

An aerial photograph of a city park. In the foreground, there is a playground with blue and green equipment. A paved path winds through the park. In the middle ground, a large stadium with a distinctive white, geometric, lattice-like roof is visible. To the left, a river flows through the park. The background shows city buildings and hills under a clear sky.

SERS

Spokane Employees'
Retirement System

Comprehensive Annual Report FOR THE YEAR ENDED DECEMBER 31, 2023

Photography by James Richman

Retirement Department
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Spokane, WA 99201-3324
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Comprehensive Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2023



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Introductory Section

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To the Honorable Mayor and
Spokane City Council
Spokane, WA 99201

This 82nd Annual Report consists of five sections: The Introductory Section contains the letter of transmittal and an explanation of the administrative organization of the System; the Financial Section contains the audited financial statements of the System as well as an opinion letter from the System's independent certified public accountants; the Actuarial Section contains the consulting actuary's report along with related actuarial data and statements; the Statistical Section contains tables of significant data pertaining to the operation of the System; and the last section is the Investment Section, which includes information related to the System's investments.

The Retirement System began its first year of operations in 1942 and is managed in accordance with Chapters 3.05 and 4.14 of the Spokane Municipal Code. The retirement plan is an employer-sponsored defined benefit plan that pays a determinable amount to each member who retires after a minimum number of years of service. Refer to the Summary of Benefit and Contribution Provisions contained in the Actuarial Section of this report for criteria and a more detailed explanation of the benefits.

The compilation of this report reflects the combined efforts of the staff under the leadership of the Retirement Board. The intention of this report is to provide complete and reliable information to assist in management decisions, to present evidence of compliance with legal provisions and to demonstrate responsible stewardship for the assets contributed by the members and their employer. The accuracy and completeness of the data contained in this report are the sole responsibility of the management of the Spokane Employees' Retirement System.

We would like to express our gratitude to the advisors and the many people who have worked so diligently to assure the successful operation of the System. Lastly, the Director would like to acknowledge the hard work and dedication of the Retirement Department staff. Without them, this report would not be possible.

Respectfully submitted,

Board of Administration,
Spokane Employees' Retirement System
As of December 31, 2023

A handwritten signature in blue ink that reads "Christine Shisler".

Christine Shisler
Interim Retirement Director

Administrative Organization

SPOKANE EMPLOYEES' RETIREMENT SYSTEM ADMINISTRATIVE ORGANIZATION

BOARD OF ADMINISTRATION

James Tieken (Chair)	Elected Employee	Refuse District Supervisor, Solid Waste Management
Joseph Cavanaugh	Elected Employee	Water Engineering Tech Foreperson, Water Division
Richard Czernik	Elected Employee	Inventory Control Specialist, Advanced Wastewater Treatment
Jonathan Bingle	Council Appointee	City Council Member, City of Spokane
Brian Brill	Council Appointee	Portfolio Manager, Washington Trust Bank
Brian Myers	Board Appointee	Vice President of Shelters & Specialized Services Catholic Charities of Eastern Washington
Vacant Position	Council Appointee	

INVESTMENT ADVISORY COMMITTEE

Gene Fitzpatrick	President, Spokane City Credit Union
Brian Brill	Portfolio Manager, Washington Trust Bank
Tonya Wallace	Chief Financial Officer, City of Spokane
Christine Shisler	Interim Retirement Director, Spokane Employees' Retirement System

STAFF

Christine Shisler	Interim Retirement Director
Donald G. Brown	Pension Specialist
Lisa Dyson	Pension Clerk
Timothy Szambelan	Legal Advisor

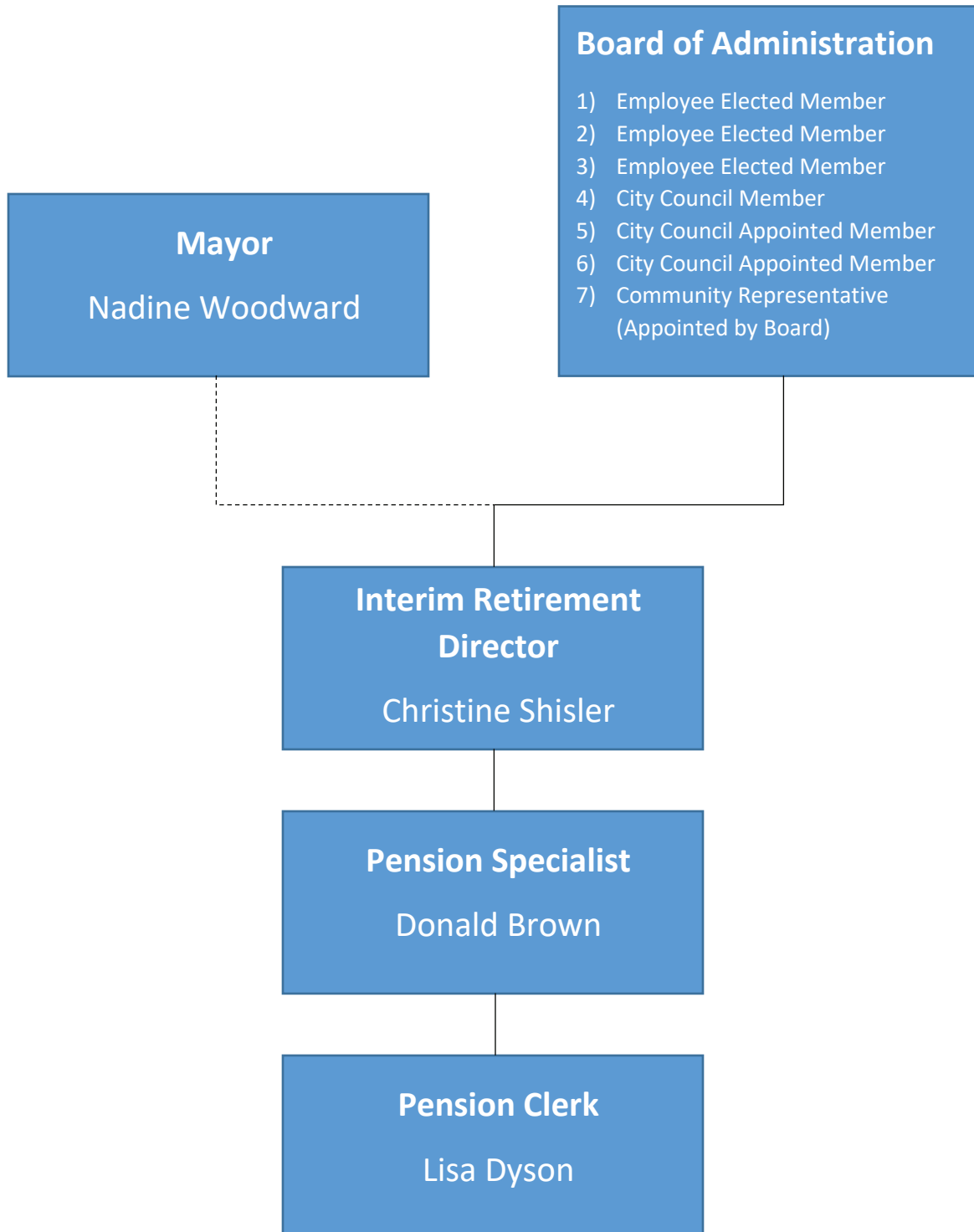
ADVISORY

Auditor	Moss Adams
Actuary	SageView Consulting Group
Investment Consultant	Hyas Group
Custodian	US Bank
Legal Counsel	K&L Gates and Ogletree, Deakins, Nash, Smoak & Stewart, PC

This Annual Report was printed and produced by Sir Speedy Printing, Spokane, WA

Organization Chart

Retirement Department



Description of Retirement System

The Spokane Employees' Retirement System (SERS) is a defined benefit pension plan that was established July 1, 1942. Membership in SERS is required for all permanent non-uniformed employees of the City of Spokane. SERS provides retirement, death, and disability benefits after a member has vested.

SERS is governed by a Board of Administration of seven members. Three members are appointed by the City Council and three employee members are elected by the SERS membership. The seventh member is appointed by the other six members and may not be an elected official or an employee of the City.

Member contributions are currently 10.25% of total salary-based compensation. Member contributions are deducted from the member's salary and paid into the retirement fund, with credit given to the specific member. The City makes an equivalent 10.25% contribution. The contribution rate changed to 11.0% for both the employees and the City effective December 24, 2023. The City's contributions are used for funding the overall plan.

This following contains a brief summary of the Retirement System; refer to the *Summary of Benefit and Contribution Provisions* contained in the Actuarial Section of this report for a more detailed explanation of the benefits.

If a member terminates service before vesting, their contributions plus interest are available for withdrawal. If the member is vested and eligible to retire, they can elect to withdraw their contributions or they can elect to receive a monthly pension. If a member is vested and not yet eligible to retire, they can withdraw their contributions or they can vest and receive a pension when they meet the retirement eligibility requirements.

If a member has vested and becomes totally and permanently disabled, the member may be eligible for a disability pension. If the disability is due to an injury incurred on the job, no minimum service is required. The amount of disability pension is calculated based on 1.25% of final average salary and service that would have been creditable had the member worked until normal retirement age.

For employees hired on or before December 31, 2008, their benefits vest with five-years of service. The normal retirement age is 50. The normal retirement benefit is calculated by multiplying 2.15% times the member's years of creditable service times their consecutive two-year monthly salary. Creditable service is capped at 30 years.

For those employees hired between January 1, 2009 and December 31, 2014, their benefits vest with five-years of service. The normal retirement age is 62, with early eligibility when the employee's age plus years of service equals 75. The normal retirement benefit is calculated by multiplying 2.0% times the member's years of creditable service times their consecutive two-year monthly salary. Creditable service is capped at 35 years.

For those employees hired between January 1, 2015 and December 31, 2017, their benefits vest with seven-years of service. The normal retirement age is 65, with early eligibility when the employee's age plus years of service equals 80. The normal retirement benefit is calculated by multiplying 2.0% times the member's years of creditable service times their consecutive three-year monthly salary. Creditable service is capped at 35 years.

For those employees hired on or after January 1, 2018, their benefits vest with seven-years of service. The normal retirement age is 65, with early eligibility when the employee's age plus years of service equals 90 or upon completing 30 years of service and reaching age 50. The normal retirement benefit is calculated by multiplying 2.0% times the member's years of creditable service times their consecutive three-year monthly salary. Creditable service is capped at 40 years. Salary with overtime is capped at 120% for any given year.

There are a number of actuarially equivalent payment options that allow a retiree to provide benefits to his or her beneficiary with a reduction in monthly pension benefits.

SERVICE RETIREMENT OPTIONS

In each option, a pension is paid to the retiree for their lifetime. The options provide different types of a remaining cash balance, paid to a beneficiary, upon death of the retiree. Briefly, the options are as follows:

Normal Benefit The total pension is deducted each month from the retiree's total accumulated contributions, leaving any remaining balance to be paid to a beneficiary in one lump-sum upon the retiree's death.

Option "C" In case of death within the guaranteed period, a retiree's beneficiary receives the pension for the remainder of a pre-selected time period of 5, 10, 15, or 20 years.

Option "D" Upon the retiree's death, 50% of the pension is continued to the retiree's spouse for life.

Option "E" Upon the retiree's death, 100% of the pension is continued to retiree's spouse for life.

If a retiree elects options "C" through "E," their monthly pension is actuarially reduced to provide a total benefit equivalent to the Normal Benefit.

At the time of retirement, a retiree also has the option of withdrawing their contributions, with interest, in a lump-sum payment and foregoing all rights to any further benefits from SERS.

Additional information can be obtained at www.spokanesers.org

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Financial Section

Moss-Adams L.L.P.
Independent Auditor's Report

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Report of Independent Auditors

The Board of Administration
Spokane Employees' Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Spokane Employees' Retirement System (Plan), a component unit of the City of Spokane, Washington, which comprise the statements of fiduciary net position as of December 31, 2023 and 2022, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of Spokane Employees' Retirement System as of December 31, 2023 and 2022, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the City of Spokane, Washington, as of December 31, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management discussion and analysis, schedule of changes in the employer's net pension liability and related ratios, and the schedule of employer's contributions and the schedule of investments returns, as identified in the table on contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The schedule of administrative expenses and schedule of investment expenses, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses and schedule of investment expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



Spokane, Washington
May 31, 2024

Management Discussion and Analysis

Spokane Employees' Retirement System Management Discussion and Analysis

This section presents management's discussion and analysis of the Spokane Employees' Retirement System's (SERS, System, or Plan) financial performance during the year ended December 31, 2023. Please read it in conjunction with the accompanying financial statements and the related notes.

This report is prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). Investments are stated at fair market value or net asset value and income includes the recognition of unrealized gains or losses. The accrual basis of accounting is used to record assets, liabilities, revenues, and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date. For ease of reading, the dollar amounts that appear in these narratives are typically rounded to the closest one thousand dollars. The basis of contributions to the System is the Entry Age Normal funding method, with current service contributions based on the normal contribution rate determined under the funding method and unfunded prior service amortized as a level percentage of covered payroll over a period of no more than 30 years in accordance with generally accepted accounting principles. SageView Consulting Group LLC, the System's actuary, evaluates the funding status of the System.

The financial section contains the following information:

1. **Basic Financial Statements** including:
 - a. Statements of fiduciary net position
 - b. Statements of changes in fiduciary net position
 - c. Notes to financial statements
2. **Required Supplementary Information** including:
 - a. Schedule of changes in the employer's net pension liability and related ratios
 - b. Schedule of employer's contributions
 - c. Schedule of investment returns
3. **Additional Supplementary Information** including:
 - a. Schedule of administrative expenses
 - b. Schedule of investment expenses

The basic financial statements are described as follows:

- The statements of fiduciary net position show the account balances at year end and include the net position available for future benefit payments. The Plan's net position is restricted to the payment as shown in the schedule of employers' net pension liability and related ratios.
- The statements of changes in fiduciary net position show the sources and uses of funds during the year corresponding to the change in net position from the previous year.
- The notes to the financial statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

Spokane Employees' Retirement System Management Discussion and Analysis

The required supplementary information provides historical data and projected obligations that reflect the long-term nature of the Plan and trends over time.

- Schedule of changes in the employer's net pension liability and related ratios contains the items contributing to the changes in the pension liability and Plan's net position. Ratios comparing the unfunded liability to the Plan's net position and covered-payroll are also provided.
- Schedule of employer's contributions contains a history of employee and employer contributions made to the Plan.
- Schedule of investment returns contains a history of the Plan's investment performance on a money-weighted basis.

Financial Highlights

- Net position restricted for pension end of year balance was \$342.2 million for 2023 and \$311.1 million for 2022, an increase of \$31.1 million (10.0%) during 2023, and it decreased by \$63.3 million (-16.9%) during 2022. Investments returned 14.1% in 2023, providing \$42.2 million of net investment gain. The net outflows for benefit payments (benefit payments and refunds, less total contributions) were \$10.6 million.
- Total additions and changes in investments were \$69.1 million in 2023, compared to \$-26.4 million loss in 2022. For 2023, revenue includes member and employer contributions of \$26.9 million and net investment gain of \$42.2 million. Member and employer contributions increased by \$3.1 million (13.1%) in 2023 compared to an increase of \$775 thousand (3.3%) in 2022. Net investment income (or loss), which fluctuates year-to-year depending on market conditions, was \$42.2 million in 2023, an increase of \$92.5 million compared to a loss of \$-50.2 million in 2022.
- Total Plan expenses and pension benefit payments for 2023 were \$38.0 million, a 3.0% increase from 2022. Total expense amounts and fluctuations are primarily driven by pension benefit payments, which make up 98.5% of total expenses. Retiree benefits increased by \$1.0 million (2.9%) during 2023 and by \$1.8 million (5.4%) during 2022. Administrative expenses decreased by \$107 thousand (-15.7%) during 2023 compared to an increase of \$75.8 thousand (12.6%) in 2022.

Spokane Employees' Retirement System Management Discussion and Analysis

Financial Statements and Analysis

Changes in Plan Net Position

The table below provides a summary of the changes in Plan net position during the years ended December 31:

	2023	2022	2021
Additions and changes in investments			
Employer contributions	\$ 13,446,610	\$ 11,863,726	\$ 11,519,708
Plan member contributions	13,459,279	11,931,102	11,519,708
Net investment income (loss)	42,225,848	(50,241,335)	46,166,835
	<u>69,131,737</u>	<u>(26,446,507)</u>	<u>69,206,251</u>
Deductions			
Benefits	36,088,238	35,057,797	33,256,350
Refunds of contributions	1,378,166	1,210,280	741,019
Net administrative expenses	572,501	679,519	603,645
	<u>38,038,905</u>	<u>36,947,596</u>	<u>34,601,014</u>
	<u>31,092,832</u>	<u>(63,394,103)</u>	<u>34,605,237</u>
Net position restricted for pensions			
Beginning of year	311,139,142	374,533,245	339,928,008
End of year	<u>\$ 342,231,974</u>	<u>\$ 311,139,142</u>	<u>\$ 374,533,245</u>

Additions and Changes in Investments to Net Plan Position

- Employer contributions increased by 13.3% (\$1.6 million) and Plan participant contributions increased by 12.8% (\$1.5 million) in 2023. In 2022, Employer contributions increased by 3.0% (\$344 thousand) and Plan participant contributions increased by 3.6% (\$411 thousand). Participant contributions may vary from employer contributions if rehired employees exercise their option to buy-back creditable service time from a prior withdrawal upon being rehired. Employer and participant contributions are driven by employees' salaries/wages and the contribution rate. The contribution rate remained at 10.25% of salary for both employees and employer for 2023.

Spokane Employees' Retirement System Management Discussion and Analysis

- Net investment income was \$42.2 million in 2023, compared to a loss of -\$50.2 million in 2022, a significant increase from the prior year. In 2023, the portfolio's annual return was 14.1% compared to -13.5% in 2022. 2023 was a strongly positive year with much of the strength concentrated in the fourth quarter during which the S&P 500 Index returned 11.69% (and 26.29% for the year) and the Bloomberg US Aggregate Bond Index returned 6.82% (offsetting what amounted to negative returns for the first three quarters of 2023). Returns across asset classes within the SERS portfolio ranged from a low of 4.58% for Real Estate to a high of 23.30% for Domestic Equity. A strong performance catalyst across the portfolio and which gained acceptance over the fourth quarter was the view that the Federal Reserve may be close to cutting rates, prompting middle- and longer-duration fixed income investments in particular to appreciate. High yield bonds, in moderate contrast provided steadier returns over the year stemming from larger coupon payments and a lack of punitive pickups in defaults. Both US and International equity investments appeared to benefit from the same tailwind of benign future monetary policy and surprisingly resilient economic performance. The most challenged asset class in the SERS portfolio was Real Estate where declining property values, which tend to lag the pace of financial markets, created a return headwind. The most beneficial active managers within the portfolio were within Private Credit, where certain overseas positions held by niche managers appreciated substantially in the fourth quarter. Looking forward, the portfolio's managers in aggregate exhibit a balanced mix of expectations; while security valuations in general appear on the higher end of historical ranges, growth outlooks remain reasonably robust enough to not elicit a high degree of anxiety.

