9)	(1)	(36)
<b>3. New participants</b>	0	0	0	0	0
<b>4. As of January 1, 2025</b>	681	1,056	53	4	1,794

<sup>1</sup> Includes any participant who might be beyond Normal Retirement Date

<sup>2</sup> Includes deceased participants whose beneficiaries are receiving benefits

<sup>3</sup> Includes deceased participants whose beneficiaries are entitled to receive benefits

## Section VIII – Glossary of Actuarial Terms

<b>Actuarial Accrued Liability</b>	That portion, as determined by the particular actuarial cost method used, of the Actuarial Present Value of future pension plan benefits as of the Valuation Date that is not provided for by the Actuarial Present Value of future Normal Costs.
<b>Actuarial Assumptions</b>	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, termination, disablement and retirement; changes in compensation; rates of investment earnings and asset appreciation; and other relevant items.
<b>Actuarial Gain (Loss)</b>	A measure of the difference between actual experience and that expected based on the Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with the particular actuarial cost method used.
<b>Actuarial Present Value</b>	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date (the Valuation Date) by the application of the Actuarial Assumptions.
<b>Actuarial Valuation</b>	The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values for a pension plan.
<b>Actuarial Value of Assets</b>	The value of cash, investments and other property belonging to a pension plan, as determined by a method and used by the actuary for the purpose of an Actuarial Valuation.
<b>Entry Age Normal Actuarial Cost Method</b>	An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated as a level percentage of compensation over the period from entry age to the last age before 100% assumed retirement. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a Valuation Date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability. Under this method, Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.
<b>Normal Cost</b>	That portion of the Actuarial Present Value of pension plan benefits that is allocated to a valuation year by the actuarial cost method.
<b>Plan Year</b>	Beginning in 2017, a 12-month period beginning January 1 and ending December 31. Prior to that, plan years ended on March 31.
<b>Projected Benefits</b>	Those pension plan benefit amounts that are expected to be paid at various future times according to the Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future qualified service.

<b>Unfunded Actuarial Accrued Liability</b>	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
<b>Unfunded Actuarial Accrued Liability Cost</b>	The level dollar amount to amortize the Unfunded Actuarial Accrued Liability over a selected period of years.
<b>Valuation Date</b>	The date upon which the Normal Cost, Actuarial Accrued Liability and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the beginning or ending of a Plan Year.
<b>Years to Amortize the Unfunded Actuarial Accrued Liability</b>	The period is selected in each Actuarial Valuation as the number of years, beginning with the Valuation Date, to amortize the Unfunded Actuarial Accrued Liability with a level dollar amount each year.

## Appendix A – Review of Actuarial Investment Return Assumption

### A. Asset Allocation and Investment Return Assumption Development

	Gross Annual Real Rate of Return (ROR) <sup>1</sup>	Asset Allocation		
		Actual 12/31/2023 <sup>2</sup>	12/31/2023 Target <sup>3</sup>	02/29/2024 Target <sup>4</sup>
<b>Domestic Equity</b>				
Large cap	6.5%	28.9%	30%	15%
Small/Mid cap	7.0	6.5	7	7
All cap	6.7	0.0	0	5
Dynamic	7.0	0.0	0	5
		35.4	37	32
<b>International Equity</b>				
Developed	7.0	21.1	22	22
Emerging markets	8.0	2.9	3	3
		24.0	25	25
<b>Fixed Income</b>				
Core	2.0	13.0	14	14
Limited Duration Fixed Income	1.0	5.4	6	6
High yield	3.5	3.8	4	4
Emerging markets	3.0	3.8	4	4
		26.0	28	28
<b>Alternatives</b>				
Directional hedge	5.5	5.7	5	5
Private real estate	5.0	6.5	5	5
Structured credit	6.0	0.0	0	5
		12.2	10	15
<b>Cash</b>	0.0	2.4	0	0
		100.0%	100%	100%
<b>Weighted Average Gross Real ROR Assumption</b>		5.24%	5.35%	5.36%
<b>Weighted Average Net Real ROR Assumption<sup>5</sup></b>		4.83%	4.94%	4.92%
<b>Possible Theoretical Annual Investment Return Assumption</b>				
Assumed 2.50% Inflation		7.33%	7.44%	7.42%
Assumed 2.25% Inflation		7.08%	7.19%	7.17%

<sup>1</sup> A gross annual real rate of investment return assumption is the long-term total average annual rate of investment return, before any expenses, that is in excess of the assumed annual inflation rate. These are assumptions made by Rudd and Wisdom, Inc.

<sup>2</sup> From pages 13 and 14 of the December 31, 2023 review by SEI.

<sup>3</sup> From Exhibit 2 of October 31, 2022 Amendment to Investment Management Agreement between SEI and LCRA.

<sup>4</sup> From "Proposed 2" modeled portfolio on page 21 of the December 31, 2023 review by SEI.

<sup>5</sup> This is net of the assumed investment-related expenses based on information from SEI on February 9, 2024 which include both direct and indirect expenses, with an addition of 0.02% for custodial bank fees. The total was 0.41% for the December 31, 2023 allocation and 0.44% for the February 29, 2024 allocation.

