

April 6, 2020

To the Board of Trustees  
Corpus Christi Firefighters' Retirement System  
Corpus Christi, Texas

We have audited the financial statements of the Corpus Christi Firefighters' Retirement System (the System) for the year ended December 31, 2019 and have issued our report thereon dated April 6, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 2, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corpus Christi Firefighters' Retirement System (the System) are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the market valuation of investments and the net pension liability of the System which are based on amounts obtained from monthly investment manager statements and the System's actuarial valuation, respectively. We evaluated the key factors and assumptions used to develop the market valuation of investments and the net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the System's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made inquiries of management and evaluated the form, content, and method of preparing the information to determine that the information complies with the Government Accounting Standards Board, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management, Corpus Christi Firefighters' Retirement System trustees, and others within the System, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



GF Valdez, P.C

**GF Valdez, P.C.**

A Public Accounting Firm

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April 6, 2020

To the Board of Trustees  
Corpus Christi Firefighters' Retirement System  
Corpus Christi, Texas

In planning and performing our audit of the financial statements of Corpus Christi Firefighters' Retirement System (the System) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Corpus Christi Firefighters' Retirement System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Corpus Christi Firefighters' Retirement System trustees, and others within the System, and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,



GF Valdez, P.C.  
Corpus Christi, Texas

**CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

# CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Corpus Christi Firefighters' Retirement System  
Corpus Christi, Texas

We have audited the accompanying financial statements of Corpus Christi Firefighters' Retirement System (the System), which comprise the statements of fiduciary net position as of December 31, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Corpus Christi Firefighters' Retirement System as of December 31, 2019 and 2018, and the changes in its financial status for the years then ended in accordance 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 management's discussion and analysis and other required supplementary information on pages 3-4 and 23-24 be presented to supplement the basic financial statements. Such information, although not a required 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 regarding 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.

*P. J. Valdez, P. C.*

April 6, 2020  
Corpus Christi, Texas

## CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Corpus Christi Firefighters' Retirement System (System) financial performance provides an overview of the System's financial activities for the years ended December 31, 2019 and 2018. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

### FINANCIAL HIGHLIGHTS

The System held \$157,814,828 in assets and had outstanding \$227,687 in total liabilities at the end of the year ending December 31, 2019. The net amount of \$157,587,141 is held in trust to provide for future benefit payments. The System held \$140,043,763 in assets and had outstanding \$232,677 in total liabilities at the end of the year ending December 31, 2018. The net amount of \$139,811,086 is held in trust to provide for future benefit payments.

From 2018 to 2019, the City's contributions to the System increased \$536,351, or 8.25%. The City's contributions were \$7,040,090 and \$6,503,739 for 2019 and 2018, respectively. From 2018 to 2019, Firefighter's contributions increased by \$312,522, or 7.62%, year over year. Firefighter's contributions were \$4,412,568 and \$4,100,046 for 2019 and 2018, respectively.

Net realized and unrealized gain of \$18,617,826 were recognized in 2019 while net realized and unrealized losses of \$7,757,336 were recognized in 2018 resulting in a net gain of \$26,375,162 year over year. The System earned \$2,800,497 and \$3,082,368 in income from interest and dividends in 2019 and 2018, respectively. Investment expenses decreased by \$49,089, or 9.0%, from 2019 to 2018. Investment expenses increased by \$46,119, or 9.0%, from 2018 to 2017.

From 2018 to 2019, benefits payments increased by \$321,684, or 2.32%, and refunds of contributions decreased by \$91,606, or 60%. From 2017 to 2018, benefits payments decreased by \$77,252, or 0.55%, and refunds of contributions decreased by \$57,371, or 27.0%.

From 2018 to 2019, administrative expenses increased by \$63,348, or 25%. Administrative expenses decreased by \$16,760, or 6.0%, from 2017 to 2018.

### USING THE AUDITED FINANCIAL STATEMENTS

The financial statements reflect the activities of the System and are reported in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. These statements are presented on an accrual basis, reflect all trust activities as incurred, and are based on account balances of investments at year end.



## CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

### FUNDING PROGRESS

The System contracted with Rudd and Wisdom, Inc. to conduct an actuarial valuation to determine the funding position of the System as of December 31, 2018. The actuarial valuation report indicated that the overall funding of the System remains sound and the current contribution rates are sufficient to keep the System actuarially sound. In preparing the valuation, the actuary uses a smoothing method over a rolling five-year period of investment data to remove year-to-year volatility in asset returns.

### ASSET ALLOCATION

At December 31, 2019, the System's portfolio totaled \$157,580,125. The allocations were as follows: Mutual Funds 31.2% (\$49,090,103), Common Stocks 29.2% (\$46,055,643), U.S. Government Securities 10.5% (\$16,583,601), Mutual Funds - Real Estate 12.3% (\$19,386,347), Corporate & Foreign Bonds 15.6% (\$24,618,714), and cash & cash equivalents 1.2% (\$1,845,717). Cash & cash equivalents decreased by \$1,820,142 in 2019. Mutual Funds increased \$26,941,760, Mutual Fund - Real Estate increased by \$632,776. Corporate & Foreign Bonds increased \$3,299,039 and Common Stock decreased \$2,820,572. U.S. Government Securities decreased by \$8,396,459.

### CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the System's finances and to demonstrate accountability for the money they receive. If anyone has any questions about this report or need additional financial information, they contact the Corpus Christi Firefighters' Retirement System, 711 N. Carancahua, Suite 724, Corpus Christi, Texas 78401-0544.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 STATEMENTS OF FIDUCIARY NET POSITION  
 December 31, 2019 and 2018

	2019	2018
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and short-term investments (at fair value)	\$ 1,845,717	\$ 3,665,859
Investments (at fair value)	155,734,408	136,077,864
Accrued interest receivable	228,580	296,236
Other	3,427	3,398
	157,812,132	140,043,357
Total current assets	157,812,132	140,043,357
Furniture and equipment, net	2,696	406
	157,814,828	140,043,763
<u>LIABILITIES</u>		
<b>CURRENT LIABILITIES</b>		
Benefits payable	80,561	83,792
Accounts payable and accrued expenses	147,126	148,885
Total current liabilities	227,687	232,677
<b>NET FIDUCIARY POSITION ASSETS HELD IN</b>		
TRUST FOR PENSION BENEFITS (a schedule of changes in the net pension liability is presented on page 23)	\$ 157,587,141	\$ 139,811,086

The accompanying notes are an integral part of these financial statements.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
 For The Years Ended December 31, 2019 and 2018

	2019	2018
<b><u>ADDITIONS TO NET ASSETS</u></b>		
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$ 18,617,826	\$ (7,757,336)
Interest	1,743,445	1,338,241
Dividends	1,057,052	1,744,127
	21,418,323	(4,674,968)
Less investment expenses	502,933	552,022
Net investment income (loss)	20,915,390	(5,226,990)
Contributions:		
City of Corpus Christi	7,040,090	6,503,739
Firefighters	4,412,568	4,100,046
Total contributions	11,452,658	10,603,785
Total additions	32,368,048	5,376,795
<b><u>DEDUCTIONS FROM NET ASSETS</u></b>		
Benefits paid	14,214,801	13,893,117
Administrative expenses	316,029	252,645
Refund of contributions	61,163	152,769
Total deductions	14,591,993	14,298,531
NET INCREASE (DECREASE) IN PLAN ASSETS	17,776,055	(8,921,736)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, beginning of year	139,811,086	148,732,822
NET FIDUCIARY POSITION HELD IN TRUST FOR PENSION BENEFITS, end of year	\$ 157,587,141	\$ 139,811,086

The accompanying notes are an integral part of these financial statements.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 1 – PLAN DESCRIPTION

The following brief description of the Corpus Christi Firefighters' Retirement System (the System) is provided for general information purposes only. The System's pension plan (Plan) document and the most recent actuarial study should be referred to for more complete information. The provisions of the Plan are established by the Texas Local Firefighter's Retirement Act of the State of Texas (TLFFRA) and the Board of Trustees.

Plan Administration

The System is administered by a seven-member Board of Trustees (the Board) consisting of the mayor or the mayor's designated representative; the City's chief financial officer or a person designated by the chief financial officer; three active members of the retirement system elected by participating members; and two citizen members who are elected by participating members of the board.