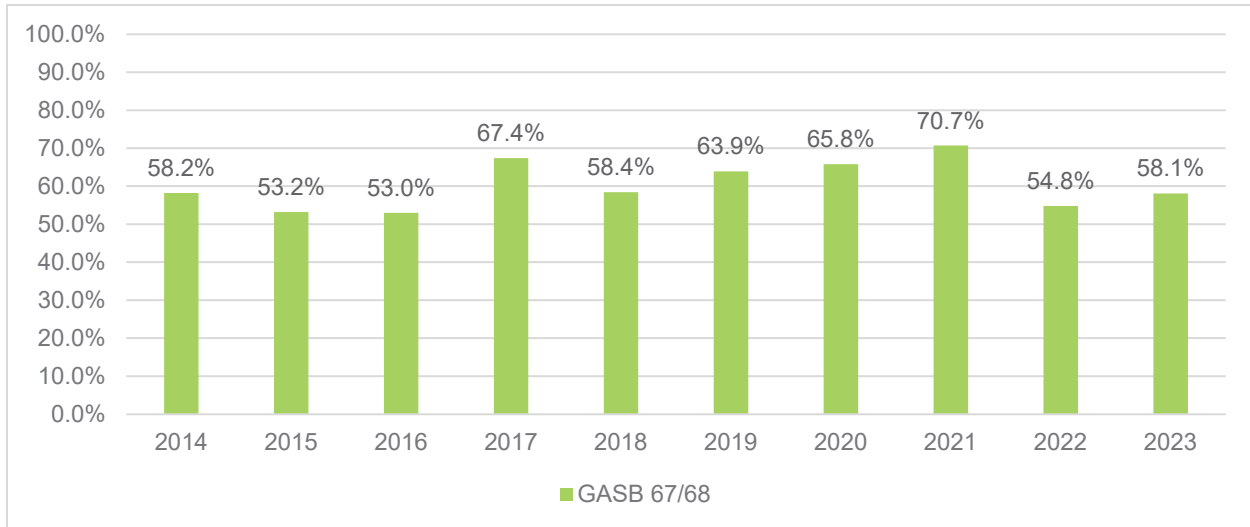
Deductions from Net Plan Assets

- Retiree benefits paid increased by \$1.0 million (2.9%) in 2023, and \$1.8 million (5.4%) in 2022 compared to the prior years. The number of retirees and beneficiaries increased by 7 (0.4%) in 2023 and by 48 (3.1%) in 2022. SERS' active member age is an average of 46.49 years old, which is a slight decrease from 46.59 in 2022. Similarly, average active participant service has remained relatively unchanged, decreasing slightly from 10.20 years in 2022 to 10.11 years in 2023.
- Refunds of contributions increased by \$168 thousand (13.9%) in 2023, compared to an increase of \$469 thousand (63.3%) in 2022. Lump sum withdrawals from the Plan can fluctuate from year to year based on the number of participants that leave the system and the average size of withdrawal.
- Net administrative expenses include salaries and benefits for SERS staff, along with other costs associated with administering the Plan. These expenses are shown on the Schedule of Administrative Expenses. Staff and the SERS Board of Administration (Board) continue to be diligent about Plan operating expenses. The net administrative expenses were \$573 thousand, a decrease of 15.7% compared to \$679 thousand (12.6%) in 2022. The decrease to administrative expenses is primarily due to a decrease in employee salaries and benefits. Administrative expenses represent only 1.5% of total annual expenditures and declined as a proportion of total assets to 0.17%.

Spokane Employees' Retirement System Management Discussion and Analysis

Funding Status

The Net Pension Liability (NPL) is the actuarial present value of benefits accrued, adjusted to reflect future changes based on the actuarial assumptions. The funded ratio compares the NPL to Plan assets.



Beginning in 2014, and reported retrospectively, the implementation of the GASB No. 67 resulted in a new method for measuring the future value of Plan liabilities. The discount rate for any funding shortfalls moved from the long-term assumed rate of return to the municipal bond borrowing rate for all points in time after fund assets are projected to be depleted. This change in methodology reduced the discount rate from 7.50% to 5.50%, which increased the value of the reported unfunded liability through 2016. The lower discount rate reduced the funding ratio from 69.3% to 58.2% in 2014, when GASB No. 67 was implemented for the Plan.

In 2017, a new tier was added to the Plan that reduced the normal cost for employees hired on or after January 1, 2018. In addition, the participant and employee contribution rates are now tied to the Actuarially Determined Contribution (ADC) rate as determined by the Plan's actuary in the annual valuation. These changes were sufficient to eliminate the projected depletion of assets and set the discount rate equal to the 7.50% assumed rate of return.

Funds are accumulated from employer and employee contributions and investment earnings and are used to pay present and future benefit obligations and administrative expenses. Starting December 26, 2021, active members contributed 10.25% of their salaries to the Plan and the City contributes 10.25%, for a total of 20.50% and continued for 2023. The current 10.25% employer and employee contribution rate is expected to allow the Plan to gradually improve its funded position.

Spokane Employees' Retirement System Management Discussion and Analysis

Investment Activities

One-year returns on asset classes and comparative benchmarks are presented in the table below. The policy indices and benchmarks are in italics.

	Investment Return	
	2023	2022
Total portfolio	14.1%	-13.5%
<i>Policy Index</i>	12.4%	-12.3%
Capital Preservation	7.4%	-7.4%
<i>Capital Preservation Policy Index</i>	7.7%	-8.1%
Total Return Bonds	5.5%	-12.7%
<i>Bloomberg US Aggregate Bond Index</i>	5.5%	-13.0%
High Yield Bonds	12.8%	-9.7%
<i>Bloomberg US Corporate High Yield Index</i>	13.5%	-11.2%
Absolute Return	6.1%	-2.3%
<i>HFRI FOF Conservative Index</i>	5.7%	0.1%
Domestic Equity	23.3%	-18.2%
<i>Domestic Equity Policy Index</i>	23.5%	-18.2%
US Large Cap Equities	27.3%	-18.1%
<i>S&P 500 Index</i>	26.3%	-18.1%
US Small/Mid Cap Equities	15.9%	-18.5%
<i>Russell 2500 Index</i>	17.4%	-18.4%
International Equity	16.8%	-17.4%
<i>International Equity Policy Index</i>	14.2%	-17.2%
International Large Cap Equities	20.8%	-14.4%
<i>MSCI ACWI Ex-US Index</i>	15.6%	-16.0%
International Small/Mid Cap Equities	15.1%	-23.1%
<i>MSCI ACWI Ex-US Small Cap Index</i>	15.7%	-20.0%
Emerging Market Equities	9.5%	-23.0%
<i>MSCI EM Free Index</i>	9.8%	-20.1%
Long Biased Hedge Funds	8.1%	-8.4%
<i>HFRI FOF Composite Index</i>	6.3%	-5.3%
Private Credit	17.8%	-8.1%
<i>HFRI Distressed Restructuring Index</i>	7.9%	-4.3%
Real Estate	4.6%	-10.6%
<i>NCREIF ODCE Index</i>	-12.7%	6.6%
<i>FTSE NAREIT All REITs Index</i>	11.5%	-25.1%

The investments of the System are governed by the "prudent investor rule." The prudent investor rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund.

Spokane Employees' Retirement System Management Discussion and Analysis

The System is a long-term investor with a perpetual investment horizon, anticipating ongoing investment cycles with both good and bad years for financial markets. Investments are diversified to reduce investment risk and mitigate the risk of underperforming the actuarial rate of return. While annual market performance is unlikely to match the actuarial rate of return in any given year, long-term returns are expected to be in line with the assumption based on the diversified nature of the portfolio. Each alternative investment that SERS enters into has been carefully studied by the System's independent investment consultant and has been reviewed by the Retirement Director and the Board. The asset allocation study that was modeled by the independent consultant and completed in 2016 demonstrated that alternative assets have low correlations to traditional asset classes and are expected to add value to the portfolio over time. The Chief Investment Officer (CIO) and Board believe the use of alternative investments increases the expected return and reduces the risk of the Plan compared to investing only in traditional asset classes.

Contacting the Spokane Employees' Retirement System

If you have questions about this report or need additional information, please contact:

Spokane Employees' Retirement System
City Hall – Suite 604
808 W. Spokane Falls Blvd.
Spokane, WA 99201
www.spokanesers.org
509.625.6330

Financial Statements

Spokane Employees' Retirement System
Statements of Fiduciary Net Position
December 31, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Cash	\$ 191,389	\$ 111,725
Short-term investments (cash equivalents)	<u>1,060,215</u>	<u>912,268</u>
Total cash and short-term investments	<u>1,251,604</u>	<u>1,023,993</u>
Receivables		
Investment income	286,915	217,767
Other	<u>2,408</u>	<u>3,012</u>
Total receivables	<u>289,323</u>	<u>220,779</u>
Investments	340,792,547	309,914,488
Capitalized software, net	<u>141,192</u>	<u>158,841</u>
Total assets	<u>\$ 342,474,666</u>	<u>\$ 311,318,101</u>
Liabilities		
Payables		
Accounts payable	\$ 82,541	\$ 85,365
Employee salaries and benefits	12,349	7,271
Employee leave benefits	136,415	74,936
Other liabilities	<u>11,387</u>	<u>11,387</u>
Total liabilities	<u>242,692</u>	<u>178,959</u>
Net position restricted for pensions	<u>\$ 342,231,974</u>	<u>\$ 311,139,142</u>

See accompanying notes.

Spokane Employees' Retirement System
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Additions and changes in investments		
Contributions		
Employer	\$ 13,446,610	\$ 11,863,726
Member	<u>13,459,279</u>	<u>11,931,102</u>
Total contributions	<u>26,905,889</u>	<u>23,794,828</u>
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	35,859,160	(54,068,120)
Interest and dividends	6,831,866	4,326,389
Less investment expense	<u>(465,178)</u>	<u>(499,604)</u>
Net investment income (loss)	<u>42,225,848</u>	<u>(50,241,335)</u>
Total additions and changes in investments	<u>69,131,737</u>	<u>(26,446,507)</u>
Deductions		
Benefit payments	36,088,238	35,057,797
Refunds of member contributions	1,378,166	1,210,280
Administrative expenses, net of administrative income	<u>572,501</u>	<u>679,519</u>
Total deductions	<u>38,038,905</u>	<u>36,947,596</u>
Net increase (decrease) in net position	31,092,832	(63,394,103)
Net position restricted for pensions		
Beginning of year	<u>311,139,142</u>	<u>374,533,245</u>
End of year	<u>\$ 342,231,974</u>	<u>\$ 311,139,142</u>

See accompanying notes.

Spokane Employees' Retirement System

Notes to Financial Statements

Note 1 – Plan Description

Plan administration – The Spokane Employees' Retirement System (SERS, System, or Plan) is a multiple employer defined benefit pension plan covering employees of the City of Spokane (City), administered in accordance with Chapters 3.05 and 4.14 of the Spokane Municipal Code (SMC).

SERS is a pension trust fund of the City and is presented as a blended component unit within the fiduciary fund of the City's annual comprehensive financial report. SERS has separate legal standing. The City is financially accountable for SERS because a financial burden is imposed on the City using the criteria of financial accountability. SERS has determined there are no entities that require inclusion within its financial statements.

All permanent employees of the City, including employees of the Plan, are eligible to belong to SERS with the exception of elected officials, who may opt out of the Plan, and police and firefighters, who are members of the State Law Enforcement Officers and Firefighters' Retirement System. Additionally, certain SERS members that moved to the Spokane Regional Emergency Communications (SREC) are eligible to remain in SERS. Such members have the same benefits, eligibility requirements, and contribution rates as current SERS members.

Management of SERS is vested in the SERS Board of Administration (Board), which consists of seven members: three members are elected by active employee Plan members, three members are appointed by the Spokane City Council, and one member (who may not be an elected official or employee of the City) is appointed by the other six Board members.

Reporting entity – The accompanying financial statements present only the Plan, a component unit of the City, and are not intended to present fairly the financial position of the City, the changes in its financial position, or where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

Plan membership – At December 31, 2023 and 2022, pension Plan membership consisted of the following:

	2023	2022
Retirees or beneficiaries currently receiving benefits	1,589	1,582
Inactive plan members entitled to but not yet receiving benefits	175	161
Active plan members	1,605	1,535
	3,369	3,278

Benefits provided – SERS provides retirement, death, and disability benefits. All employees hired before January 1, 2009, who participate in SERS, are eligible for service retirement after completing five years of service if they are age 50 or older. Their retirement benefits are calculated by multiplying 2.15% of the member's highest consecutive two-year average salary by the member's years of creditable service, not to exceed 64.5%. Employees hired prior to January 1, 2009, may retire under the terms of a subsequent tier if it provides a greater benefit.

Spokane Employees' Retirement System

Notes to Financial Statements

All employees hired between January 1, 2009, and December 31, 2014, who participate in SERS, are eligible for service retirement after completing five years of service and reaching the normal retirement age of 62. This group of employees may retire early with full benefits if they reach age 50 and their age, plus years of service, total to 75. Retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive two-year average salary by the member's years of creditable service, to a maximum of 70.0%. In addition, the employees hired between January 1, 2009, and December 31, 2014, may retire under the terms of a subsequent tier if it provides a greater benefit.

All employees hired between January 1, 2015, and December 31, 2017, who participate in SERS, are eligible for service retirement after completing seven years of service and reaching the normal retirement age of 65. This group of employees may retire early, with full benefits, if they reach age 50 and their age, plus years of service, total to 80. Retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive three-year average salary by the member's years of creditable service, to a maximum of 70.00%. Employees hired between January 1, 2015, and December 31, 2017, may retire under the terms of a subsequent tier if it provides a greater benefit.

All employees hired on or after January 1, 2018, who participate in SERS, are eligible for service retirement after completing seven years of service and reaching the normal retirement age of 65. Early retirement, with no reduction of benefits, may be elected when an employee's age plus years of service total to 90 or if they are age 50 or older and complete 30 years of service. A reduced early retirement may be elected with benefits reduced by 2.5% per year for each year before the retiree would be eligible for full retirement. Retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive three-year average salary by the member's years of creditable service, with an annual cap on overtime plus base pay equal to 120% of base pay. The maximum retirement factor is 80.0%.

For all employee groups, benefits may be reduced on an actuarially equivalent basis according to the retirement annuity option selected for themselves and their beneficiaries.

The Board considers issuing an ad hoc adjustment for retiree benefits each year. The Board can grant an ad hoc adjustment if the funded ratio is 90% or greater and remains above 90% after the ad hoc adjustment is granted. The funded ratio was less than 90% as of December 31, 2023. The last ad hoc retiree adjustment occurred in 2001. Based on the current funded ratio, the Plan does not anticipate making ad hoc adjustments for the foreseeable future. It will take continued favorable experience in the investment markets or an increase in contribution levels to raise the funded ratio above the ad hoc threshold.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements were prepared using the accrual basis of accounting. Employee and employer contributions are recorded as revenues in the period in which payroll is due and expenses are recorded when the corresponding liabilities are incurred. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date.

Use of estimates – In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Spokane Employees' Retirement System

Notes to Financial Statements

Methods used to value investments – All fixed income, common stock, and short-term investments are listed at fair market value. Fixed income securities and common stock traded on national exchanges are valued at fair market value based on the closing price of the securities. Investments that do not have an established market are reported at estimated fair value.

Investment fees represent cash payments made to money managers and other investment professionals. Certain investments, such as mutual funds and limited partnerships, net their management fees before the fund itself reports net investment income for the period and are not reflected in this schedule. However, these investment expenses are netted against investment income in the statement of changes in fiduciary net position to arrive at a net investment income amount.

Investments are exposed to various risks, such as interest rate, market, credit, and regulatory risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect total net position and the amounts reported in the statements of fiduciary net position.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to be in accordance with the presentation in the current-year financial statements. Total net position and changes to plan net position are unchanged due to these reclassifications.

Note 3 – Deposits and Investments

Deposits – The Federal Deposit Insurance Corporation (FDIC) insures the cash deposits up to \$250,000 per depositor. As provided by State of Washington RCW 43.84, the Washington Public Deposit Protection Commission (PDPC) collateralizes deposits in excess of \$100,000.

Investment policy – The Plan's policy regarding the allocation of invested assets is established, and may be amended, by a majority vote of the Board. It is the policy of the Board to pursue an investment strategy that meets the projected return requirements while minimizing volatility by diversifying the portfolio across a broad selection of distinct asset classes. The Plan's investment policy limits the use of cash equivalents to meeting liquidity requirements and reviews rebalancing needs at least quarterly. In March 2023, the investment policy was reviewed and approved by the Board.

The following was the Board's target asset allocation as of December 31, 2023 and 2022:

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>2023</u>	<u>2022</u>
Capital Preservation	30%	23%
Domestic Equities	24%	32%
International Equities	20%	22%
Long Biased	9%	7%
Private Credit	8%	0%
Real Estate	7%	9%
Master Limited Partnerships	2%	0%
Opportunistic Credit	0%	7%
Total	<u>100%</u>	<u>100%</u>

Spokane Employees' Retirement System

Notes to Financial Statements

Rate of return – For the years ended December 31, 2023 and 2022, the annual money-weighted rate of return on pension Plan investments, net of pension Plan investment expense, was 14.1% and (13.5)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments – Investments of the pension trust funds are reported at fair value. The Board maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. SERS investments are governed by an investment standard known as the “prudent person rule.” The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the Plan.

In fulfilling its responsibilities, the Board has contracted with investment managers, a custodian, and an independent investment consultant. Investment manager contracts include specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board.

The Board has an asset allocation policy that includes allocations to alternative investments. The term “alternative investments” encompasses a broad category of investments other than traditional asset classes of equities, fixed income, and real estate. Funding of these investments began in 2007 and continues on an ongoing basis.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. Although the SERS Investment Policy does not specifically address credit risk, this risk is mitigated by closely monitoring the credit quality ratings of its fixed income portfolios and by setting criteria for fixed income manager selection.