## B. Price Inflation in the USA – Average Annual Rates of Increase in the CPI-U

YEARS (DEC. TO DEC.)	NUMBER OF YEARS	AVERAGE ANNUAL INCREASE
1959 – 2024	65	3.72%
1964 – 2024	60	3.93
1969 – 2024	55	3.94
1974 – 2024	50	3.68
1979 – 2024	45	3.19
1984 – 2024	40	2.78
1989 – 2024	35	2.66
1994 – 2024	30	2.52
1999 – 2024	25	2.55
2004 – 2024	20	2.56

Most inflation forecasts are for 10 years or less. For example, the average 10-year forecast in the December 2024 Livingston Survey published by the Federal Reserve Bank of Philadelphia was 2.28%. However, 10 years is too short a forecast period for a public employee defined benefit pension plan. In the 2024 annual report of the OASDI Trust Funds (Social Security), the long-range inflation assumptions for their 75-year projections are 3.0%, 2.4%, and 1.8% for the low-cost, intermediate, and high-cost assumptions, respectively. Looking at the average annual increase in the CPI-U over historical periods of 30 to 65 years above and considering the Social Security forecasts, **we believe that reasonable assumed rates of inflation for the long-term future would range from 2.25% to 3%.**

## C. Comparison of Actuarial Economic Assumptions

Actuarial Assumption <sup>(A)</sup>	1/1/2024 Actuarial Economic Assumptions	1/1/2025 Recommended Actuarial Economic Assumptions
Net real rate of return <sup>(B)</sup>	4.50%	4.50%
Inflation (Price)	<u>2.50</u>	<u>2.50</u>
Net total investment return <sup>(B)</sup>	7.00%	7.00%
Inflation	2.50%	2.50%
Productivity	<u>1.75</u>	<u>1.75</u>
General wage increase	4.25%	4.25%
Administrative expenses <sup>(C)</sup>	\$300,000	\$300,000

(A) All assumptions are annual rates or an annual amount.

(B) Net of investment-related expenses.

(C) Not reflected in the investment return assumption but are added to the normal cost.

### D. Comparison of Investment Return and Inflation Assumptions

SYSTEM NAME	Valuation Date	Investment Return Assumption	Rate of Inflation	Real Rate of Return
Austin Employees	12/31/2023	6.75%	2.50%	4.25%
Austin Fire	12/31/2023	7.30	2.50	4.80
Austin Police	12/31/2023	7.25	2.50	4.75
Dallas Employees	12/31/2023	7.25	2.50	4.75
Dallas Police and Fire	1/1/2023	6.50	2.50	4.00
El Paso Employees	9/1/2023	7.25	2.50	4.75
El Paso Fire	1/1/2024	7.75	2.75	5.00
El Paso Police	1/1/2024	7.75	2.75	5.00
Fort Worth Employees	12/31/2023	7.00	2.50	4.50
Houston Fire	7/1/2023	7.00	2.50	4.50
Houston Municipal	7/1/2023	7.00	2.25	4.75
Houston Police	7/1/2024	7.00	2.30	4.70
San Antonio Fire and Police	1/1/2024	7.25	3.00	4.25
Employees Retirement System	8/31/2023	7.00	2.30	4.70
Teacher Retirement System	8/31/2023	7.00	2.30	4.70
Texas County and District System	12/31/2023	7.50	2.50	5.00
Texas Municipal Retirement System	12/31/2023	6.75	2.50	4.25
<b>Average</b>		<b>7.14</b>	<b>2.51</b>	<b>4.63</b>

### E. All 100 Texas Defined Benefit Retirement Plans in the PRB's December 4, 2024 Board Meeting Packet

Current Investment Return Assumption	83 Active Plans
8.00%	0
7.51 – 7.99	8
7.50	11
7.01 – 7.49	21
7.00	24
under 7.00	19
	<u>83</u>
average	7.06%
Current Investment Return Assumption	17 Frozen or Closed Plans
7.25%	1
7.00	3
6.75	1
6.50	3
6.25	4
6.00	2
5.75	3
	<u>17</u>
average	6.40%

## Appendix B – Other Disclosures

### A. Development of Expected Unfunded Actuarial Accrued Liability (UAAL) and Actuarial (Gain)/Loss

Determination of Actuarial (Gain)/Loss	01/01/2025
1. Prior Year Actual UAAL	\$ 156,862,720
2. Normal Cost as of Beginning of Year	5,390,272
3. Interest on above amounts	11,357,709
4. Recommended Contributions for the Year (with credited interest)	(22,261,384)
5. Actual Contributions in Excess of Recommended (with credited interest)	<u>(7,349,441)</u>
6. Current Year Expected UAAL (prior to adjustments)	\$ 143,999,876
7. Adjustment for Plan Amendments	0
8. Adjustment for Change in Actuarial Assumptions	162,959
9. Adjustment for Change in Actuarial Methods	<u>0</u>
10. Current Year Expected UAAL	\$ 144,162,835
11. Current Year Actual UAAL	\$ 147,285,690
12. Actuarial (Gain)/Loss [(11) – (10)]	\$ 3,122,855