General

The Plan is a single-employer defined benefit pension plan covering all firefighters employed by the City of Corpus Christi (City), Texas. The table below summarizes the membership of the System included in the December 31, 2018 actuarial valuation of the System, the most recent completely biennial actuarial valuation.

Retirees and beneficiaries currently receiving benefits	321
Terminated members entitled to benefits, but not yet receiving them	10
Active participants (vested and non-vested)	415
Total	746

Pension Benefits

The System provides service retirement, death, disability, and withdrawal benefits. Effective January 1, 2016, firefighters are eligible for service retirement when the member is at least 54 years old and has performed at least 20 years of service that is credited in the retirement system. Qualified employees are entitled to monthly pension benefits beginning at age 54 equal to a formula amount based on 52% of the employee's highest sixty-month average pay and \$150 for each of his years of service in excess of 20 years, if any, as described in the Plan document, or if greater, a formula amount based on the employee's total years of service, as described in the Plan document, subject to a five-year phase-in formula.

Deferred service retirement benefit, based on the employee's vested percentage of their service retirement benefit, is available to firefighters who complete 10 years of service if they do not withdraw their employee contributions prior to attaining age 54. If a firefighter who has completed 10 years of service so elects, the firefighter can begin to receive an actuarially-reduced service retirement benefit before reaching age 54.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 1 – PLAN DESCRIPTION (continued)

If a firefighter is separated from the service of the Corpus Christi Fire Department before they become vested in service retirement benefits, the firefighter will receive a refund of accumulated contributions to the System.

There is no provision for automatic post retirement benefit increases. The System has the authority to provide, and has periodically in the past provided, ad hoc post-retirement benefit increases. The benefit provisions of the Plan are authorized by the TLFFRA. The TLFFRA provides the authority and procedure to amend benefit provisions.

Eligibility for Participation in Retroactive Deferred Retirement Option Plan (“RETRO DROP”)

A firefighter meeting the conditions described below can elect an optional form of service retirement or disability benefit at termination of employment as an employee called a Retroactive Deferred Retirement Option Plan (RETRO DROP). Under this option, an eligible firefighter who qualifies as a service retiree or a disability retiree can elect a RETRO DROP benefit calculation date that is no earlier than a date which is (a) 36 months prior to the first day of the month following the date when his termination of employment as an employee occurs, and (b) the first day of the month after he attains age 54 and completes 20 years of service. Additionally, under this option, an eligible Participant who qualifies as a service retiree or a disability retiree can elect a RETRO DROP benefit calculation date that is no earlier than a date which is (a) 48 months prior to the first day of the month following the date when his termination of employment as an employee occurs, and (b) the first day of the month after he attains age 56 and completes 22 years of service. This option is available to a firefighter who becomes eligible to receive disability benefits if he satisfies the age and service requirements of the Section.

If a firefighter dies while an active employee of the City and while eligible to elect a RETRO DROP, his surviving spouse will be eligible to elect a RETRO DROP with regard to the death benefit available to such surviving spouse. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of the amount of monthly contributions the member has made to the system after the RETRO DROP benefit calculation date plus the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

Termination

Although the System has not expressed any intent to do so, in the event the System is terminated or upon complete discontinuance of contributions, the members and their beneficiaries shall be entitled to the benefits accrued to the date of such termination of discontinuance, to the extent then funded.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 1 – PLAN DESCRIPTION (continued)

Funding Policy

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

Effective January 1, 2016, the funding policy of the System requires contributions equal to 13.1% of pay by the firefighters, the rate elected by the firefighters as authorized by TLFFRA. The City currently contributes 21.28% of payroll according to a city resolution. The actuarial valuation includes the assumption that the city contribution rate will be 21.28% over the UAAL amortization period. The costs of administering the Plan are paid from the System.

The funding policy also depends upon the total return of the System's assets, which varies from year to year. This measurement of the investment performance is net of investment expenses and reflects the estimated effect of the timing of the contributions received and the benefits paid during the year.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the System have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Plan's accounting policies are described below.