Concentration of credit risk – SERS has no individual holdings by an issuer that represent five percent or more of SERS' investments at December 31, 2023 and 2022. SERS' holdings in organizations that manage five percent or more of the Plan's fiduciary net position were:

Organization	2023	2022
	% of Net Position	
Sterling Capital Management	11.9%	10.2%
Fidelity Investments	11.5%	0.0%
Hotchkis & Wiley	8.1%	11.6%
Loomis Sales Core	7.7%	0.0%
Evanston Capital Management	6.4%	6.0%
Artisan Partners	5.8%	9.5%
Contrarian Capital Management	5.4%	3.7%
American Funds	4.4%	7.7%
MFS Investment Management	3.2%	6.5%

Spokane Employees' Retirement System Notes to Financial Statements

Custodial credit risk – Custodial credit risk is the risk that in the event of a financial institution or bank failure, SERS would not be able to recover the value of its deposits and investments that are in the possession of an outside party. Cash and short-term investments include securities with a maturity date of three months or less. SERS mitigates its custodial credit risk by having its investment securities held by a custodian (US Bank) with the investments registered in SERS' name. Also, in accordance with the SERS' Investment Policy Statement, each of SERS investment managers is provided with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards and applicable investment restrictions necessary for diversification and risk control. Managers do not have the authority to depart from their guidelines. As of December 31, 2023, 100% of the SERS cash and investments were held in the SERS' name and, therefore, SERS has no custodial credit risk exposure.

Interest rate risk – Interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Although the SERS Investment Policy does not specifically limit interest rate risk, the System's fixed income portfolio is professionally managed with an expected range of interest rate risk within the portfolio. In addition, the portfolio is closely monitored by the independent consultant and the staff.

The table below shows the System's fixed income assets by investment type, average effective maturity, and market value as of December 31, 2023:

Asset	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Fixed income mutual funds	\$ 55,654,742	\$ 55,654,742	\$ -	\$ -	\$ -
Corporate notes and bonds	9,138,838	144,777	2,124,057	3,726,312	3,143,692
Asset-backed securities	5,694,509	-	1,999,447	848,205	2,846,857
Governmental CMOs	9,090,488	-	-	136,062	8,954,426
Municipal bonds	1,456,501	-	257,721	920,868	277,912
Mortgage-backed governmental passthrough	1,906,391	-	81,549	660,069	1,164,773
U.S. government treasuries	7,892,207	-	-	5,448,784	2,443,423
	<u>\$ 90,833,676</u>	<u>\$ 55,799,519</u>	<u>\$ 4,462,774</u>	<u>\$ 11,740,300</u>	<u>\$ 18,831,083</u>

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At December 31, 2023 and 2022, 26.4% and 26.8%, respectively, of the System's portfolio is invested in foreign issued securities, which primarily consist of equities, fixed income, and alternative investments. The SERS Investment Policy does not specifically address foreign currency risk; however, the System considers foreign currency risk during the selection and monitoring process of fund managers. The fair market values of the foreign investments as of December 31, 2023, were:

	Total Investments	U.S. Issues	Foreign Issues	% Foreign
Short-term investments (cash equivalents)	\$ 1,060,215	\$ 1,060,215	\$ -	0.0%
Fixed income	90,833,676	88,327,213	2,506,463	4.6%
Equities	132,552,381	87,234,532	45,317,849	44.6%
Real estate	26,807,273	26,807,273	-	0.0%
Alternatives	90,599,217	48,150,433	42,448,784	26.9%
Total	<u>\$ 341,852,762</u>	<u>\$ 251,579,666</u>	<u>\$ 90,273,096</u>	<u>26.4%</u>

Spokane Employees' Retirement System Notes to Financial Statements

Note 4 – Pension

The components of the employer's net pension liability as of December 31, 2023 and 2022, are:

	2023	2022
Total pension liability	\$ 589,529,250	\$ 567,457,183
Plan fiduciary net position	342,231,974	311,139,142
Employer's net pension liability	\$ 247,297,276	\$ 256,318,041
Plan fiduciary net position as a percentage of the total pension liability	58.05%	54.83%

Actuarial assumptions are adopted by the Board, upon review of recommendations made by the actuary. An experience study was conducted for the five-year period ended December 31, 2021. This study resulted in the Board adopting several changes in assumptions as of December 31, 2022, at the recommendation of the actuary, in order to better anticipate emerging experience under the System.

Changes in assumption include the mortality tables changed from RP-2000 Fully Generational in 2021 to PUB-2010 with ages set forward two years for males and one year for females using Projection Scale MP-2021 in 2022. The inflation rate remained consistent at 2.5% in 2023 and 2022. Additionally, the annual payroll growth rate remained consistent at 3.5% in 2023 and 2022.

The long-term expected rate of return – The long-term expected rate of return on pension Plan investments was determined using statistical methods to determine the best-estimate future real rate of return (net of pension Plan investment expense and inflation) based on long-term performance of the major asset classes. As of December 31, 2023, the expected long-term rate of return is estimated to be 7.5%, net of inflation. These returns are used to determine the estimated portfolio return based on the target asset allocation percentage of each asset class. Best estimates of geometric real rates of return for each major asset class included in the pension Plan's target asset allocation as of December 31, 2023 and 2022, are summarized in the following table:

Asset Class	2023		2022	
	Long-Term Expected Real Rate of Return	Nominal Return	Long-Term Expected Real Rate of Return	Nominal Return
Domestic Equities	7.07%	9.57%	7.04%	9.54%
Capital Preservation	2.18%	4.68%	2.42%	4.92%
International Equities	7.23%	9.73%	6.40%	8.90%
Long Biased	4.22%	6.72%	3.70%	6.20%
Private Credit	3.32%	5.82%	n/a	n/a
Opportunistic Credit	n/a	n/a	7.45%	9.95%
Real Estate	3.65%	6.15%	2.65%	5.15%
Inflation		2.50%		2.50%

Spokane Employees' Retirement System Notes to Financial Statements

Discount rate – As of December 31, 2023, the discount rate for calculating the total pension liability is 7.5%, based on the long-term expected rate of return, net of investment expenses. The projection of cash flows used to determine the Fund's discount rate assumes that member and employer contributions will continue at current statutory levels. Plan member contributions will be made at the current 10.25% contribution rate, which went into effect December 26, 2021, and that City contributions will be made at the same rate.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of SERS, calculated using the discount rate of 7.5%, as well as what SERS' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's net pension liability	\$ 309,285,579	\$ 247,297,276	\$ 194,463,026

Note 5 – Fair Value Measurement

Investments measured and reported at fair value are classified according to the following hierarchy, in accordance with Governmental Accounting Standards Board (GASB) Statement 72 – *Fair Value Measurement and Application*:

Level 1 – Quoted prices for an identical asset in an active market.

Level 2 – Quoted prices for an identical asset in an inactive market and market values where prices are determined using observable inputs.

Level 3 – Market value where prices are determined using unobservable inputs.

NAV – Net Asset Value (NAV) is used as a practical expedient where the investment does not have a readily determinable fair value.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Equity investments classified as Level 1 in the fair value hierarchy are valued directly from a predetermined primary external pricing vendor.

Fixed income investments classified as Level 1 in the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Fixed income investments classified as Level 2 represent quoted prices for similar assets.

Spokane Employees' Retirement System Notes to Financial Statements

The following table presents fair value measurements as of December 31, 2023:

	2023				NAV
	Fair Value	Level 1	Level 2	Level 3	
Short-term investments (cash equivalents)	\$ 1,060,215	\$ 1,060,215	\$ -	\$ -	\$ -
U.S. government	18,889,086	18,889,086	-	-	-
U.S. corporate fixed income	8,339,121	-	8,339,121	-	-
International fixed income	799,717	-	799,717	-	-
Asset-backed securities	5,694,509	-	5,694,509	-	-
Municipal bonds	1,456,501	-	1,456,501	-	-
Fixed income mutual funds	55,654,742	55,654,742	-	-	-
Total fixed income	90,833,676	74,543,828	16,289,848	-	-
U.S. common stock	12,929,436	12,929,436	-	-	-
International common stock	244,648	244,648	-	-	-
Equity mutual funds	119,378,297	119,197,820	180,477	-	-
Total equities	132,552,381	132,371,904	180,477	-	-
Real estate	26,807,273	7,761,800	-	-	19,045,473
Alternatives	90,599,217	-	-	-	90,599,217
Total investments	<u>\$ 341,852,762</u>	<u>\$ 215,737,747</u>	<u>\$ 16,470,325</u>	<u>\$ -</u>	<u>\$ 109,644,690</u>

The following table presents fair value measurements as of December 31, 2022:

	2022				NAV
	Fair Value	Level 1	Level 2	Level 3	
Short-term investments (cash equivalents)	\$ 912,268	\$ 912,268	\$ -	\$ -	\$ -
U.S. government	10,881,994	10,881,994	-	-	-
U.S. corporate fixed income	4,784,899	-	4,784,899	-	-
International fixed income	830,703	-	830,703	-	-
Asset-backed securities	6,037,583	-	6,037,583	-	-
Municipal bonds	1,196,272	-	1,196,272	-	-
Fixed income mutual funds	20,230,050	20,230,050	-	-	-
Total fixed income	43,961,501	31,112,044	12,849,457	-	-
U.S. common stock	12,208,414	12,208,414	-	-	-
International common stock	307,776	307,776	-	-	-
Equity mutual funds	125,765,045	125,685,975	79,070	-	-
Total equities	138,281,235	138,202,165	79,070	-	-
Real estate	30,758,875	11,715,116	-	-	19,043,759
Alternatives	96,912,877	-	-	-	96,912,877
Total investments	<u>\$ 310,826,756</u>	<u>\$ 181,941,593</u>	<u>\$ 12,928,527</u>	<u>\$ -</u>	<u>\$ 115,956,636</u>

Spokane Employees' Retirement System Notes to Financial Statements

The valuation method for investments measured at the NAV per share, or equivalent, at December 31, 2023 and 2022, is presented in the tables below:

	2023			
	Net Asset Value (NAV)	Unfunded Commitments	Redemption Frequency	Redemption Notice
Equity funds	\$ 24,833,920	\$ -	Monthly, annually	15-90 days
Long/short hedge funds	21,817,592	-	Quarterly	60-65 days
Real estate funds	19,045,473	6,365,938	N/A, quarterly with queue	90 days
Absolute return hedge funds	9,830,086	-	Monthly, quarterly, semi-annual	30-45 days
Closed-end hedge funds	944,555	234,276	N/A	N/A
Fixed income funds	33,173,064	-	Quarterly	90 days
Total investments valued at NAV	\$ 109,644,690	\$ 6,600,214		

	2022			
	Net Asset Value (NAV)	Unfunded Commitments	Redemption Frequency	Redemption Notice
Equity funds	\$ 21,403,383	\$ -	Monthly, annually	15-90 days
Long/short hedge funds	20,448,482	-	Quarterly	60-65 days
Real estate funds	19,043,758	10,355,129	N/A, quarterly with queue	90 days
Absolute return hedge funds	26,046,188	-	Monthly, quarterly, semi-annual	30-45 days
Closed-end hedge funds	817,898	272,444	N/A	N/A
Fixed income funds	28,196,926	-	Quarterly	90 days
Total investments valued at NAV	\$ 115,956,635	\$ 10,627,573		

Equity funds – Two funds that invest long-only in less efficient markets seeking to capture illiquidity and information asymmetry premiums. The two domestic equity funds are invested in collective investment vehicles that are valued based on a pro rata share of the overall fund.

Long/short hedge funds – One fund that invests long and short to generate outsize risk-adjusted returns. The fund is valued at net asset value of units held based on underlying holdings.

Real estate funds – Four funds that invest primarily in commercial real estate properties and debt instruments. The fair values of these funds have been determined using net assets valued based on the appraised value of the holdings. Four funds are not eligible for redemption with distributions received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. One fund allows for quarterly redemptions subject to a queue and provides quarterly distributions based on the net operating profit of the properties owned.

Absolute return hedge funds – Two funds that seek to generate consistent positive returns with low volatility and low net market exposure. Each fund's unit net asset value is based on the value of the underlying holdings.

Closed-end hedge funds – Two funds that invest primarily in medical royalty streams or securities associated with the royalties. The fair value of the fund is determined using discounted cash flow models based on expected future cash flows. The fund is not eligible for redemption. Distributions are received as underlying investments within the fund generates cash flows, which on average can occur over the span of 5 to 10 years.

Fixed income funds – Three funds that invest in less liquid or distressed debt securities. All funds unit net asset value is based on the value of the underlying holdings.

Spokane Employees' Retirement System Notes to Financial Statements

Note 6 – Contributions Required and Contributions Made

Member and employer contribution rates are established by City Code, Chapter 4.14. Effective December 26, 2021, member contributions are 10.25% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 10.25% of eligible compensation for a combined total of 20.50%. Member and employer contribution rates are established by City Code, Chapter 4.14.

Contribution rates are reviewed annually to determine if they meet the Actuarially Determined Contribution (ADC). If the contribution rate is less than the ADC, the contribution rate shall be increased by up to 1.0% per year for both the employee and employer. It is contemplated that over the long term, the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth.

Required Supplementary Information

**Spokane Employees' Retirement System
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios**

	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability								
Service cost	\$ 13,955,416	\$ 10,676,035	\$ 10,379,208	\$ 10,326,519	\$ 9,814,459	\$ 9,397,166	\$ 13,133,393	\$ 12,896,547
Interest	41,179,698	38,404,746	37,498,043	36,091,730	34,666,267	33,296,148	29,336,782	27,443,176
Changes of benefit terms	-	-	-	-	-	-	165,092	-
Differences between expected and actual experience	4,403,357	13,014,651	(675,673)	5,368,635	5,866,404	5,291,272	(3,830,239)	12,381,445
Changes of assumptions	-	11,760,337	-	-	-	-	(76,976,691)	(14,542,266)
Benefit payments, including refunds of member contributions	(37,466,404)	(36,268,077)	(33,997,369)	(32,108,873)	(30,600,302)	(28,863,766)	(27,443,693)	(26,467,256)
Net change in total pension liability	22,072,067	37,587,692	13,204,209	19,678,011	19,746,828	19,120,820	(65,615,356)	11,711,646
Total pension liability—beginning	567,457,183	529,869,491	516,665,282	496,987,271	477,240,443	458,119,623	523,734,979	512,023,333
Total pension liability—ending (a)	\$ 589,529,250	\$ 567,457,183	\$ 529,869,491	\$ 516,665,282	\$ 496,987,271	\$ 477,240,443	\$ 458,119,623	\$ 523,734,979
Plan fiduciary net position								
Contributions—employer	\$ 13,446,610	\$ 11,863,726	\$ 11,519,708	\$ 10,659,281	\$ 9,824,717	\$ 9,187,420	\$ 8,113,319	\$ 7,586,365
Contributions—member	13,459,279	11,931,102	11,519,708	10,659,281	9,827,760	9,188,781	8,113,319	7,586,362
Net investment income (loss)	42,225,848	(50,241,335)	46,166,835	33,795,088	50,166,728	(18,715,945)	43,085,572	16,802,274
Benefit payments, including refunds of member contributions	(37,466,404)	(36,268,077)	(33,997,369)	(32,108,873)	(30,600,302)	(28,863,766)	(27,443,693)	(26,467,256)
Administrative expense	(572,501)	(679,519)	(603,645)	(619,135)	(555,763)	(554,484)	(563,078)	(477,252)
Net change in plan fiduciary net position	31,092,832	(63,394,103)	34,605,237	22,385,642	38,663,140	(29,757,994)	31,305,439	5,030,493
Plan fiduciary net position—beginning	311,139,142	374,533,245	339,928,008	317,542,366	278,879,226	308,637,220	277,331,781	272,301,291
Plan fiduciary net position—ending (b)	\$ 342,231,974	\$ 311,139,142	\$ 374,533,245	\$ 339,928,008	\$ 317,542,366	\$ 278,879,226	\$ 308,637,220	\$ 277,331,784
Employer's net pension liability—ending (a) – (b)	\$ 247,297,276	\$ 256,318,041	\$ 155,336,246	\$ 176,737,274	\$ 179,444,905	\$ 198,361,217	\$ 149,482,403	\$ 246,403,195
Plan fiduciary net position as a percentage of the total pension liability	58.1%	54.8%	70.7%	65.8%	63.9%	58.4%	67.4%	53.0%
Covered-payroll, as of December 31	\$ 139,760,331	\$ 126,830,000	\$ 116,866,751	\$ 112,984,469	\$ 111,746,539	\$ 107,017,146	\$ 102,844,614	\$ 102,378,550
Employer's net pension liability as a percentage of covered payroll	176.9%	202.1%	132.9%	156.4%	160.6%	185.4%	145.3%	240.7%

Notes to Schedule:

This schedule is designed to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available. *Legislative and administrative changes:* The contribution rate for all participants and the City increased to 10.25% on December 26, 2021. This remained unchanged for 2023. The contribution rate is tied to the Actuarially Determined Contribution (ADC) rate as determined by the Plan's actuary in the annual valuation.

Changes of Assumptions: The mortality tables changed from RP-2000 Fully Generational in 2021 to PUB-2010 with ages set forward 2 years for males and 1 year for females using Projection Scale MP-2021 in 2022. In addition, the inflation rate increased from 2.25% in 2021 to 2.5% in 2022. Finally, the annual payroll growth rate decreased from 4% in 2021 to 3.5% in 2022.

See report of independent auditors.

Spokane Employees' Retirement System Schedule of Employer's Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 15,410,726	\$ 11,700,545	\$ 12,457,475	\$ 11,527,854	\$ 11,078,489	\$ 10,044,342	\$ 9,765,949	\$ 9,853,762	\$ 9,069,276	\$ 8,292,066
Contributions in relation to the actuarially determined contribution	13,446,610	11,863,726	11,519,708	10,659,281	9,824,717	9,187,420	8,113,319	7,586,362	7,398,945	6,822,279
Contribution deficiency (excess)	\$ 1,964,116	\$ (163,181)	\$ 937,767	\$ 868,573	\$ 1,253,772	\$ 856,922	\$ 1,652,630	\$ 2,267,400	\$ 1,670,331	\$ 1,469,787
Covered-payroll	\$ 131,186,439	\$ 115,743,668	\$ 115,197,080	\$ 109,325,959	\$ 106,213,157	\$ 102,082,444	\$ 98,343,261	\$ 91,955,903	\$ 89,684,182	\$ 86,139,886
Contributions as a percentage of covered payroll	10.25%	10.25%	10.00%	9.75%	9.25%	9.00%	8.25%	8.25%	8.25%	7.92%

See report of independent auditors.