### B. (Gain)/Loss Analysis

The plan experienced gains and/or losses from the following sources in the prior plan year:

(Gain)/Loss Source	2024	2023
1. Investment (Gain)/Loss	\$ 1,827,253	\$ 1,120,100
2. Other (Gain)/Loss		
a. Demographic and Economic (Gain)/Loss	(486,901)	1,192,602
b. Salary (Gain)/Loss	<u>1,782,503</u>	<u>2,426,167</u>
c. Total Other (Gain)/Loss	\$ 1,295,602	\$ 3,618,769
3. Total (Gain)/Loss [(1) + (2.c.)]	\$ 3,122,855	\$ 4,738,869

### C. Plan Maturity Measures

The following measures may help the employer assess the relative risks associated with a particular asset mix for the trust's portfolio, a particular funding policy, whether to consider or reconsider asset/liability matching for all or a portion of the portfolio, and other risks disclosed in the transmittal letter to this report. The measures are for the year ending December 31.

Measure	2024	2023	2022	2021	2020	2019
1. Ratio of Retired Life Accrued Liability to Total Accrued Liability	67.2%	67.0%	66.7%	65.4%	64.1%	63.4%
<p>Commentary: Retired participants account for approximately 67% of plan liabilities as of January 1, 2025. This means the plan is considered mature. Mature plans are more sensitive to investment volatility. The proportion of retiree liabilities to total liabilities will continue to grow since the plan is closed to new entrants.</p>						
2. Ratio of Annual Contributions less Benefit Payments and Expenses to Market Value of Assets	-3.3%	-6.0%	-4.8%	-3.6%	-3.0%	-4.4%
<p>Commentary: For mature retirement plans, slightly negative non-investment cash flow (annual contributions less benefit payments and administrative expenses of the plan, as a percentage of ending assets) is expected for an advance funded plan. Partial or full lump sum distributions will result in larger negative percentages than a plan that pays primarily monthly benefits. A closed plan will also have somewhat larger negative percentages than a plan that is open to new entrants.</p>						
3. Duration of Accrued Liability <sup>1</sup>	8.6 yrs.	8.8 yrs.	9.0 yrs.	9.2 yrs.	9.5 yrs.	9.6 yrs.
<p>Commentary: Duration is an indicator of the impact of small changes in discount rates on plan liabilities. The higher the duration, the more sensitive a plan's obligations are to change in discount rates. The typical duration for an ongoing pension plan that does not offer unlimited lump sums is about 10-15 years. Plans with a higher proportion of retirees will tend to have shorter durations.</p>						

<sup>1</sup> Modified duration of the plan's Accrued Liability (AL) estimated by examining the impact of a small shift in discount rates on AL. We used the following formula for this purpose:

$$\left[1 - \left(\frac{AL_1}{AL_2}\right)\right] / (i_1 - i_2)$$

## D. Low-Default-Risk Obligation Measure (LDROM)

The LDROM is meant to represent the cost to the plan to purchase low-default-risk fixed income securities whose cash flows match the expected pattern of benefits (accrued as of the measurement date) expected to be paid in the future.

When calculating this measure, an immediate gain actuarial cost method is used along with a discount rate or discount rates derived from low-default-risk fixed income securities. Examples of discount rates that may meet this requirement include:

1. US Treasury yields;
2. Rates implicit in settlement of pension obligations including purchases of annuities from insurance companies and payment of lump sums;
3. Yields on corporate or tax-exempt general obligation municipal bonds that receive one of the two highest ratings given by a recognized ratings agency;
4. Non-stabilized ERISA funding rates for single employer plans; and
5. Multiemployer current liability rates.

We have used the entry age normal funding method and the short term FTSE Liability Discount Rate in effect as of January 1, 2025 (5.44%) in our calculation of the LDROM. This discount rate was selected to reflect the yields from municipal bonds as of the valuation date that would be needed to match the expected cash flows from the plan. All other assumptions used in determining the obligation measure are the same assumptions as those used in the funding valuation. The LDROM is compared below to the actuarial accrued liability based on a 7% investment return assumption.

<b>Low-Default-Risk Obligation Measure</b>	<b>\$739,660,199 <sup>1</sup></b>
<b>Actuarial Accrued Liability</b>	<b>\$643,747,221 <sup>2</sup></b>

<sup>1</sup> Determined using 5.44% as the discount rate.

<sup>2</sup> Determined using 7.00% as the discount rate.

Investing in a diversified portfolio is expected to produce lower contribution requirements over time. The difference between the LDROM and the actuarial accrued liability determined in the actuarial valuation could be viewed as the expected savings from investing in the plan's diversified portfolio instead of investing only in high quality bonds.

Low-default-risk investments are still subject to market volatility, and investing solely in low-default-risk investments may or may not be considered a prudent investment strategy. Switching to investing solely in high quality bonds could result in unnecessarily high contributions in the near term.

Because plan assets are not invested in all bond-portfolios, the LDROM does not accurately reflect the plan's funding status, nor does it offer insights into required plan contributions or the security of participant benefits.