Reporting Entity

The System is a component unit of the City of Corpus Christi, Texas because of the significance of its operational and financial relationship with the City. For financial reporting purposes the Plan is reported as a "blended" component of the City because it is fiscally dependent on the City. Blending is a financial reporting process that results in the reporting of the component unit's operations as part of the primary government's operations.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Death and Disability Benefits

Effective January 1, 2016, if an active firefighter becomes totally disabled with less than 20 years of service, the disabled firefighter is entitled to receive a monthly disability benefit for 30 months equal to the service retirement benefit that would be payable to a firefighter who retired with exactly 20 years of service. After 30 months, the amount of the disability benefit is subject to being decreased based on the disabled firefighter's estimated annual residual earnings capacity and percentage of disability.

If an active firefighter dies with less than 20 years of service, a death benefit is payable to eligible beneficiaries equal to the service retirement benefit that would be payable to the firefighter if he or she retired with exactly 20 years of service.

If an active firefighter dies or becomes totally disabled with 20 or more years of service, a benefit equal to the amount the firefighter would have received had he retired on the date of death or disability is paid to the firefighter or their beneficiary. Death benefits can also be paid on behalf of retired or disabled firefighters.

Firefighters who are eligible for service or disability retirement and certain surviving spouses of deceased firefighters may be eligible for a retroactive deferred retirement option.

Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting. Firefighter and City contributions are recognized as revenues in the period in which salaries are earned. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

Valuation of Investments

Investments are reported at estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment Income

Investment income is recognized as earned. Gains and losses on sales of investment securities are recognized on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the System's gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

The System's expenses are paid as provided by the System's document. Certain expenses incurred in connection with the general administration of the System that are paid by the System are recorded as deductions in the accompanying statement of changes in fiduciary net position. In addition, certain investment related expenses are included in net appreciation in fair value of investments presented in the accompanying statement of changes in fiduciary net position.

Furniture and Equipment

Furniture and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight-line method for financial reporting purposes, based on the estimated useful lives of the assets which are 5 years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year, none affecting net income, may have been reclassified in order to be consistent with the current year presentation.

Risk and Uncertainties

Contributions to the Plan and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the System diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.



CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The System's Board of Trustees utilizes portfolio diversification in order to control this risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The System's \$71 million investment in common and preferred stocks, and corporate bonds and notes at December 31, 2019 and 2018, are held by the investment's counterparty, not in the name of the System. The System's investment policy does not address limits regarding the securities held by counterparties.

As of December 31, 2019, and 2018, all investments are registered in the name of the Corpus Christi Firefighters' Retirement System or in the name of the Plan's custodian, established through a master trust custodial agreement.

Recent Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, to improve guidance regarding the identification of fiduciary activities accounting and financial reporting purposes. The focus is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for the System's years ending December 31, 2019 and 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, to address practice issues identified during implementation and application of certain GASB statements such as blending component units, goodwill, and fair value measurements and application. This Statement is effective for the years ending December 31, 2019 and 2018, however no effect to the System at this time.

In June 2017 GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for the year ending December 31, 2020 with early adoption allowed, however no effect to the System at this time.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In April 2018 GASB issued Statement No. 88, *Certain disclosures related to debt, including borrowings and direct placements*, to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for the year ending December 31, 2019, however no effect to the System at this time.

In June 2018 GASB issued Statement No. 89, *Accounting for interest cost incurred before the end of a construction period*, to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify the accounting for interest cost incurred before the end of a construction period. This Statement is effective for the year ending December 31, 2020 with early adoption allowed, however no effect to the System at this time.

In August 2018 GASB issued Statement No. 90, *Majority equity interests- An amendment of GASB Statements No. 14 and No. 61*, to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the year ending December 31, 2019, however no effect to the System at this time.

In May 2019 GASB issued Statement No. 91, *Conduit debt obligations*, to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related not disclosures. This Statement is effective for the year ending December 31, 2021 with early adoption allowed, however no effect to the System at this time.

NOTE 3 – CONTRIBUTION REQUIREMENTS AND CONTRIBUTIONS MADE

For the plan in effect on December 31, 2019 and 2018, the funding policy of the Corpus Christi Firefighters' Retirement System required contributions equal to 13.10% (for the Plan effective January 1, 2016) of each bi-weekly payroll period paid by the firefighters. The funding policy required contributions from the City equal to 21.28% for the years ending December 31, 2019 and 2018. While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the System be approved by an eligible actuary.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 3 – CONTRIBUTION REQUIREMENTS AND CONTRIBUTIONS MADE (continued)

The System's actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the Plan's normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the Plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method. For the Plan in effect on January 1, 2016, the normal cost is 16.11% of payroll and the amortization period is approximately 29.8 years based on a December 31, 2019 valuation date. For the 2019 and 2018 calendar years, total contributions of \$11,452,658 and \$10,603,785, respectively, were required and paid into the System.