Spokane Employees' Retirement System Schedule of Employer's Contributions

Valuation date December 31, 2023

Actuarially determined contribution rates are calculated as of December 31, of the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	In accordance with the following table based on service

Years of Service	Annual Increase
<1	10.0%
1	9.0%
2	8.0%
3	7.0%
4	6.0%
5	5.0%
6	4.0%
7-11	3.5%
12-18	3.0%
19+	2.5%

Investment rate of return 7.5%, net of pension plan investment expense
 Retirement age In accordance with the following table based on age

Age	Retirement Probability
<50	0.0%
50	10.0%
51-53	4.0%
54-59	5.0%
60	10.0%
61	15.0%
62	20.0%
63	15.0%
64	20.0%
65-66	25.0%
67	40.0%
68	25.0%
69	33.0%
70	45.0%
71	25.0%
72	45.0%
73	30.0%
74	15.0%
75+	100.0%

Mortality Pub-2010 Table for General Employees/Retirees with ages set forward 2 years for males and 1 year for females using Projection Scale MP-2021

See report of independent auditors.

**Spokane Employees' Retirement System
Schedule of Investment Returns**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	14.10%	-13.50%	13.67%	11.47%	18.35%	-6.27%	15.40%	6.70%	-0.94%	5.34%

See report of independent auditors.

Additional Supplementary Information

Spokane Employees' Retirement System
Schedule of Administrative Expenses
Years Ended December 31, 2023 and 2022

	2023 Budget	2023 Actual	2022 Actual
Personnel services			
Salaries and wages	\$ 342,544	\$ 307,704	\$ 329,354
Personnel benefits	95,262	67,758	97,465
Administrative income	(10,000)	(24,436)	(15,226)
Total personnel services	427,806	351,026	411,593
Supplies			
Office supplies	1,000	785	342
Publications	250	-	-
Postage	4,000	906	1,234
Software (non-capitalized)	500	205	314
Minor equipment	500	247	285
Other	1,000	54	158
Total supplies	7,250	2,197	2,333
Other services and charges			
State audit charges	-	-	14,099
Professional services	175,000	136,458	153,667
Travel	15,000	9,218	2,256
Registration and schooling	16,000	7,220	575
Other dues, subscriptions, and memberships	2,500	2,394	1,611
Printing	3,000	2,208	1,734
Depreciation/amortization	-	17,649	17,649
Other miscellaneous charges	2,200	1,045	2,111
Total other services and charges	213,700	176,192	193,702
Interfund (IF) payments for services			
IF centralized purchasing	2,001	1,745	7,027
IF centralized accounting	4,912	3,624	2,737
IF My Spokane	1,291	958	966
IF risk management	537	537	571
IF workers' compensation	118	118	123
IF reprographics	6,781	11,856	11,050
IF IT	21,884	21,287	46,112
IF IT replacement	2,961	2,961	3,305
Total interfund services	40,485	43,086	71,891
TOTAL ADMINISTRATIVE EXPENSES, NET OF ADMINISTRATIVE INCOME	\$ 689,241	\$ 572,501	\$ 679,519

See report of independent auditors.

Spokane Employees' Retirement System
Schedule of Investment Expenses
Year Ended December 31, 2023

Investment services	
Bridge City Capital LLC	\$ 22,748
Champlain Small Cap Fund LLC	82,343
Principal Real Estate Investors LLC	56,379
Sterling Capital Management LLC	<u>109,868</u>
	271,338
Investment consulting	
Hyas Group, LLC	126,342
Custodial services	
U.S. Bank	<u>67,498</u>
	465,178
TOTAL INVESTMENT EXPENSES	<u><u>\$ 465,178</u></u>

Mutual fund and limited partnership fees are not reflected in this schedule; instead, these investment expenses are netted against investment income in the statement of changes of plan net assets to arrive at a net investment income amount.

See report of independent auditors.



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Administration
Spokane Employees' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Spokane Employees Retirement System (the Plan) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Plan's financial statements, and have issued our report thereon dated May 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Spokane, Washington
May 31, 2024

Actuarial Section

SageView Consulting Group, L.L.C.
Actuarial Valuation

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**SPOKANE EMPLOYEES'
RETIREMENT SYSTEM**

**ACTUARIAL VALUATION
AS OF DECEMBER 31, 2023**



Sageview Consulting Group
4600 Cox Road, Suite 350, Glen Allen, VA 23060
www.sageviewadvisory.com

May 1, 2024

Spokane Employees' Retirement System
808 West Spokane Falls Boulevard
Spokane, Washington 99201-3324

Ladies and Gentlemen:

Effective December 31, 2008, actuarial valuations of the Spokane Employees' Retirement System are performed annually. The results of the latest actuarial valuation of the System, which was prepared as of December 31, 2023, are summarized in this letter.

The valuation reflects the benefits in effect on the valuation date, and was prepared on the basis of the data submitted by the System using generally accepted actuarial principles and methods.

Financing Objective and Contribution Rate

The financing objective of the System is to:

- fully fund all current costs based on the normal contribution rate payable by the System determined under the funding method; and
- liquidate the unfunded accrued liability based on accrued liability contributions payable by the System over an amortization period of no more than 30 years; and
- accomplish the above through a combination of Employee Contributions (currently 11.00% of pay) and Employer Contributions (currently 11.00% of pay).

The December 31, 2023 valuation develops an Actuarially Determined Employer Contribution Rate (ADC), exclusive of employee contributions, of 9.60% of total payroll. The ADC rate compares with an actual Employer Contribution rate of 11.00% of total payroll. The Employer Contribution for the 2023 fiscal year of \$13,446,610 was less than the ADC of \$15,410,726 by \$1,964,116.

Net Pension Liability

Under GASB 67, the Net Pension Liability is the excess, if any, of the Total Pension Liability over the Fiduciary Net Position. The Total Pension Liability is determined under the Entry Age actuarial cost method. The Net Pension Liability as of December 31, 2023 and December 31, 2022 is as follows:

	December 31 2023	December 31 2022
● Total Pension Liability:	\$589,529,250	\$567,457,183
● Fiduciary Net Position:	\$342,231,974	\$311,139,142
● Net Pension Liability:	\$247,297,276	\$256,318,041
● Fiduciary Net Position as a Percentage of Total Pension Liability:	58.1%	54.8%
● GASB 67 Discount Rate:	7.50%	7.50%

Spokane Employees' Retirement System
May 1, 2024
Page two

System's Assets and Member Data

The individual data for members of the System as of the valuation date were reported to the actuary by the System. While we did not verify the data at its source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation. It is our understanding that the outside auditor of the System has also made an examination of the data.

The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the System's Staff and audited by the independent auditor of the System.

Actuarial Assumptions and Methods

Actuarial assumptions are adopted by the Board, upon review of recommendations made by the actuary. An experience study was conducted for the five-year period ended December 31, 2021. This study resulted in the Board adopting several changes in assumptions as of December 31, 2022, at the recommendation of the actuary, in order to better anticipate emerging experience under the System. See a copy of the experience study for more information about assumptions.

In order to smooth out market value fluctuations for purposes of developing the ADC, the difference between actual investment earnings over expected investment earnings will be recognized in equal amounts over a five-year period with the restriction that the smoothed value of assets may not be less than 90% nor greater than 110% of market value.

The valuation software used to develop liabilities for this report was ProVal, developed by Winklevoss Technologies, LLC. SageView Consulting Group coded ProVal for the data, assumptions and provisions for this plan and believe ProVal is appropriate for performing this valuation.

Samples of the actuarial assumptions, and descriptions of the actuarial cost method and asset valuation method are set forth in the outline of actuarial assumptions and methods included in the report.

Legislative and Administrative Changes

There were no legislative or administrative changes since the last valuation that had a financial impact on the System.

Spokane Employees' Retirement System
May 1, 2024
Page three

Financial Results and Membership Data

Detailed summaries of financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report and the related membership data schedules. We were responsible for providing information for all schedules included in the Actuarial Section of the annual financial report for the fiscal year ended December 31, 2023.

To the best of our knowledge, this report is complete and accurate. All costs and liabilities have been determined in conformance with generally accepted actuarial principles and on the basis of actuarial assumptions and methods which are individually reasonable (taking into account past experience and reasonable expectations of future experience) and which in combination represent the best estimate of anticipated experience under the System. In addition, the assumptions and methods used for funding purposes meet the parameters set by relevant Actuarial Standards of Practice.

Future liability and asset values may differ from the results shown in this report for many reasons including, but not limited to, actual experience differing from assumed experience, changes in actuarial assumptions or methods, plan amendments, regulatory changes or changes in contribution strategy. An impact analysis of such potential changes is not included in this report. Potential plan risks are discussed in Appendix I in compliance with ASOP 51.

The undersigned are available to provide additional information or answer any questions with respect to this report.

Respectfully Submitted By:

Sageview Consulting Group



William J. Reid, FCA, EA
Principal



Daniel L. Homan, EA, MAAA
Principal

Summary of Valuation Results

Presented in this report are the results of the actuarial valuation as of December 31, 2023 for the Spokane Employees' Retirement System.

The principal results include:

- The Actuarially Determined Employer Contribution Rate (ADC) is 9.60% of total payroll. This compares to an actual Employer Contribution rate of 11.00% of total payroll.

The valuation was completed based on membership and financial data submitted by the System.

Net Pension Liability

Under GASB 67, the Net Pension Liability is the excess, if any, of the Total Pension Liability over the Fiduciary Net Position. The Total Pension Liability is determined under the Entry Age actuarial cost method. The Net Pension Liability as of December 31, 2023 and December 31, 2022 is as follows:

	December 31 2023	December 31 2022
Total Pension Liability:	\$589,529,250	\$567,457,183
Fiduciary Net Position:	\$342,231,974	\$311,139,142
Net Pension Liability:	\$247,297,276	\$256,318,041
Fiduciary Net Position as a Percentage of Total Pension Liability:	58.1%	54.8%
GASB 67 Discount Rate:	7.50%	7.50%

The following changes have been made since the last actuarial valuation:

- **Actuarial Assumptions and Methods**

Actuarial assumptions are adopted by the Board, upon review of recommendations made by the actuary. An experience study was conducted for the five-year period ended December 31, 2021. This study resulted in the Board adopting several changes in assumptions as of December 31, 2022, at the recommendation of the actuary, in order to better anticipate emerging experience under the System. See a copy of the experience study for more information about assumptions.

The next experience study is scheduled to be conducted for the five-year period ended December 31, 2026. Upon completion of that study, recommendations will be made with respect to assumptions, methods and contribution rates to be adopted beginning with the December 31, 2027 valuation.

GASB 67 requires the use of a blended discount rate to the extent future contributions are not projected to be sufficient to provide future benefits for the current closed group of plan participants. This was the case for years prior to 2017. For years ended 2017 and later, it was not necessary to apply a blended discount rate because of the negotiated terms that allow for both employer and employee contributions to increase or decrease up to 1% each year based on changes in the ADC.

- **Legislative and Administrative Changes**

There were no legislative or administrative changes since the last valuation that had a financial impact on the System.

Summary of Valuation Results (continued)

Demographics	2023	2022
Active		
Number	1,605	1,535
Expected Average Pay for Upcoming Plan Year	\$ 87,078	\$ 82,625
Retired and Beneficiaries		
Number	1,589	1,582
Average Annual Allowance	22,910	22,554
Terminated Vested and Portables		
Number	175	161
Total Membership	3,369	3,278
Net Pension Liability		
Total Pension Liability	\$ 589,529,250	\$ 567,457,183
Fiduciary Net Position	\$ 342,231,974	\$ 311,139,142
Net Pension Liability	\$ 247,297,276	\$ 256,318,041
Fiduciary Net Position as a Percentage of the Total Pension Liability	58.1%	54.8%
Contribution Rates		
Employer Actuarially Determined Contribution (ADC) Rate*	9.60%	11.33%
Actual Employer Contribution Rate	11.00%	10.25%
Effective 12/24/2023	11.00%	
12/26/2021 - 12/23/2023	10.25%	
12/27/2020 - 12/25/2021	10.00%	
12/15/2019 - 12/26/2020	9.75%	
12/16/2018 - 12/14/2019	9.25%	
12/17/2017 - 12/15/2018	9.00%	
09/01/2014 - 12/16/2017	8.25%	
Prior to 9/1/2014	7.75%	

* Exclusive of Employee Contributions

Summary of Valuation Results (continued)

Contribution Rates (ADC)

The results of the valuation as of December 31, 2023 determine the ADC rate for the System. The actual Employer Contribution rate is compared to the contribution rate developed in the valuation in order to determine the appropriateness of the actual Employer Contribution rate. As of December 31, 2023 the actual Employer Contribution rate of 11.00% is greater than the ADC rate of 9.60%.

Reasons for Change in the ADC

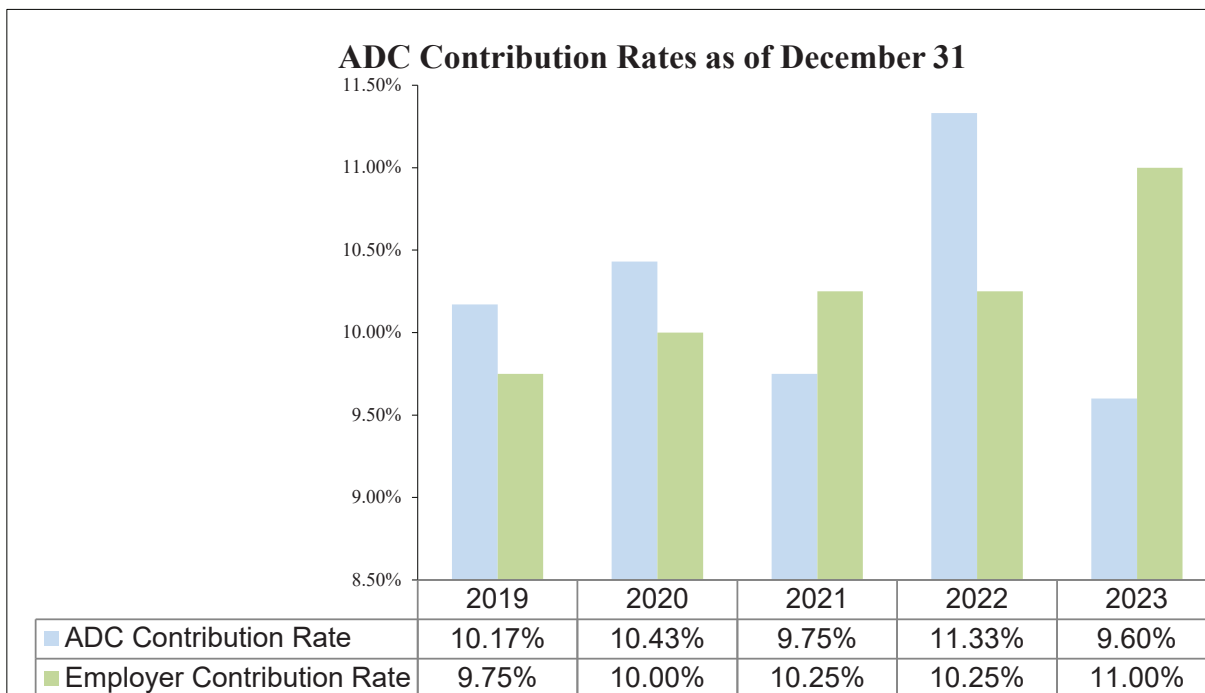
The recommended employer contribution rate as determined by the ADC decreased from 11.33% as of December 31, 2022 to 9.60% as of December 31, 2023. The decrease of 1.73% is due to the following reasons:

● Decrease due to return on actuarial assets	(0.26%)
● Decrease due to change in normal cost rate	(1.04%)
● Increase due to change in benefit provisions	0.00%
● Increase due to legislative changes	0.00%
● Increase due to change in assumptions	0.00%
● Increase due to change in funding method	0.00%
● Decrease due to higher than expected payroll growth	(0.62%)
● Increase due to other factors	0.19%
● Total	<u>(1.73%)</u>

Summary of Valuation Results (continued)

**Five-Year History of Contribution Rates
(As a % of payroll)**

Valuation Date	ADC	Employer Rate
2019	10.17%	9.75%
2020	10.43%	10.00%
2021	9.75%	10.25%
2022	11.33%	10.25%
2023	9.60%	11.00%



Summary of Valuation Results (continued)

Unfunded Accrued Liability

The financing objective of the System is to:

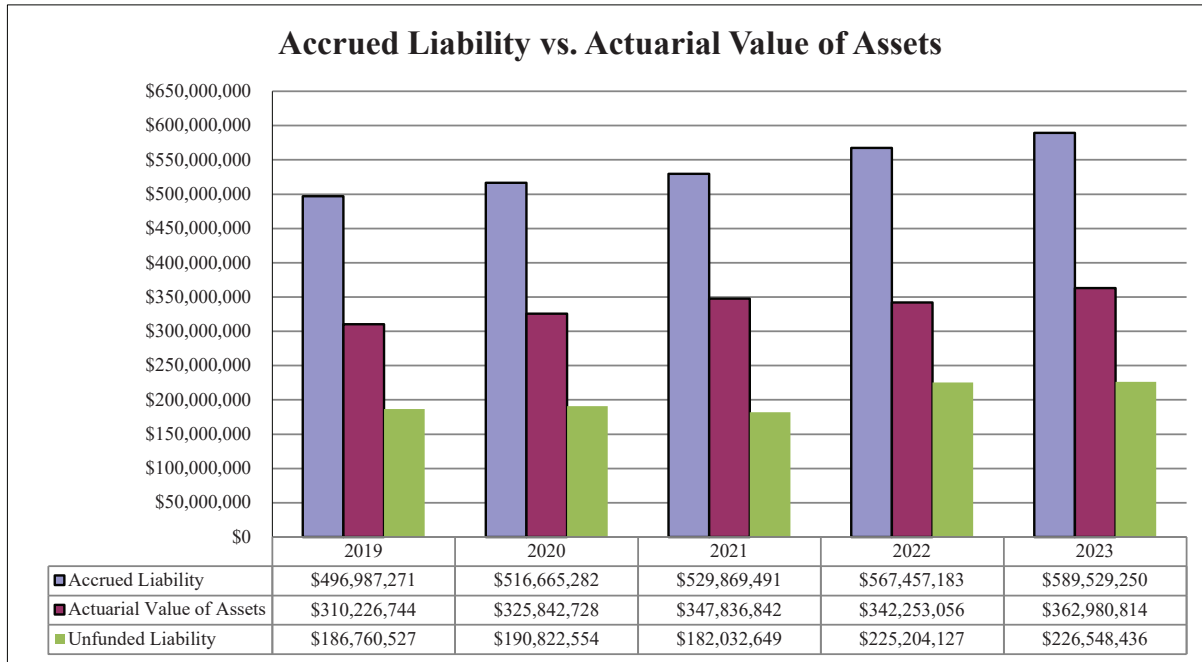
- fully fund all current costs based on the normal contribution rate payable by the System determined under the funding method; and
- liquidate the unfunded accrued liability based on accrued liability contributions payable by the System over an amortization period of no more than 30 years; and
- accomplish the above through a combination of Employee Contributions (currently 11.00% of pay) and Employer Contributions (currently 11.00% of pay).