NOTE 4 – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following as of December 31, 2019 and 2018:

	2019	2018
Office equipment	\$ 17,115	\$ 15,085
Furniture and fixtures	12,920	11,404
Less: Accumulated depreciation	(27,339)	(26,083)
Totals	\$ 2,696	\$ 406

Depreciation expense totaled \$1,256 and \$1,049 in 2019 and 2018 respectively.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 5 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Effective September 1997, the Board of Trustees established that the System shall keep a sufficient amount of cash on hand to make payments as they become due under the System. If the Board determines that the cash fund of the System contains amounts in excess of the amount needed to make necessary payments as they become due, the Board of Trustees may invest any portion of the excess.

In making investments for the retirement system, the Board of Trustees shall exercise proper judgment and care, taking into account the circumstances prevailing at the time of the investment. The Board of Trustees may not invest in the stock or bonds of one corporation more than five percent of the book value of the assets of a fund. In addition, the System may not own more than five percent of the voting stock of one corporation.

The System's deposits are carried at fair value. The cash and short-term investment balances of \$1,845,717 and \$3,665,859 at December 31, 2019 and 2018, respectively, are held in cash equivalent securities or investments.

The following table presents the fair values of investments at December 31, 2019 and 2018. Investments that represent 5% or more of the System's net assets are separately identified.

	<u>2019</u>	<u>2018</u>
Common and Preferred Stocks	\$ 46,055,643	\$ 48,876,215
Mutual Funds	49,090,103	22,148,343
Corporate (domestic and foreign)		
Bonds and Notes	24,618,714	21,319,675
Mutual Funds - Real Estate	19,386,347	18,753,571
U.S. Government Securities	<u>16,583,601</u>	<u>24,980,060</u>
Totals	<u>\$155,734,408</u>	<u>\$136,077,864</u>

Fair values were determined based on quoted market prices. No investments other than those shown above were made during the year. Deposits held in money market accounts were classified as cash and short-term investments as of December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.13% and (3.56)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of the fiduciary net position at December 31, 2019 and 2018.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 6 – OPERATING LEASES

The System leases its office facilities under an operating lease that requires monthly payments that will increase gradually over the term of the lease. Total rent of \$11,758 and \$11,422 was paid for the years ending December 31, 2019 and 2018, respectively.

The total amount of lease payments required under the operating lease for the years ending after December 31, 2019 are as follows:

<u>December 31,</u>	<u>Amount</u>
2020	\$ 11,100
2021	11,437
2022	<u>2,859</u>
	<u>\$ 25,396</u>

NOTE 7 – FAIR VALUE MEASUREMENTS

The fair value measurement in accordance with Accounting Standards Codification 820-10, establishes a framework for measuring fair value.

Level 1 Fair Value Measurements

These are inputs representing unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability at the measurement date.

Level 2 Fair Value Measurements

These are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liability (for example interest rates, volatilities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Fair Value Measurements

These are significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2019 and 2018.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 7 – FAIR VALUE MEASUREMENTS (continued)

The System's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets and liabilities reported at fair value on a recurring basis at December 31, 2019 and 2018 are as follows:

Fair Value Measurements at Reporting Date Using:

	Fair Value	Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2019</u>				
Common and Preferred Stocks	\$ 46,055,643	\$ 46,055,643	\$ --	\$ --
U.S. Government Securities	16,583,601	16,583,601	--	--
Mutual Funds	49,090,103	49,090,103	--	--
Mutual Funds - Real Estate	19,386,347	--	--	19,386,347
Corporate (domestic and foreign)				
Bonds and Notes	<u>24,618,714</u>	<u>24,618,714</u>	--	--
Total	<u>\$155,734,408</u>	<u>\$136,348,061</u>	<u>\$ --</u>	<u>\$19,386,347</u>
<u>December 31, 2018</u>				
Common and Preferred Stocks	\$ 48,876,215	\$ 48,876,215	\$ --	\$ --
U.S. Government Securities	24,980,060	24,980,060	--	--
Mutual Funds	22,148,343	22,148,343	--	--
Mutual Funds - Real Estate	18,753,571	--	--	18,753,571
Corporate (domestic and foreign)				
Bonds and Notes	<u>21,319,675</u>	<u>21,319,675</u>	--	--
Total	<u>\$136,077,864</u>	<u>\$117,324,293</u>	<u>\$ --</u>	<u>\$18,753,571</u>