For purposes of determining contribution rates, the System's unfunded actuarial liability is measured by comparing the actuarial value of assets with the actuarial liability. The actuarial liability is determined under the entry age normal cost method. On this basis, the System's unfunded actuarial liability is \$226,548,436 as of December 31, 2023. The unfunded actuarial liability is based on an actuarial value of assets of \$362,980,814 and an actuarial liability of \$589,529,250.

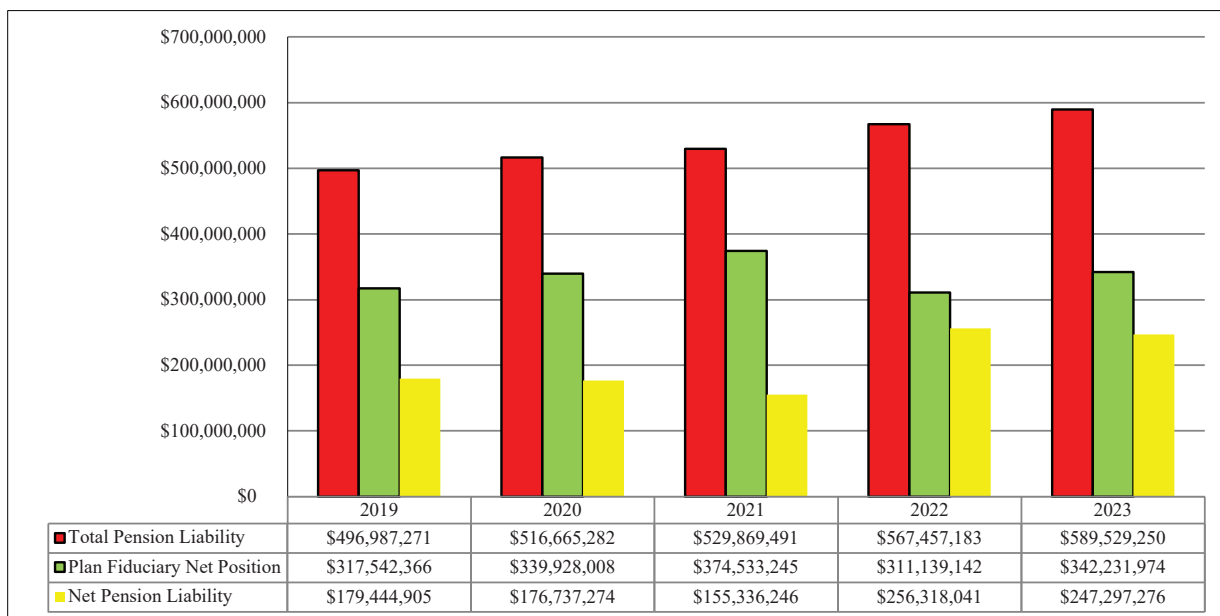
For purposes of financial reporting, the Fund's unfunded liability (net pension liability) is measured by comparing the market value of assets (fiduciary net position) with the actuarial liability (total pension liability). The total pension liability is determined under the entry age cost method. On this basis, the Fund's net pension liability is \$247,297,276 as of December 31, 2023. The net pension liability is based on a fiduciary net position of \$342,231,974 and a total pension liability of \$589,529,250.

Summary of Valuation Results (continued)

History of Accrued Liability and Actuarial Value of Assets



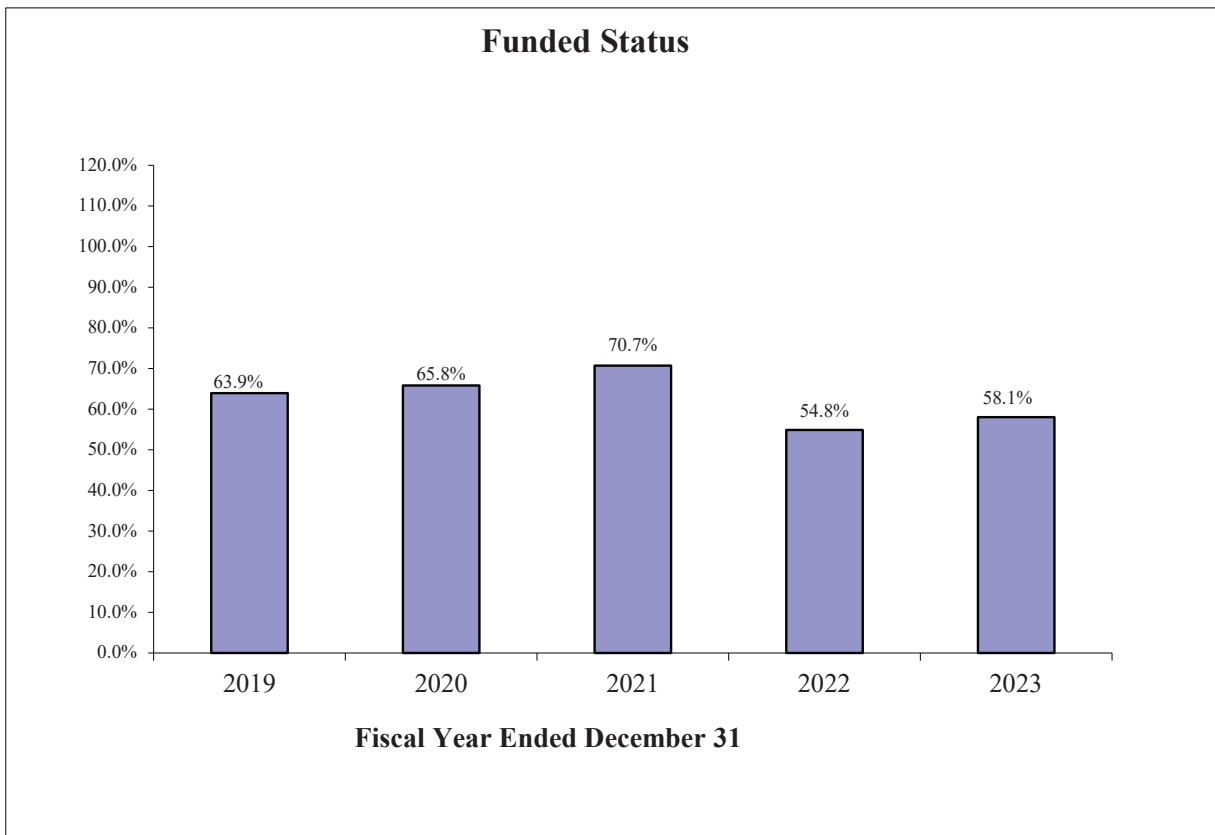
History of Net Pension Liability



Summary of Valuation Results (continued)

Five-Year History of Funded Status

Fiscal Year Ending	Funded Status
2019	63.9%
2020	65.8%
2021	70.7%
2022	54.8%
2023	58.1%



Summary of Valuation Results (continued)

Rate of Return

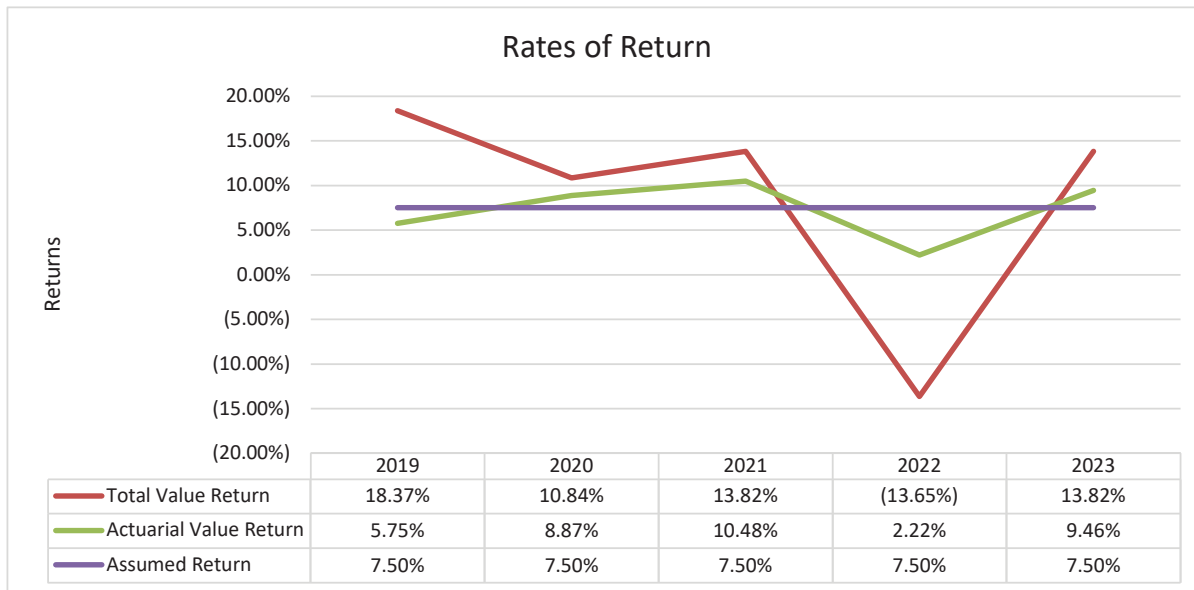
The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of invested assets for the fiscal year ended December 31, 2023 was 14.10%. However, since some contributions go directly to paying benefits and are never invested in the trust, the net investment return on total assets of the System was 13.82%. The investment return on the smoothed fair value of assets was 9.46%. The expected rate of return was 7.50%.

The smoothed fair value of assets is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a five-year period.

Summary of Valuation Results (continued)

Five-Year History of Rates of Return

Fiscal Year Ending	Rate of Return on Assets			
	Invested	Total	Actuarial	Assumed
2019	18.40%	18.37%	5.75%	7.50%
2020	11.50%	10.84%	8.87%	7.50%
2021	13.70%	13.82%	10.48%	7.50%
2022	(13.50%)	(13.65%)	2.22%	7.50%
2023	14.10%	13.82%	9.46%	7.50%



Supporting Information

The remainder of the report is comprised of the following sections or schedules:

Table 1 Demographics

Funding Schedules

Table 2 Market Value Reconciliation
 Table 3 Smoothed Fair Value of Net Assets Determination
 Table 4 Accrued Liability
 Table 5 Actuarial (Gain)/Loss
 Table 6 Amortization Schedule
 Table 7 Normal Cost
 Table 8 Contribution Summary

GASB 67 Schedules

Table 9 Statement of Fiduciary Net Position
 Table 10 Statement of Changes in Fiduciary Net Position
 Table 11 Net Pension Liability
 Table 12 Schedule of Employer Contributions
 Table 13 GASB 68 Summary for 2023
 Table 14 GASB 68 Summary for 2024
 Table 15 Deferred Outflows/(Inflows) Amortization Schedule

Financial Schedules

Table 16 Historical Summary of Fund Additions and Deductions

Membership Schedules

Table 17 Schedule of Membership
 Table 18 Schedule of Active Members Valuation Data
 Table 19 Schedule of Retirees Added to and Removed from Rolls
 Table 20 Schedule of Retired Members by Type of Benefit;
 Schedule of Benefit Payments by Type
 Table 21 Schedule of Average Annual Benefit Payments

Assumptions, Methods and Provisions Schedules

Table 22 Description of Actuarial Assumptions and Methods
 Table 23 Summary of Benefit and Contribution Provisions

Appendices

Appendix I Plan Risks (ASOP 51 Compliance)
 Appendix II Low-Default-Risk Obligation Measure(LDROM) - (ASOP 4 Compliance)
 Appendix III Data Tables

Table 1**DEMOGRAPHICS**

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>
1. Number of Members:			
a. Retirees	1,404	1,401	3
b. Beneficiaries	178	173	5
c. Disabled	7	8	(1)
d. Terminated Vested	92	87	5
e. Portables	83	74	9
f. Active	1,605	1,535	70
g. Total Members	3,369	3,278	91
2. Projected Compensation for Coming Year	139,760,331	126,830,000	12,930,331
3. Average Compensation for Coming Year	87,078	82,625	4,453
4. Average Age (Active Members)	46.49	46.59	(0.10)
5. Average Service (Active Members)	10.11	10.20	(0.09)
6. Annual Retirement Allowance	36,404,300	35,680,825	723,475
7. Average Annual Retirement Allowance	22,910	22,554	356
8. Average Monthly Retirement Allowance	1,909	1,880	29

Table 2**ASSET INFORMATION****Market Value Reconciliation**

1. Total Market Value of Net Assets, 12/31/2022		311,139,142
2. Audit Adjustment		0
3. Contributions		
a. Employer	13,446,610	
b. Employee	13,459,279	
c. Total Contributions		26,905,889
4. Miscellaneous Revenue		0
5. Investment Earnings		
a. Interest & Dividends & Other Income	6,831,866	
b. Realized & Unrealized Gain/(Loss)	35,859,160	
c. Investment Expenses	(465,178)	
d. Total Investment Earnings		42,225,848
6. Benefit Payments		
a. Benefits	(36,088,238)	
b. Refund of Contributions	(1,378,166)	
c. Total Benefit Payments		(37,466,404)
7. Administrative Expenses		(572,501)
8. Total Market Value of Net Assets, 12/31/2023		342,231,974
9. Approximate Rate of Return on Total Assets		13.82%
10. Approximate Rate of Return on Invested Assets		14.10%

Table 3**ASSET INFORMATION****Smoothed Fair Value of Net Assets Determination**

1. Total Market Value of Net Assets, 12/31/2022					311,139,142
2. Expected Return for Plan Year					22,925,495
3. Actual Return for Plan Year					42,225,848
4. Total Market Value of Net Assets, 12/31/2023					342,231,974
5. Determination of Deferred Gain (Loss)					
<u>Fiscal</u> <u>Year</u>	<u>Actual vs.</u> <u>Expected</u> <u>Return</u>	<u>Amount</u> <u>Recognized</u> <u>This Year</u>	<u>Portion</u> <u>Deferred</u>	<u>Deferred</u> <u>Amount</u>	
2023	19,300,353	3,860,071	4/5	15,440,282	
2022	(77,847,016)	(15,569,403)	3/5	(46,708,210)	
2021	21,097,956	4,219,591	2/5	8,439,182	
2020	10,399,530	2,079,906	1/5	2,079,906	
2019	29,674,372	5,934,876	0/5	0	
Total	2,625,195	525,041		(20,748,840)	
6. Preliminary Smoothed Fair Value of Net Assets (4. - 5.)					362,980,814
7. Ratio of Preliminary Smoothed Fair Value to Market Value					106.06%
8. Smoothed Fair Value of Net Assets (6., but not less than 90% nor more than 110% of 4.)					362,980,814
9. Ratio of Smoothed Fair Value to Market Value					106.06%
10. Approximate Rate of Return on Smoothed Fair Value of Net Assets					9.46%

Table 4**ACCRUED LIABILITY**

1. Accrued Liability prior to Changes in Benefit Provisions and Assumptions		
a. Active	219,752,811	
b. Terminated Vested & Portables	22,257,934	
c. Retirees	324,871,371	
d. Beneficiaries	21,853,182	
e. Disableds	793,952	
f. Total Accrued Liability prior to Changes		589,529,250
2. Actuarial Value of Assets		362,980,814
3. Unfunded Accrued Liability prior to Changes (1.f. - 2.)		226,548,436
4. Change in Unfunded Accrued Liability		
a. Due to Changes in Plan Provisions	0	
b. Due to Changes in Assumptions	0	
c. Due to Change in Funding Method	0	
d. Due to Change in Asset Method	0	
e. Total Change in Unfunded Accrued Liability		0
5. Actual Unfunded Accrued Liability (3. + 4.e.)		226,548,436

Table 5**ACTUARIAL (GAIN)/LOSS**

1. Increase (decrease) in Unfunded Accrued Liability	
a. Unfunded Accrued Liability, prior year	225,204,127
b. Entry Age Normal Cost (excluding expenses)	12,981,782
c. Contributions	26,905,889
d. Interest	16,873,213
e. Expected Unfunded Accrued Liability, current year (a. + b. - c. + d.)	228,153,233
f. Actual Unfunded Accrued Liability, current year before benefit, assumption, and method changes	226,548,436
g. (Gain)/Loss (f. -e.)	(1,604,797)
2. Reasons for (Gain)/Loss	
a. Investment Return on Smoothed Fair Value of Assets	(6,008,154)
b. Other	4,403,357
c. Total	(1,604,797)

Table 6**AMORTIZATION SCHEDULE***

<u>Date Established</u>	<u>Source</u>	<u>Initial Amount</u>	<u>Remaining Balance</u>	<u>Years to Amortize</u>	<u>Required Payment</u>
12/31/2023	Actuarial Gain	(1,604,797)	(1,604,797)	25	(97,495)
12/31/2022	Amortization of UAL	225,204,127	228,153,233	24	14,208,250
Total		223,599,330	226,548,436		14,110,755

* Effective December 31, 2022, prior bases established between December 31, 2017 and December 31, 2021 were combined into one base with a weighted average remaining amortization period of 25 years.