To estimate their fair value, the System uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities, in other words the market approach. The System did not have any significant transfers between levels 1 and 2 for the years ended December 31, 2019 and 2018.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 8 – NET PENSION LIABILITY OF THE SYSTEM

The System's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the roll forward procedure of the total pension liability in the actuarial valuation as of December 31, 2018 and rolled forward to December 31, 2019.

The components of the net pension liability of the System at December 31, 2019, are as follows:

Total pension liability	\$260,213,877
Fiduciary net position	<u>157,587,141</u>
System's net pension liability	<u>\$102,626,736</u>
 Plan fiduciary net position as a percentage of total pension liability	 60.6%

Actuarial Assumptions - the total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.1%
Salary increases:	3.1% plus promotion, step, and longevity that vary by service
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation

NOTE 9 – SUBSEQUENT EVENTS

Management of the System has evaluated subsequent events for disclosure through April 6, 2020, the date the financial statements were available to be issued and concludes that there are no events or transactions occurring during this period that require recognition or disclosures in the financial statements.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 10 – INVESTMENT ASSET ALLOCATION

The System's investments are recorded at fair value as of December 31, 2019 and 2018. The table below reflects the composition of these investments.

<u>December 31, 2019</u>	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Investment Policy Asset Allocation</u>
Equities:			
LSV Asset Management	\$ 18,947,976	12.2%	10.00 – 15.00%
Templeton Intl.	19,273,600	12.4	10.00 - 15.00
PIMCO	13,501,230	8.7	7.50 - 10.00
Polen Capital Mgmt.	8,945,558	5.7	2.50 - 7.50
Clearbridge	8,943,985	5.7	2.50 - 7.50
JP Morgan SMG	8,392,478	5.4	2.50 - 7.50
Eaton Vance Emerging Mkt	9,218,124	5.9	2.50 - 7.50
Fuller & Thaler	<u>7,922,795</u>	5.1	2.50 - 7.50
Equities Total	<u>95,145,746</u>		
Fixed Income:			
Garcia Hamilton	<u>41,202,315</u>	26.5	31.00 - 41.00%
Fixed Income Total	41,202,315		
Alternative Investments			
JPM Strategic RE	<u>19,386,347</u>	12.5	5.00 - 15.00%
Alternative Investment Total	<u>19,386,347</u>		
Total Portfolio	<u>\$155,734,408</u>	100%	
<u>December 31, 2018</u>	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Investment Policy Asset Allocation</u>
Equities:			
LSV Asset Management	\$ 16,587,175	12.2%	10.00 - 15.00%
Templeton Intl.	15,101,041	11.1	10.00 - 15.00
Clearbridge	9,437,831	6.9	10.00 - 15.00
Polen Capital Mgmt.	9,273,385	6.8	2.50 - 7.50
JP Morgan	7,047,302	5.2	2.50 - 7.50
Fuller & Thaler	6,769,635	5.0	2.50 - 7.50
Eaton Vance Emerging Mkt	<u>8,808,189</u>	5.0	2.50 - 7.50
Equities Total	<u>71,024,558</u>		
Fixed Income:			
Garcia Hamilton	<u>46,229,735</u>	34.0	31.00 - 41.00%
Fixed Income Total	46,229,735		
Alternative Investments			
JPM Strategic RE	<u>18,753,571</u>	13.8	5.00 - 15.00%
Alternative Investment Total	<u>18,753,571</u>		
Total Portfolio	<u>\$136,077,864</u>	100%	



CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 10 – INVESTMENT ASSET ALLOCATION (continued)

Because of the complexity of the portfolio, the System's board of trustees relies on its consultant to provide the necessary guidance to accomplish the System's objectives. The Board also understands that return objectives can be achieved while assuming "market" volatility. The Board is willing to forgo potential return in strong markets in return for protection against a severe decline during weak periods.

*Concentration of credit risk.* As noted in the above schedule, none of the asset classes exceed their maximum percentage of asset allocation. The system is well diversified; with no individual equity investment manager holding in excess of 10% its portfolio in any single corporation and any individual fixed income manager holding more than 5% of its portfolio in any single issuer, as outlined in the Investment Policy Statement. With the exception of the alternative investments, the portfolio can be liquidated within one to two days if so desired. Alternative investments may have an extended liquidation period.

*Interest rate risk.* Only the fixed income securities of the Plan are subject to direct interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to direct interest rate risk as of December 31, 2019, amount to \$41,202,315 and have a weighted average duration of 4.39 years. Securities that are subject to interest rate risk as of December 31, 2018, amount to \$46,299,735 and have a weighted average duration of 4.62 years. Durations is defined as the change in the value of a fixed income security that will result from a 1% change in interest rates.

Duration is stated in years. For example, 5-year duration means the bond will decrease in value by 5% if interest rates rise 1% and increase in value by 5% if interest rates fall 1%. Securities that are subject to direct interest rate risk are shown in the following table for the years ending December 31, 2019 and 2018. The Investment Policy Statement limits the structure of the investment manager's portfolio's duration to +/- 25% of the appropriate benchmark duration.

December 31, 2019

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Duration</u>
Corporate bonds	\$24,618,714	59.75%	1.23
Treasury & Agencies	11,662,564	28.31	3.06
Mortgage-backed securities	<u>4,921,037</u>	<u>11.94</u>	<u>0.10</u>
Total interest rate sensitive bonds	<u>\$41,202,315</u>	100.00%	<u>4.39</u>

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 10 – INVESTMENT ASSET ALLOCATION (continued)

December 31, 2018

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Duration</u>
Corporate Bonds	\$21,319,675	46.04%	0.41
Treasury & Agencies	21,895,882	47.29	4.06
Mortgage-backed securities	<u>3,084,178</u>	<u>6.67</u>	<u>0.15</u>
Total interest rate sensitive bonds	<u>\$46,299,735</u>	100.00%	<u>4.62</u>

*Credit risk.* Using Standard and Poor's rating system for fixed income securities as of December 31, 2019 and 2018, the System's bonds were rated as noted below. The Investment Policy Statement requires corporate fixed income securities to be at least investment grade at the time of purchase, with additional actions required if any security is downgraded below investment grade after purchase.

December 31, 2019

<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Percentage of Total</u>
AAA	\$16,583,600	40.25%
AA	747,113	1.81
A	<u>23,871,602</u>	<u>57.94</u>
Total Credit Sensitive bonds	<u>\$41,202,315</u>	100.00%

December 31, 2018

<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Percentage of Total</u>
AA	\$24,980,061	53.95%
A	2,213,711	4.78
BBB	<u>19,105,963</u>	<u>41.27</u>
Total Credit Sensitive bonds	<u>\$46,299,735</u>	100.00%

*Foreign currency risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of December 31, 2019, and 2018, the System did not have direct exposure to foreign currency risk through its investments. The Investment Policy Statement is silent on the subject of foreign currency risk.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 11 – GASB 67 REQUIRED INFORMATION AND SCHEDULES

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

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.49%) and by adding expected inflation (3.1%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	25.0%	5.83%
Small/mid cap domestic	10.0	5.99
International developed	12.5	6.09
Emerging markets	6.0	7.11
Real estate	10.0	4.39
Fixed income	36.5	2.21
Cash	<u>0.0</u>	0.39
Total	100.0%	
Weighted Average		4.49%

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the December 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years. Because of the 30-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 11 – GASB 67 REQUIRED INFORMATION (continued)

The following presents the net pension liability of the System calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	<u>\$ 131,654,253</u>	<u>\$ 102,626,736</u>	<u>\$ 78,155,960</u>

**REQUIRED SUPPLEMENTARY SCHEDULES**

**CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE SYSTEMS NET PENSION LIABILITY AND RELATED RATIOS**  
 Last Ten Fiscal Years\*