Table 7**NORMAL COST**

1. Normal Cost for All Benefits	14,076,634
2. Offset for Employee Contributions	(15,373,636)
3. Estimated Expenses	600,000
4. Total (1) - (2) + (3)	(697,002)

Table 8**CONTRIBUTION SUMMARY**

1. Actuarially Determined Employer Contribution Amount		
a. Normal Cost	(697,002)	
b. Amortization Charges	14,110,755	
c. Total		13,413,753
2. Actuarially Determined Employer Contribution Rate		
a. Normal Cost	-0.50%	
b. Amortization Charges	10.10%	
c. Total		9.60%
3. Projected Pay for the Upcoming Year		139,760,331

Table 9**ASSET INFORMATION****Statement of Fiduciary Net Position
(as provided by SERS staff)**

ASSETS		
1. Cash		191,389
2. Short-term investments		1,060,215
3. Receivables		
a. Interest and Dividends	286,915	
b. Other receivables	2,408	
c. Redemption receivable	0	
d. Total Receivables		<u>289,323</u>
4. Investments, at fair value		<u>340,792,547</u>
5. Capitalized software, net of accumulated amortization		141,192
6. Total Assets		<u>342,474,666</u>
LIABILITIES		
1. Accounts Payable	82,541	
2. Current portion employee salary & benefits	12,349	
3. Employee leave benefits	136,415	
4. Other current liabilities	11,387	
5. Total Liabilities		<u>242,692</u>
NET POSITION		<u><u>342,231,974</u></u>

Table 10**ASSET INFORMATION****Statement of Changes in Fiduciary Net Position
(as provided by SERS staff)****ADDITIONS**

1. Contributions		
a. Employer	13,446,610	
b. Plan Members	13,459,279	
c. Total Contributions		26,905,889
2. Investment Earnings:		
a. Net appreciation (depreciation) in fair value of investments	35,859,160	
b. Interest and dividends	6,831,866	
c. Less: investment expense		465,178
d. Net investment income (loss)		<u>42,225,848</u>
3. Total additions and changes investments		<u>69,131,737</u>

DEDUCTIONS

1. Benefit payments	36,088,238	
2. Refunds of member contributions	1,378,166	
3. Administrative expenses, net of administrative income	572,501	
4. Total deductions		<u>38,038,905</u>

NET INCREASE (DECREASE IN NET POSITION)

31,092,832

PRIOR PERIOD ADJUSTMENT

0

PLAN FIDUCIARY NET POSITION, 12/31/2022311,139,142**PLAN FIDUCIARY NET POSITION, 12/31/2023**342,231,974

Table 11**NET PENSION LIABILITY**

	<u>2023</u>	<u>2022</u>
Total Pension Liability		
Service Cost	13,955,416	10,676,035
Interest	41,179,698	38,404,746
Changes of benefit terms	0	0
Differences between expected and actual experience	4,403,357	13,014,651
Changes of assumptions	0	11,760,337
Benefit Payments, including refunds of member contributions	(37,466,404)	(36,268,077)
Net change in total pension liability	22,072,067	37,587,692
Total pension liability - beginning	567,457,183	529,869,491
Total pension liability - ending (a)	589,529,250	567,457,183
Plan Fiduciary Net Position		
Contributions - employer	13,446,610	11,863,726
Contributions - member	13,459,279	11,931,102
Net investment income	42,225,848	(50,241,335)
Benefit payments, including refunds of member contributions	(37,466,404)	(36,268,077)
Administrative expense	(572,501)	(679,519)
Other	0	0
Net change in plan fiduciary net position	31,092,832	(63,394,103)
Plan fiduciary net position - beginning	311,139,142	374,533,245
Plan fiduciary net position - ending (b)	342,231,974	311,139,142
Net pension liability - ending (a) - (b) *	247,297,276	256,318,041
Plan fiduciary net position as a percentage of the total pension liability	58.1%	54.8%
Covered-employee payroll	139,760,331	126,830,000
Net pension liability as a percentage of covered-employee payroll	176.9%	202.1%
GASB 67 Blended Discount Rate Beginning of Period:	7.50%	7.50%
GASB 67 Blended Discount Rate End of Period:	7.50%	7.50%

* A 1% decrease in the discount rate increases the net pension liability to \$309,285,579, an increase of \$61,988,303.

A 1% increase in the discount rate decreases the net pension liability to \$194,463,026, a decrease of \$52,834,250.

Table 12

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Excludes Member Contributions)**

<u>Fiscal Year Ended</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Percentage Contributed</u>
12/31/2014	8,292,066	6,822,279	1,469,787	86,139,886	7.92%
12/31/2015	9,069,276	7,398,945	1,670,331	89,684,182	8.25%
12/31/2016	9,853,762	7,586,362	2,267,400	91,955,903	8.25%
12/31/2017	9,765,949	8,113,319	1,652,630	98,343,261	8.25%
12/31/2018	10,044,342	9,187,420	856,922	102,082,444	9.00%
12/31/2019	11,078,489	9,824,717	1,253,772	106,213,157	9.25%
12/31/2020	11,527,854	10,659,281	868,573	109,325,959	9.75%
12/31/2021	12,457,475	11,519,708	937,767	115,197,080	10.00%
12/31/2022	11,700,545	11,863,726	(163,181)	115,743,668	10.25%
12/31/2023	15,410,726	13,446,610	1,964,116	131,186,439	10.25%

Table 13

GASB 68 Summary for 2023

	Total Plan				Deferred		Amortization Period	
	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	NPL Discount Rate +1%	NPL Discount Rate -1%	Outflows of Resources		Inflows of Resources
Balance, Beginning of Year (1)	529,869,491	374,533,245	155,336,246	108,523,928	210,156,605	15,861,976	49,018,714	
Changes for the year								
Service Cost	10,676,035		10,676,035					10,676,035
Interest Cost	38,404,746		38,404,746					38,404,746
Benefit Changes	0		0					0
Experience loss (gain)	13,014,651		13,014,651					2,169,109
Changes in assumptions	11,760,337		11,760,337			10,845,542	0	0
Contributions - Employer		11,863,726	(11,863,726)			9,800,281	0	1,960,056
Contributions - Employee		11,931,102	(11,931,102)					
Net Investment Income		(50,241,335)	50,241,335					(11,931,102)
Expected Return on Investments								(27,605,681)
Investment (gain) loss expensed						62,277,613	0	15,569,403
Benefits paid including refunds	(36,268,077)	(36,268,077)	0					0
Administrative Expense		(679,519)	679,519					679,519
Other Changes		0	0					
Amortization								
Net Changes	37,587,692	(63,394,103)	100,981,795			(11,222,192)	(25,814,803)	(14,592,611)
Balance, End of Year (2)	567,457,183	311,139,142	256,318,041	205,519,330	315,900,727	87,563,220	23,203,911	15,329,474

(1) Measurement Date December 31, 2021

(2) Measurement Date December 31, 2022

Table 14

GASB 68 Summary for 2024

	Total Plan				Deferred		Deferred		Amortization
	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	NPL Discount Rate +1%	NPL Discount Rate -1%	Outflows of Resources	Inflows of Resources	Pension Expense	Period
Balance, Beginning of Year (1)	567,457,183	311,139,142	256,318,041	205,519,330	315,900,727	87,563,220	23,203,911		
Changes for the year									
Service Cost	13,955,416		13,955,416					13,955,416	
Interest Cost	41,179,698		41,179,698					41,179,698	
Benefit Changes	0		0					0	
Experience loss (gain)	4,403,357		4,403,357			3,669,464	0	733,893	6.00
Changes in assumptions	0		0			0	0	0	6.00
Contributions - Employer		13,446,610	(13,446,610)						
Contributions - Employee		13,459,279	(13,459,279)						
Net Investment Income		42,225,848	(42,225,848)					(13,459,279)	
Expected Return on Investments						0	15,440,282	(22,925,495)	5.00
Investment (gain) loss expensed								(3,860,071)	
Benefits paid including refunds	(37,466,404)	(37,466,404)	0					0	
Administrative Expense		(572,501)	572,501					572,501	
Other Changes		0	0						
Amortization									
Net Changes	22,072,067	31,092,832	(9,020,765)			(21,571,075)	(12,346,985)	9,224,090	
Balance, End of Year (2)	589,529,250	342,231,974	247,297,276	194,463,026	309,285,579	69,661,609	26,297,208	25,420,753	

(1) Measurement Date December 31, 2022

(2) Measurement Date December 31, 2023

Table 15**Deferred Outflows/(Inflows) Amortization Schedule as of December 31, 2024
(Measurement Date: December 31, 2023)**

Reporting Date Established	Source	Initial Amount	Deferred Amount	Remaining Years	Amortization Payment
12/31/2024	Experience Loss	4,403,357	3,669,464	5.00	733,893
12/31/2024	Investment Gain	(19,300,353)	(15,440,282)	4.00	(3,860,071)
12/31/2023	Experience Loss	13,014,651	8,676,433	4.00	2,169,109
12/31/2023	Assumption Change	11,760,337	7,840,225	4.00	1,960,056
12/31/2023	Investment Loss	77,847,016	46,708,210	3.00	15,569,403
12/31/2022	Experience Gain	(675,673)	(337,837)	3.00	(112,612)
12/31/2022	Investment Gain	(21,097,956)	(8,439,183)	2.00	(4,219,591)
12/31/2021	Experience Loss	5,368,635	1,789,543	2.00	894,773
12/31/2021	Investment Gain	(10,399,530)	(2,079,906)	1.00	(2,079,906)
12/31/2020	Experience Loss	5,866,404	977,734	1.00	977,734
Total			43,364,401		12,032,788

Table 16**HISTORICAL SUMMARY OF FUND ADDITIONS AND DEDUCTIONS****ADDITIONS BY SOURCE**

<u>Fiscal Year Ended</u>	<u>Employer Contributions as a Percent of Payroll</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Net Investment Income</u>	<u>Total</u>
12/31/2014	7.75%	6,822,279	6,822,279	14,497,901	28,142,459
12/31/2015	8.25%	7,398,945	7,402,905	(3,228,439)	11,573,411
12/31/2016	8.25%	7,586,362	7,586,362	16,802,274	31,974,998
12/31/2017	8.25%	8,113,319	8,113,319	43,085,572	59,312,210
12/31/2018	9.00%	9,187,420	9,188,781	(18,715,945)	(339,744)
12/31/2019	9.25%	9,824,717	9,827,760	50,166,728	69,819,205
12/31/2020	9.75%	10,659,281	10,659,281	33,795,088	55,113,650
12/31/2021	10.00%	11,519,708	11,519,708	46,166,835	69,206,251
12/31/2022	10.25%	11,863,726	11,931,102	(50,241,335)	(26,446,507)
12/31/2023	10.25%	13,446,610	13,459,279	42,225,848	69,131,737

DEDUCTIONS BY TYPE

<u>Fiscal Year Ended</u>	<u>Benefit Payments</u>	<u>Refunds</u>	<u>Admin Expenses</u>	<u>Total</u>
12/31/2014	22,258,842	625,184	386,713	23,270,739
12/31/2015	23,959,198	637,822	447,921	25,044,941
12/31/2016	25,737,515	729,741	477,252	26,944,508
12/31/2017	26,891,785	551,908	563,078	28,006,771
12/31/2018	28,309,344	554,422	554,484	29,418,250
12/31/2019	30,055,864	544,438	555,763	31,156,065
12/31/2020	31,595,115	513,758	619,135	32,728,008
12/31/2021	33,256,350	741,019	603,645	34,601,014
12/31/2022	35,057,797	1,210,280	679,519	36,947,596
12/31/2023	36,088,238	1,378,166	572,501	38,038,905

Table 17**SCHEDULE OF MEMBERSHIP**

<u>Fiscal Year Ended</u>	<u>Active Members</u>	<u>Terminated Vested Members</u>	<u>Service Retirees and Beneficiaries</u>	<u>Disabled Retirees</u>	<u>Total in Pay Status</u>	<u>Total Members</u>
12/31/2014	1,407	105	1,234	9	1,243	2,755
12/31/2015	1,424	97	1,291	9	1,300	2,821
12/31/2016	1,460	109	1,333	9	1,342	2,911
12/31/2017	1,444	113	1,367	9	1,376	2,933
12/31/2018	1,481	123	1,415	9	1,424	3,028
12/31/2019	1,499	119	1,449	8	1,457	3,075
12/31/2020	1,464	131	1,496	8	1,504	3,099
12/31/2021	1,494	134	1,526	8	1,534	3,162
12/31/2022	1,535	161	1,574	8	1,582	3,278
12/31/2023	1,605	175	1,582	7	1,589	3,369

Table 18**SCHEDULE OF ACTIVE MEMBERS VALUATION DATA**

<u>Fiscal Year Ended</u>	<u>Active Members</u>	<u>Covered Payroll</u>	<u>Average Payroll Rate</u>	<u>Annual Percentage Increase in Average Payroll Rate</u>
12/31/2014	1,407	89,034,522	63,280	3.03%
12/31/2015	1,424	93,899,096	65,940	4.20%
12/31/2016	1,460	102,378,550	70,122	6.34%
12/31/2017	1,444	102,844,614	71,222	1.57%
12/31/2018	1,481	107,017,146	72,260	1.46%
12/31/2019	1,499	111,746,539	74,547	3.16%
12/31/2020	1,464	112,984,469	77,175	3.53%
12/31/2021	1,494	116,866,751	78,224	1.36%
12/31/2022	1,535	126,830,000	82,625	5.63%
12/31/2023	1,605	139,760,331	87,078	5.39%

Table 19**SCHEDULE OF RETIREES ADDED TO AND REMOVED FROM ROLLS**

<u>Fiscal Year Ended</u>	<u>Added</u>	<u>Annual Benefits Added</u>	<u>Removed</u>	<u>Annual Benefits Removed</u>	<u>Total</u>	<u>Annual Benefits</u>	<u>Percent Change</u>	<u>Average Annual Benefits</u>	<u>Retirees as Percent of Active Members</u>	
									<u>Number</u>	<u>Pay</u>
12/31/2014	100	2,552,358	37	573,123	1,243	22,975,997	9.4%	18,484	88.3%	25.8%
12/31/2015	96	2,379,741	39	667,843	1,300	24,687,895	7.5%	18,991	91.3%	26.3%
12/31/2016	82	2,262,702	40	753,144	1,342	26,197,453	6.1%	19,521	91.9%	25.6%
12/31/2017	75	1,862,418	41	685,721	1,376	27,374,150	4.5%	19,894	95.3%	26.6%
12/31/2018	81	2,054,117	33	488,082	1,424	28,940,185	5.7%	20,323	96.2%	27.0%
12/31/2019	80	2,240,959	47	715,467	1,457	30,465,677	5.3%	20,910	97.2%	27.3%
12/31/2020	83	2,566,143	36	554,098	1,504	32,477,722	6.6%	21,594	102.7%	28.7%
12/31/2021	72	2,059,726	42	814,979	1,534	33,722,469	3.8%	21,983	102.7%	28.9%
12/31/2022	100	2,851,536	52	893,180	1,582	35,680,825	5.8%	22,554	103.1%	28.1%
12/31/2023	48	1,433,010	41	709,535	1,589	36,404,300	2.0%	22,910	99.0%	26.0%

Table 20

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*			Option Selected**						
		1	2	3	LIFE	C1	C2	C3	C4	D	E
1 - 100	2	1	0	1	1	0	0	0	0	1	0
101 - 200	10	5	0	5	3	0	0	0	0	1	6
201 - 300	21	17	0	4	12	2	0	0	0	1	6
301 - 400	47	36	0	11	24	1	0	0	1	3	18
401 - 500	60	42	0	18	26	0	0	0	1	9	24
501 - 600	58	50	0	8	29	0	2	1	0	3	23
601 - 700	55	47	1	7	25	1	0	0	0	7	22
701 - 800	59	49	1	9	27	0	0	0	2	11	19
801 - 900	54	47	0	7	32	0	1	0	0	7	14
901 - 1,000	72	64	0	8	30	3	0	0	1	9	29
1,001 - 1,500	264	221	3	40	121	1	2	2	1	30	107
1,501 - 2,000	240	210	2	28	105	0	1	0	0	32	102
Over 2,000	<u>647</u>	<u>615</u>	<u>0</u>	<u>32</u>	<u>262</u>	<u>10</u>	<u>2</u>	<u>4</u>	<u>8</u>	<u>92</u>	<u>269</u>
Total	1,589	1,404	7	178	697	18	8	7	14	206	639

*Type of Retirement:

- 1 Service Retirement
- 2 Disability Retirement
- 3 Beneficiary

**Option Selected:

- Life Remaining accumulated balance paid to beneficiary
- Opt. C1 60 months guaranteed
- Opt. C2 120 months guaranteed
- Opt. C3 180 months guaranteed
- Opt. C4 240 months guaranteed
- Opt. D 50% continuation to beneficiary
- Opt. E 100% continuation to beneficiary

SCHEDULE OF BENEFIT PAYMENTS BY TYPE

Fiscal Year Ended	Service Retirement	Disability Retirement	Beneficiaries	Refunds	Total Benefits
12/31/2014	20,659,575	125,329	1,473,938	625,184	22,884,026
12/31/2015	22,192,756	125,328	1,641,114	637,822	24,597,020
12/31/2016	23,765,713	125,328	1,846,474	729,742	26,467,257
12/31/2017	24,852,640	125,328	1,913,817	551,908	27,443,693
12/31/2018	26,202,801	125,328	1,981,215	554,422	28,863,766
12/31/2019	27,788,707	124,164	2,142,993	544,438	30,600,302
12/31/2020	29,378,701	114,580	2,101,834	513,758	32,108,873
12/31/2021	30,993,999	114,580	2,147,773	741,019	33,997,371
12/31/2022	32,696,266	114,580	2,246,952	1,210,280	36,268,078
12/31/2023	33,622,180	109,613	2,356,445	1,378,166	37,466,404

Table 21**SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENTS**

<u>Fiscal Year Ended</u>	<u>Service Retirement and Beneficiaries</u>	<u>Disability Retirement</u>	<u>Total</u>	<u>Annual Percentage Increase in Average Benefits</u>
12/31/2014	17,936	13,925	17,907	3.85%
12/31/2015	18,462	13,925	18,430	2.92%
12/31/2016	19,214	13,925	19,178	4.06%
12/31/2017	19,580	13,925	19,543	1.90%
12/31/2018	19,918	13,925	19,880	1.72%
12/31/2019	20,657	15,521	20,629	3.77%
12/31/2020	21,043	14,323	21,007	1.83%
12/31/2021	21,718	14,323	21,679	3.20%
12/31/2022	22,200	14,323	22,160	2.22%
12/31/2023	22,742	15,659	22,711	2.49%

Table 22

DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Cost Method

The actuarial cost method used to determine the actuarial accrued liability and the normal cost for both funding and financial reporting purposes is the Entry Age Normal (EAN) Actuarial Cost Method. The accrued liability and the normal cost are used to determine the City's contribution requirement. Under this method, the cost of each individual's pension is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and accrued liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the accrued liability for each active member.

The actuarial accrued liability and normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner as for retirement benefits described above.

The actuarial accrued liability for inactive members is determined as the actuarial present value of the benefits expected to be paid; no normal cost is determined for these members.

Prior to December 31, 2012 the Projected Unit Credit (PUC) Actuarial Cost Method was used.

Unless otherwise specified, the following actuarial assumptions and methods were adopted December 31, 2022.

Actuarial Assumptions

Mortality: Healthy Lives Pub-2010 Table for General Employees/Retirees with ages set forward 2 years for males and 1 year for females using Projection Scale MP-2021.

Disabled Lives Pub-2010 Table for General Disabled Employees with ages set forward 2 years for males and 1 year for females using Projection Scale MP-2021.