	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>	\$ 4,144,217	\$ 4,318,568	\$ 4,480,514	\$ 4,693,797	\$ 4,858,080	\$ 4,804,709
Service cost	15,650,548	16,375,781	17,030,100	17,417,403	18,049,980	18,652,455
Interest	-	2,725,939	(2,017,698)	-	(5,495,002)	-
Changes of benefit terms	-	-	3,581,876	-	12,597,676	-
Differences between expected and actual experience	313,566	-	(14,056,060)	(14,180,509)	(14,045,886)	(14,275,964)
Assumption changes	(11,612,717)	(11,091,486)	9,018,732	7,950,691 <sup>3</sup>	15,964,848	9,181,200
Benefit payments, including refunds of firefighter contributions	8,495,614	12,328,802	218,118,406	227,137,138	235,067,829	251,032,677 <sup>3</sup>
<b>Net change in total pension liability</b>	197,293,990 <sup>1</sup>	205,789,604	\$ 227,137,138	\$ 235,067,829	\$ 251,032,677 <sup>3</sup>	\$ 260,213,877 <sup>3</sup>
<b>Total pension liability - beginning</b>	\$ 205,789,604	\$ 218,118,406 <sup>2</sup>	\$ 227,137,138	\$ 235,067,829	\$ 251,032,677 <sup>3</sup>	\$ 260,213,877 <sup>3</sup>
<b>Total pension liability - ending (a)</b>						
<b>Plan fiduciary net position</b>	\$ 6,007,048	\$ 6,361,276	\$ 6,562,993	\$ 6,562,646	\$ 6,503,739	\$ 7,040,090
Contributions - City	3,526,756	3,896,613	4,137,400	4,137,182	4,100,046	4,412,568
Contributions - Firefighters	6,949,478	312,710	7,500,935	18,581,277	(5,226,990)	20,915,390
Net investment income	(11,612,717)	(11,091,486)	(14,056,060)	(14,180,509)	(14,045,886)	(14,275,964)
Benefit payments, including refunds of firefighter contributions	(215,379)	(279,729)	(257,440)	(269,405)	(252,645)	(316,029)
Administrative expense	4,655,186	(800,616)	3,887,828	14,831,191	(8,921,736)	17,776,055
<b>Net change in plan fiduciary net position</b>	126,159,233	130,814,419	130,013,803	133,901,631	148,732,822	139,811,086
<b>Plan fiduciary net position - beginning</b>	\$ 130,814,419	\$ 130,013,803	\$ 133,901,631	\$ 148,732,822	\$ 139,811,086	\$ 157,587,141
<b>Plan fiduciary net position - ending (b)</b>						
<b>City's net pension liability - ending (a) - (b)</b>	\$ 74,975,185	\$ 88,104,603	\$ 93,235,507	\$ 86,335,007	\$ 111,221,591	\$ 102,626,736
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	63.6%	59.6%	59.0%	63.3%	55.7%	60.6%
<b>Annual covered payroll</b>	\$ 28,907,834	\$ 30,612,493	\$ 31,583,219	\$ 31,581,550	\$ 31,298,070	\$ 33,683,725
<b>City's net pension liability as a percentage of covered-employee payroll</b>	259.4%	287.8%	295.2%	273.4%	355.4%	304.7%

\* Until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the recent fiscal year represent changes between the current and prior measurement dates.

1 Determined from the ending total pension liability as of December 31, 2014 but based on the actuarial assumptions for the December 31, 2012 actuarial valuation, using the roll forward procedure allowed for GASB 67.

2 Determined from the beginning of year total pension liability based on a special study based on the December 31, 2014 actuarial valuation, using the roll forward procedure allowed for GASB 67.

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

4 Contributions by the city divided by its contribution rate.

CORPUS CHRISTI FIREFIGHTERS' RETIREMENT SYSTEM  
 SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS\*\*  
 Last Ten Fiscal Years\*

Fiscal Year Ending	Annual Money Weighted Net Real Rate of Return
December 31, 2013	17.65%
December 31, 2014	5.61%
December 31, 2015	0.24%
December 31, 2016	5.85%
December 31, 2017	14.07%
December 31, 2018	-3.56%
December 31, 2019	15.13%

\* Until a full ten-year trend is compiled, only available information is shown.  
 Fiscal year refers to the plan year.

\*\* The money-weighted rate of return expresses investment performance, net of investment expense, reflecting the estimated effect of the contributions received and the benefits paid during the year.