Interest: 7.5% per annum, compounded annually

GASB 67 Blended Beginning of Period: 7.50%
Discount Rate: End of Period: 7.50%

Amortization of Unfunded Liability: Closed 30 year amortization as a level percent of payroll. Payroll growth assumed to be 3.5% per year. Prior bases established between December 31, 2017 and December 31, 2021 were combined into one base with a weighted average remaining amortization period of 25 years.

Turnover: In accordance with the following table based on service:

<u>Years of Service</u>	<u>Turnover Probability</u>
<1	12.0%
1	8.0%
2-3	7.0%
4	6.0%
5-7	5.0%
8	4.0%
9-10	3.0%
11+	2.0%

Table 22**DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS**

Retirement: In accordance with the following table based on age:

<u>Age</u>	<u>Retirement Probability</u>	<u>Age</u>	<u>Retirement Probability</u>
<50	0.0%	67	40.0%
50	10.0%	68	25.0%
51-53	4.0%	69	33.0%
54-59	5.0%	70	45.0%
60	10.0%	71	25.0%
61	15.0%	72	45.0%
62	20.0%	73	30.0%
63	15.0%	74	15.0%
64	20.0%	75+	100.0%
65-66	25.0%		

Disability: None assumed

Salary Increases: In accordance with the following table based on service:

<u>Years of Service</u>	<u>Annual Increase</u>
<1	10.0%
1	9.0%
2	8.0%
3	7.0%
4	6.0%
5	5.0%
6	4.0%
7-11	3.5%
12-18	3.0%
19+	2.5%

There is a 5.0% minimum salary increase assumption for the next 3 years and a 4% minimum salary increase assumption in year 4.

Inflation Rate: 2.50% per year

**Non-Investment
Expenses:** Prior year's actual amount rounded up to next \$100,000

Family Composition: 75% of employees are assumed to be married with males assumed to be four years older than their spouses.

Asset Valuation Basis

In order to smooth out market value fluctuations for purposes of developing the ADC, the difference between actual investment earnings over expected investment earnings will be recognized in equal amounts over a five-year period with the restriction that the smoothed value of assets may not be less than 90% nor greater than 110% of market value.

Table 23**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**

Outlined on the following pages are the principal features of the Plan reflected in the 2023 valuation.

Definitions:

Creditable Service	Service credited as an employee of the City of Spokane during which contributions were made as an eligible member of the Retirement System up to a maximum of 40 years. The maximum is 35 years for employees hired after January 1, 2015, but before December 31, 2017. The maximum is 30 years for employees hired prior to January 1, 2009 who terminate after January 1, 2009 and who do not elect the alternate benefit formula.																
Service Buy-Back	A six-month window was opened from October 1, 2009 through March 31, 2010 during which members who had withdrawn their retirement accumulations and not elected to buy back prior service time could do so. Future rehired employees will have one year from their date of rehire to elect to buy back prior service time.																
Compensation	Total amount received by an employee including base pay, shift differential, overtime, holiday pay, hazardous duty pay and out-of-classification pay and not reduced by salary reduction contributions to the City's cafeteria plan or Section 457 plan. For employees hired after January 1, 2018, overtime compensation will be capped at 120% of an employee's annual base salary.																
Final Compensation	The highest average annual Compensation received by a member during any three consecutive years. For employees hired prior to January 1, 2015, the highest average annual Compensation received by a member during any two consecutive years.																
Normal Retirement Date	The first day of the month coinciding with or next following the attainment of age 65 and completion of 7 years of Creditable Service. For employees hired prior to January 1, 2015, the first day of the month coinciding with or next following the attainment of age 62 and completion of 5 years of Creditable Service.																
Early Retirement Date	The first day of the month coinciding with or next following the attainment of age 50 and with the sum of age plus Creditable Service greater than or equal to 90. Employees hired between January 1, 2015 and December 31, 2017, the first day of the month coinciding with or next following the attainment of age 50 and with the sum of age plus Creditable Service greater than or equal to 80. Employees hired between January 1, 2009 and December 31, 2014, the first day of the month coinciding with or next following the attainment of age 50 and with the sum of age plus Creditable Service greater than or equal to 75. Employees hired prior to January 1, 2009 who terminate after January 1, 2009 and who do not elect the alternate benefit formula described below may retire after attainment of age 50 with 5 years of Creditable Service.																
Member and City Contributions	<table border="0"> <tr> <td>Effective 12/24/2023</td> <td>11.00%</td> </tr> <tr> <td>12/26/2021 - 12/23/2023</td> <td>10.25%</td> </tr> <tr> <td>12/27/2020 - 12/25/2021</td> <td>10.00%</td> </tr> <tr> <td>12/15/2019 - 12/26/2020</td> <td>9.75%</td> </tr> <tr> <td>12/16/2018 - 12/14/2019</td> <td>9.25%</td> </tr> <tr> <td>12/17/2017 - 12/15/2018</td> <td>9.00%</td> </tr> <tr> <td>09/01/2014 - 12/16/2017</td> <td>8.25%</td> </tr> <tr> <td>Prior to 9/1/2014</td> <td>7.75%</td> </tr> </table>	Effective 12/24/2023	11.00%	12/26/2021 - 12/23/2023	10.25%	12/27/2020 - 12/25/2021	10.00%	12/15/2019 - 12/26/2020	9.75%	12/16/2018 - 12/14/2019	9.25%	12/17/2017 - 12/15/2018	9.00%	09/01/2014 - 12/16/2017	8.25%	Prior to 9/1/2014	7.75%
Effective 12/24/2023	11.00%																
12/26/2021 - 12/23/2023	10.25%																
12/27/2020 - 12/25/2021	10.00%																
12/15/2019 - 12/26/2020	9.75%																
12/16/2018 - 12/14/2019	9.25%																
12/17/2017 - 12/15/2018	9.00%																
09/01/2014 - 12/16/2017	8.25%																
Prior to 9/1/2014	7.75%																

Member contributions are credited with 2.5% interest annually, compounded quarterly.

Table 23**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**

Service Retirement Eligibility	<p>A member is eligible for normal retirement on his Normal Retirement Date. For members hired after January 1, 2018, early retirement is permitted at any time after attaining age 50 if the sum of age plus Creditable Service is greater than or equal to 90. For members hired between January 1, 2015 and December 31, 2017, early retirement is permitted at any time after attaining age 50 if the sum of age plus Creditable Service is greater than or equal to 80. For member hired between January 1, 2009 and December 31, 2014, early retirement is permitted at any time after attaining age 50 if the sum of age plus Creditable Service is greater than or equal to 75. Early retirement is permitted at any time after attaining age 50 with 5 years of Credited Service for employees hired prior to January 1, 2009 who terminate after January 1, 2009 and who do not elect the alternate benefit formula described below.</p>
Service Retirement Allowance	<p>Upon service retirement, a member becomes eligible to receive an annual allowance, payable in equal monthly installments. The annual allowance is computed as follows:</p> <p><u>Normal Retirement Allowance</u> Applies to all employees hired after December 31, 2017. Employees hired before January 1, 2018 who terminate after January 1, 2018 may elect this formula at retirement.</p> <p>An amount equal to 2.00% of the member's Final Compensation, multiplied by the number of years of Creditable Service up to 40 years. The maximum annual benefit is 80.0% of Final Compensation.</p> <p><u>Normal Retirement Allowance under Alternate Benefit Formula</u> Applies to all employees hired between January 1, 2009 and December 31, 2017. Employees hired before January 1, 2009 who terminate after January 1, 2009 may elect this formula at retirement.</p> <p>An amount equal to 2.00% of the member's Final Compensation, multiplied by the number of years of Creditable Service up to 35 years. The maximum annual benefit is 70.0% of Final Compensation.</p> <p><u>Normal Retirement Allowance under Benefit Formula in SMC 3.05.160</u> Employees hired before January 1, 2009 who terminate after January 1, 2009 may elect this formula at retirement.</p> <p>An amount equal to 2.15% of the member's Final Compensation, multiplied by the number of years of Creditable Service up to 30 years. The maximum annual benefit is 64.5% of Final Compensation.</p> <p><u>Early Retirement Allowance</u> The Normal Retirement Allowance calculated using Creditable Service and Final Compensation as of the member's Early Retirement Date. For employees hired after January 1, 2018, a reduction of 2.5% will be applied for each year under age 65.</p>
Disability Retirement Eligibility	<p>Permanent and total disability, as determined by the Board, prior to Normal Retirement Age provided the member has at least 7 years (5 years for employees hired prior to January 1, 2015) of City service in the ten-year period prior to disability. The 7 (or 5) year service requirement does not apply if the disability is due to accidental causes while engaged in City service.</p>
Disability Retirement Allowance	<p>An amount equal to 1.25% of the member's Final Compensation, multiplied by the number of years of Creditable Service projected to Normal Retirement Age. The minimum annual benefit is \$2,400 per year for "Duty Related" disability and \$1,200 per year for "Non-duty Related" disability.</p>

Table 23**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**

Withdrawal Benefits	If termination occurs after seven years of service (five years of service for members hired prior to January 1, 2015), a member is entitled to a retirement allowance commencing on his Early Retirement Date or later, up to his Normal Retirement Date, based on his years of Creditable Service and Final Compensation as of his termination date provided he has not withdrawn his Member Contributions.
Death Benefit Before Retirement	<p>Not married or not completed 7 years of service (5 years of service if hired prior to January 1, 2015)</p> <p>Beneficiary will receive a refund of the member's contributions with interest.</p> <p>Married with 7 years of service (5 years of service if hired prior to January 1, 2015)</p> <p>The surviving spouse of a member may elect to receive the survivor's portion of the benefit that would have been payable if the member had survived to his earliest retirement date and elected the 100% Joint & Survivor option in lieu of a refund of the member's contribution account.</p>
Post-retirement Death	An amount determined in accordance with the optional form of payment elected at retirement, but not less than the accumulated value of the member's contributions with interest less actual payments made.

Appendix I

Plan Risks (ASOP 51 Compliance)

Risk may be broadly defined as the chance an outcome or result will differ from the expected outcome or result. In the context of defined benefit pension plans risk is the potential for the future financial condition of the plan to deviate from that expected due to future actual experience different from assumed or expected experience. ASOP 51 requires the actuary to identify and assess risks that may reasonably be expected to impact the plan. Some of the more significant risks are described below. Please let us know if you would like us to quantify or model these risks or any others in more detail.

A. Investment Risk

Investment risk is the risk that actual investment returns differ from the assumed rate of return. Investment returns can be very volatile. Even if the assumed rate of return is realized over the long term, this volatility can lead to significant swings in the plan's funded status and contribution requirement from year to year. Furthermore there is the risk that the assumed rate of return may not be realized.

The assumed rate of return for the plan was 7.50% for 2023. Investment returns below the assumed rate of return increase plan costs and decrease the plan's funded status while investment returns in excess of the assumed rate of return decrease plan costs and improve the plan's funded status.

B. Interest Rate Risk

Interest rate risk is the risk that future interest rates differ from expected interest rates. The interest rate is used to discount future expected benefit payments in order to determine a plan's liability as of the measurement date. Higher interest rates result in lower liabilities and lower interest rates result in higher liabilities.

The liability of your plan has a duration of 9.74 as of December 31, 2023. This means a 1% change in interest rates would result in approximately a 10% change in liability. A 1% increase in interest rates would lower plan liability and vice versa.

C. Asset/Liability Mismatch Risk

Asset/Liability mismatch risk is the risk that changes in future asset values are not matched by changes in the value of plan liabilities. Both assets and liabilities are sensitive to interest rates however the same change in interest rates may have differing impact on assets versus liabilities both in terms of direction and magnitude. Matching the duration of interest rate sensitive assets in the plan's portfolio with the duration of the plan's liabilities (see Interest Rate Risk above) is a method that can be employed to protect the plan's funded status from interest rate fluctuations.

D. Longevity Risk

Longevity risk is the risk that mortality experience will be different than expected. Since the plan is not large enough to have credible mortality experience, standard tables are used. The standard tables are comprised of "base rates" and a mortality improvement projection scale which anticipates continued improvement in mortality in the future. If plan participants live longer than expected, the cost of providing lifetime benefits increases and vice versa.

E. Contribution Risk

Contribution risk is the risk that required contributions as determined by the actuary are not made. A comparison of the actuarially determined contribution (ADC) to employer contributions actually made may be found in Table 12.

Appendix I**Plan Risks (ASOP 51 Compliance)****F. Plan Maturity Measures**

Plan maturity measures are ratios intended to measure the maturity level of a plan. As a plan becomes more mature contribution requirements become more sensitive to investment volatility and more conservative investment strategies may be considered. A high ratio indicates a mature plan.

1. Ratio of retired life liability to total liability: 0.59

A high ratio of retired life liability to total liability indicates a larger proportion of the liability is due to "fixed" benefit amounts. As a result, attempts to mitigate fluctuating contribution requirements through plan amendments affecting future benefit accruals will have less of an impact.

2. Ratio of net cash flow to market value of assets: (0.03)

Net cash flow represents contributions received for the year less benefit payments and expenses. Investment income is excluded. A large negative ratio indicates a significant percentage of the assumed rate of return must be realized to cover the annual cash outflow.

3. Ratio of benefit payments to contributions: 1.39

A high ratio of benefit payments to contributions indicates the extent to which investment return is relied upon to improve the funded status and reduce future costs. A fully funded plan would expect benefit payments to equal or exceed contributions.

Appendix II**LOW-DEFAULT-RISK OBLIGATION MEASURE (LDROM) - (ASOP 4 COMPLIANCE)**

The LDROM helps understand the cost of investing in an all-bond portfolio and significantly lowering expected long-term investment returns. The funded status and Actuarially Determined Contributions are determined using the expected return on assets which reflects the actual investment portfolio. Benefit security for members of the plan relies on a combination of the assets in the plan, the investment returns generated on those assets, and the promise of future contributions from the plan sponsors.

Since the assets are not invested in an all-bond portfolio, the LDROM does not indicate the funding status or progress, nor provide information on necessary plan contributions or the security of participant benefits. The difference between the plan's Actuarial Accrued Liability and the LDROM can be thought of as representing the expected taxpayer savings from investing in the plan's diversified portfolio compared to investing only in high quality bonds.

Type of Member	Valuation AAL	LDROM 12/31/2023 Treasury Rates
Retirees and Beneficiaries	346,724,553	460,488,106
Disabled Members	793,952	1,022,349
Terminated Members	22,257,934	35,745,088
Active Members	<u>219,752,811</u>	<u>353,893,270</u>
Total	589,529,250	851,148,813

The single interest rate used for the LDROM liabilities shown above is 4.10% and is based on comparing expected cash flows under the System to the Treasury Nominal Coupon-Issue Yield Curve as of December 31, 2023.

Appendix III*Data Tables*

Exhibit A	Summary of Membership Data as of December 31, 2023
Exhibit B	20 Year Benefit Payment Projections
Exhibit C	Age and Service Distributions
Exhibit D	Age, Salary and Service Distributions
Exhibit E	Average Benefits for Service Retirement
Exhibit F	Average Benefits for Survivor Beneficiary
Exhibit G	Average Benefits for Disability Retirement
Exhibit H	Average Benefits for Vested Terminations
Exhibit I	Average Benefits for Portables

EXHIBIT A

Summary of Membership Data as of December 31, 2023

Active Members

Item	Male	Female	Total
Number of Members	1,097	508	1,605
Annual Salaries	\$91,608,098	\$40,027,306	\$131,635,404
Average Age	46.6	46.2	46.5
Average Service	10.3	9.6	10.1

EXHIBIT A
(continued)

Summary of Membership Data as of December 31, 2023

Retirees and Beneficiaries

Item	Number	Annual Annuities	Average Annuities
Retired Members	1,404	\$33,540,898	\$23,890
Survivor Annuitants	178	\$2,766,013	\$15,539
Disabled Annuitants	7	\$97,389	\$13,913
Total Annuitants	1,589	\$36,404,300	\$22,910

EXHIBIT A
(continued)

Summary of Membership Data as of December 31, 2023

Vested Terminations and Portables

Item	Number	Annual Annuities	Average Annuities
Vested Terminations	92	\$1,477,887	\$16,064
Portables*	83	\$871,392	\$10,499

* Annuity amounts are estimates based on last known earnings projected to retirement. Actual annuity amounts will be calculated using actual earnings at retirement.

EXHIBIT B

20 Year Benefit Payment Projection

Spokane Employees' Retirement System

Year Ended December 31	Current and Future Retirees	Current Retirees Only
2024	\$41,053,995	\$36,149,405
2025	42,837,442	35,575,019
2026	44,517,766	34,960,587
2027	46,111,284	34,305,297
2028	47,775,952	33,608,118
2029	49,144,928	32,868,690
2030	50,513,054	32,083,984
2031	51,785,518	31,254,465
2032	52,968,549	30,382,539
2033	54,062,352	29,465,833
2034	55,039,240	28,504,803
2035	56,106,630	27,503,753
2036	57,085,109	26,455,538
2037	58,033,897	25,370,073
2038	58,927,896	24,243,114
2039	59,659,845	23,063,052
2040	60,324,747	21,854,706
2041	60,857,238	20,648,106
2042	61,328,403	19,406,921
2043	61,729,903	18,159,916

EXHIBIT C

Age and Service Distribution

Spokane Employees' Retirement System

Attained Age	Years of Creditable Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up		
Under 25	24	16	0	0	0	0	0	0	0	0	0	40
25 to 29	15	62	12	0	0	0	0	0	0	0	0	89
30 to 34	23	91	58	3	1	0	0	0	0	0	0	176
35 to 39	26	68	63	21	21	0	0	0	0	0	0	199
40 to 44	26	68	67	33	34	7	0	0	0	0	0	235
45 to 49	15	51	50	30	43	28	3	0	0	0	0	220
50 to 54	17	42	55	29	33	29	14	7	1	0	0	227
55 to 59	9	28	33	27	34	23	19	17	4	1	1	195
60 to 64	8	18	24	23	20	26	20	21	4	1	1	165
65 to 69	1	7	6	4	7	8	4	6	1	1	1	45
70 & Up	0	0	3	1	1	1	0	3	1	4	4	14
Total	164	451	371	171	194	122	60	54	11	7	1,605	
Freq. Pct.	10.2%	28.1%	23.1%	10.7%	12.1%	7.6%	3.7%	3.4%	0.7%	0.4%	100.0%	

EXHIBIT D

Age, Salary and Service Distribution

Spokane Employees' Retirement System

Attained Age	Years of Creditable Service											Total		
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up				
Under 25	1,082,138	985,922	0	0	0	0	0	0	0	0	0	0	0	2,068,060
25 to 29	682,304	3,827,854	942,269	0	0	0	0	0	0	0	0	0	0	5,452,427
30 to 34	1,211,831	6,154,607	5,028,039	232,601	74,719	0	0	0	0	0	0	0	0	12,701,796
35 to 39	1,556,587	4,704,763	5,660,013	2,098,033	1,722,465	0	0	0	0	0	0	0	0	15,741,861
40 to 44	1,501,979	4,858,431	6,231,105	3,021,289	3,252,961	677,865	0	0	0	0	0	0	0	19,543,631
45 to 49	954,527	3,727,777	4,811,964	2,887,513	3,687,142	2,661,044	286,929	0	0	0	0	0	0	19,016,897
50 to 54	1,015,019	3,087,210	5,497,729	2,481,596	3,018,466	2,991,889	1,396,646	494,150	151,839	0	0	0	0	20,134,545
55 to 59	576,381	2,046,794	3,075,109	2,404,838	3,104,883	2,171,426	1,785,916	1,589,949	350,777	96,214	17,202,289	0	0	17,202,289
60 to 64	537,022	1,309,294	2,122,661	2,157,556	1,927,095	2,249,372	2,014,045	1,972,374	336,591	91,719	14,717,729	0	0	14,717,729
65 to 69	41,692	558,724	547,827	352,041	647,770	808,132	302,593	500,784	75,656	59,615	3,894,834	0	0	3,894,834
70 & Up	0	0	273,897	99,046	80,452	60,414	0	204,224	57,970	385,333	1,161,335	0	0	1,161,335
Total	9,159,481	31,261,375	34,190,613	15,734,513	17,515,954	11,620,143	5,786,130	4,761,481	972,833	632,881	131,635,404	972,833	0.7%	100.0%

Freq. Pct. 7.0% 23.7% 26.0% 12.0% 13.3% 8.8% 4.4% 3.6% 0.7% 0.5%

Avg. Sal. 55,850 69,316 92,158 92,015 90,288 95,247 96,435 88,176 88,439 90,412 82,016

EXHIBIT E

**Average Benefits for Service Retirement
Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	0	0	0	0
50 to 54	29	26,928	22	28,310	51	27,524
55 to 59	54	27,957	24	25,055	78	27,064
60 to 64	99	31,275	69	26,527	168	29,325
65 to 69	186	29,499	127	22,476	313	26,649
70 to 74	211	26,430	138	20,207	349	23,970
75 to 79	149	24,467	90	15,872	239	21,230
80 to 84	66	20,277	57	13,631	123	17,197
85 to 89	31	20,069	25	11,262	56	16,137
90 to 94	12	13,102	9	8,757	21	11,240
95 & Up	3	14,597	3	6,718	6	10,657
Total	840	26,497	564	20,006	1,404	23,890
Average Age	71.2		71.6		71.3	
Freq. Pct.	59.8%		40.2%		100.0%	

EXHIBIT F

**Average Benefits for Survivor Beneficiary
Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	1	15,194	1	15,194
50 to 54	0	0	0	0	0	0
55 to 59	0	0	4	23,043	4	23,043
60 to 64	1	11,020	8	20,860	9	19,767
65 to 69	1	9,123	26	19,173	27	18,800
70 to 74	3	9,022	37	19,566	40	18,775
75 to 79	3	11,890	21	16,102	24	15,575
80 to 84	0	0	29	13,008	29	13,008
85 to 89	3	7,069	27	10,633	30	10,276
90 to 94	1	12,922	8	14,834	9	14,622
95 & Up	0	0	5	6,238	5	6,238
Total	12	9,751	166	15,958	178	15,539
Average Age	77.9		77.1		77.2	
Freq. Pct.	6.7%		93.3%		100.0%	

EXHIBIT G

Average Benefits for Disability Retirement

Spokane Employees' Retirement System

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0
55 to 59	1	18,583	1	19,080	2	18,831
60 to 64	0	0	0	0	0	0
65 to 69	2	12,845	0	0	2	12,845
70 to 74	0	0	1	7,844	1	7,844
75 to 79	1	13,295	1	12,898	2	13,096
80 to 84	0	0	0	0	0	0
85 to 89	0	0	0	0	0	0
90 to 94	0	0	0	0	0	0
95 & Up	0	0	0	0	0	0
Total	4	14,392	3	13,274	7	13,913
Average Age	67.7		69.6		68.5	
Freq. Pct.	57.1%		42.9%		100.0%	

EXHIBIT H

**Average Benefits for Vested Terminations
Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 30	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0
35 to 39	11	13,468	6	13,170	17	13,363
40 to 44	14	18,466	5	10,413	19	16,347
45 to 49	11	19,975	19	16,505	30	17,778
50 to 54	8	21,612	1	6,618	9	19,946
55 to 59	6	19,864	4	9,580	10	15,751
60 to 64	5	9,389	1	18,474	6	10,903
65 & Up	0	0	1	4,363	1	4,363
Total	55	17,553	37	13,850	92	16,064
Average Age	47.7		47.3		47.5	
Freq. Pct.	59.8%		40.2%		100.0%	

EXHIBIT I

Average Benefits for Portables

Spokane Employees' Retirement System

Attained Age	Male		Female		Total	
	Number	Avg. Ben.*	Number	Avg. Ben.*	Number	Avg. Ben.*
Under 30	0	0	1	614	1	614
30 to 34	0	0	3	1,573	3	1,573
35 to 39	6	3,432	8	6,876	14	5,400
40 to 44	5	15,758	12	6,739	17	9,392
45 to 49	6	16,513	3	27,866	9	20,298
50 to 54	9	13,733	5	12,058	14	13,134
55 to 59	8	6,529	5	24,745	13	13,535
60 to 64	3	6,304	8	8,156	11	7,651
65 & Up	1	4,128	0	0	1	4,128
Total	38	10,456	45	10,535	83	10,499
Average Age	50.2		47.7		48.9	
Freq. Pct.	45.8%		54.2%		100.0%	

* Annuity amounts are estimates based on last known earnings projected to retirement. Actual annuity amounts will be calculated using actual earnings at retirement.

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Statistical Section

Schedule of Revenues by Source

Fiscal Year	Employer Contribution	Employer Contributions	Member Contributions	Net Investment Income	Total Revenues
2014 ¹	7.92%	6,822,279	6,822,279	14,497,901	28,142,459
2015	8.25%	7,398,945	7,402,905	(3,228,439)	11,573,411
2016	8.25%	7,586,362	7,586,362	16,802,274	31,974,998
2017 ²	8.25%	8,113,319	8,113,319	43,085,572	59,312,210
2018 ³	9.00%	9,187,420	9,188,781	(18,715,945)	(339,744)
2019 ⁴	9.25%	9,824,717	9,827,760	50,166,728	69,819,205
2020 ⁵	9.75%	10,659,281	10,659,281	33,795,088	55,113,650
2021 ⁶	10.00%	11,519,708	11,519,708	46,166,835	69,206,251
2022	10.25%	11,863,726	11,931,102	(50,241,335)	(26,446,507)
2023	10.25%	13,446,610	13,459,279	42,225,848	69,131,737

¹ Effective September 1, 2014, the annual Contribution Rate changed from 7.75% to 8.25%. 7.92% represents the average rate of contributions received during 2014.

² Effective December 17, 2017, the annual Contribution Rate changed from 8.25% to 9.00%. 8.25% represents the average rate of contributions received during 2017.

³ Effective December 16, 2018, the annual Contribution Rate changed from 9.00% to 9.25%. 9.00% represents the average rate of contributions received during 2018.

⁴ Effective December 15, 2019, the annual Contribution Rate changed from 9.25% to 9.75%. 9.25% represents the average rate of contributions received during 2019.

⁵ Effective December 27, 2020, the annual Contribution Rate changed from 9.75% to 10.0%. 9.75% represents the average rate of contributions received during 2020.

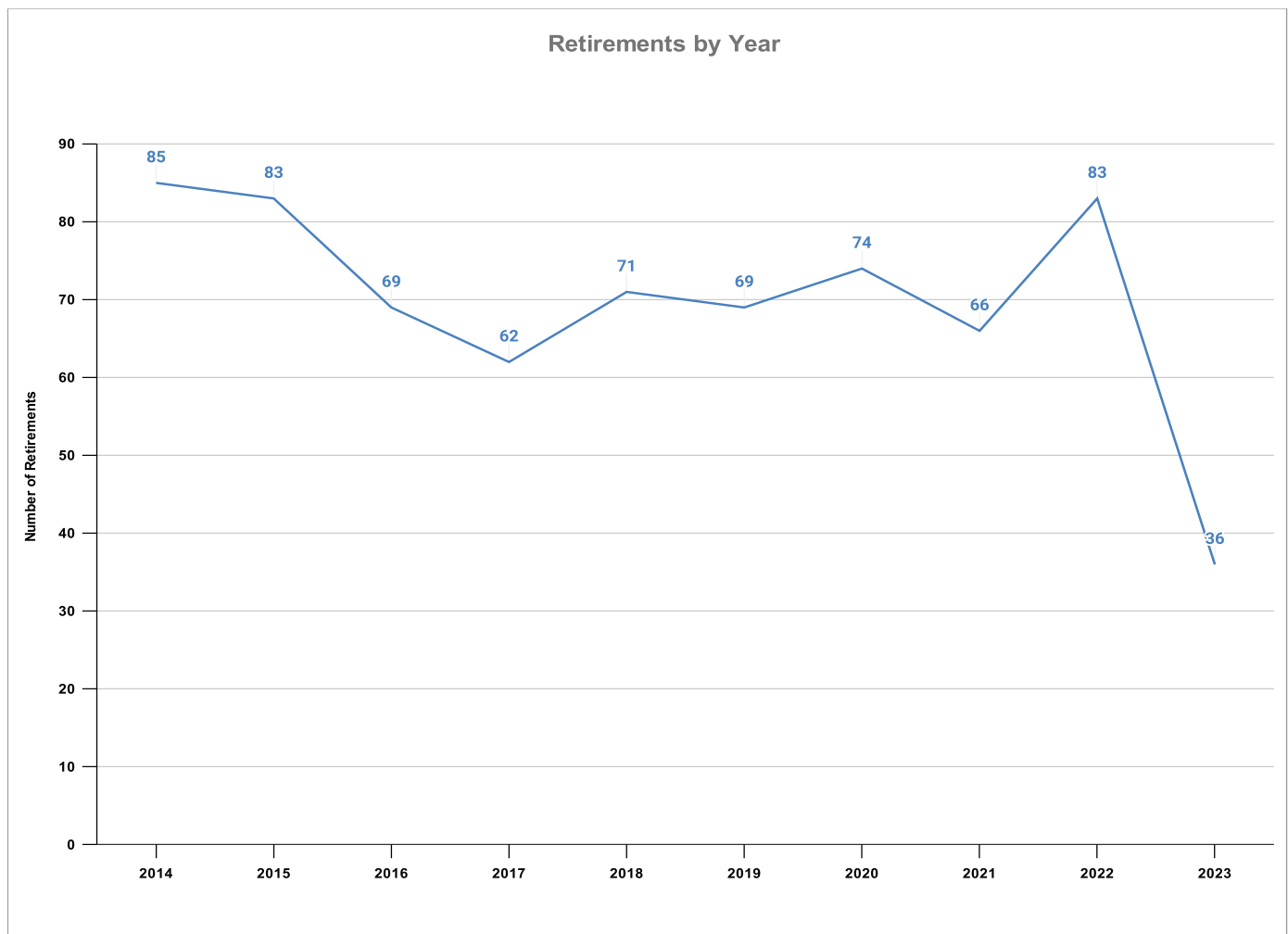
⁶ Effective December 26, 2021, the annual Contribution Rate changed from 10.0% to 10.25%. 10.0% represents the average rate of contributions received during 2021.

Schedule of Expenses by Type

Fiscal Year	Benefits	Refunds	Net Administrative	Total Expenses
2014	22,258,842	625,184	386,713	23,270,739
2015	23,959,198	637,822	447,921	25,044,941
2016	25,737,515	729,741	477,252	26,944,508
2017	26,891,785	551,908	563,078	28,006,771
2018	28,309,344	554,422	554,484	29,418,250
2019	30,055,864	544,438	555,763	31,156,065
2020	31,595,115	513,758	619,135	32,728,008
2021	33,256,350	741,019	603,645	34,601,014
2022	35,057,797	1,210,280	679,519	36,947,596
2023	36,088,238	1,378,166	572,501	38,038,905

Schedule of Benefit Expenses by Type

Year	Service Retiree Benefits	Survivor Benefits	Disability Retiree Benefits	Refunds	Total
2014	20,659,575	1,473,938	125,329	625,184	22,884,026
2015	22,192,756	1,641,114	125,328	637,822	24,597,020
2016	23,765,713	1,846,474	125,328	729,741	26,467,256
2017	24,852,640	1,913,817	125,328	551,908	27,443,693
2018	26,202,801	1,981,215	125,328	554,422	28,863,766
2019	27,788,707	2,142,993	124,164	544,438	30,600,302
2020	29,378,701	2,101,834	114,580	513,758	32,108,873
2021	30,993,999	2,147,773	114,580	741,019	33,997,371
2022	32,696,265	2,246,952	114,580	1,210,280	36,268,077
2023	33,622,180	2,356,445	109,613	1,378,166	37,466,404



Retirements During 2023

Name	Department	Position	Date Retired	Option	Serv Yrs	Age
Albin, Rhonda L.	Solid Waste Disposal	Scale Operations Foreperson	3/3/2023	C20	31.3	65
Arsenault, James T.	Fleet Services	Parts Technician	2/4/2023	ST	9.5	66
Ayers, Larry J.	Engineering Services	Engineering Technician II	4/22/2023	ST	13.0	68
Ayres, Terri L.	Police	Police Records Specialist	3/3/2023	ST	7.5	65
Bayley, Matthew R. *	IT	Computer Network Analyst	11/1/2023	E	8.0	50
Brown, Penny C.	Library	Director - Capital Bond Finance & Construction	9/7/2023	ST	9.4	62
Buening, Mark A. #	Parks & Recreation	Director - Parks & Recreation Budget/Finance	4/4/2023	ST	6.6	63
Cash, Karen T. *	Water	Senior Engineer	8/1/2023	D	5.1	50
Christensen, Robert A.	Solid Waste Management	Refuse Collector I	11/4/2023	E	17.2	67
Coulter, Luanne	Worker's Compensation	Worker's Compensation Assistant	2/4/2023	ST	7.0	68
Delay, John J.	Public Affairs/Communications	Director - Channel 5	2/4/2023	E	33.2	57
Foreman, William R.	Water	Certified Water Hydro Plant Mechanic	4/14/2023	E	20.5	67
Fortney, Barbara K.	Police	Clerk II	12/2/2023	ST	36.5	68
Friedrick, Edward G.	Fleet Services	Equipment Maintenance Foreperson	4/4/2023	ST	29.6	64
Hauenstein, Tanya T.	Police	Police Communications Supervisor	3/5/2023	C15	27.4	56
Jubenville, Sean M.	Water	Certified Water Inspector	4/8/2023	ST	18.8	50
Kaatz, Robert L.	Solid Waste Management	Refuse District Supervisor	1/10/2023	E	22.7	57
King, Christopher L. *	Solid Waste Management	Laborer I	9/1/2023	E	8.4	51
Kinnear, Lori A.	City Council	City Council President	12/1/2023	ST	12.6	70
Kinyon, Gregory A.	Streets	Clerk III	8/2/2023	E	25.0	54
Lamoreaux, Kenneth *	Accounting	Senior Accountant	9/1/2023	E	7.4	50
Lawson, Scott A.	Streets	Laborer II	10/13/2023	E	26.0	64
Lesesne, Michele R.	Accounting	Accountant	10/14/2023	E	30.1	60
Long, Ronald W.	Solid Waste Disposal	Heavy Equipment Operator	8/11/2023	E	33.0	62
Malstrom, Lisa A.	Streets	Senior Engineer	10/5/2023	ST	32.5	63
Mohror, Emmett K.	Fleet Services	Electronic Communication Systems Tech	6/10/2023	ST	15.3	63
Mumm, Candace M. *	City Council	Councilmember	7/1/2023	ST	8.0	62
Nett, John H.	Fleet Services	Certified Equipment Maintenance Foreperson	2/18/2023	ST	28.9	64
Nordling, Jane M.	Fleet Services	Fleet Specialist	5/13/2023	E	27.1	61
Randolph, David J.	Parks & Recreation	Facilities Maintenance Foreperson	12/9/2023	E	38.8	64
Redd, Margaret A.	Finance	Taxes & Licenses Specialist	7/6/2023	ST	29.6	60
Santos, Eduardo L.	IT	Senior Informaton System Analst	9/23/2023	E	15.0	52
Sieveke, Cheryl A.	Parks & Recreation	Attractions & Retail Manager	11/5/2023	ST	10.2	70
VanGelder, David B.	Advanced Wastewater Treatment	Heavy Equipment Operator	9/30/2023	ST	30.0	66
Verity, Lance W.	Advanced Wastewater Treatment	Instrumentation, Controls and Electrical Tech.	3/4/2023	E	13.1	66
Yamada, Leigh C. *	Parks & Recreation	Clerk II	10/1/2023	ST	7.9	51

* Retired as vested employee # Retired under membership through Portability ^ Retired as spouse of deceased vested employee

Retiree Deaths During 2023

Name	Date Retired	Date of Death	Age	Retirement Option
Applegate, Lewis L.	2/12/2004	9/3/23	80	E
Arnesen, Thomas J.	10/7/2003	3/1/23	71	ST
Berry Laverta M.	6/5/1993	12/23/23	95	ST
Black, Barbara J.	4/8/2000	6/3/23	85	ST
Brown, Lee R.	7/9/2010	6/24/23	85	E
Brown, Sheila R.	9/25/2003	1/23/23	73	ST
Calkins, Neva L.	12/2/1988	1/30/23	95	A
Dearing, Terry L.	9/3/1997	9/16/23	66	Disability
Dimond, Ellen M.	4/13/1997	6/25/23	94	ST
Evans, Dan P.	12/2/2008	9/30/23	72	E
Ferguson, Timothy V.	5/8/1994	3/4/23	78	E
Fruit, John C.	9/5/2001	2/20/23	90	ST
Gartz, Jessie E.	7/1/1985	10/16/23	89	A
Hall, Rufus L.	8/1/1992	8/29/23	93	E
Headley, Terry M.	12/3/2017	5/25/23	73	E
Hein, Dennis D.	7/22/2006	4/3/23	77	E
Hendrickson, Lois A.	6/16/2004	3/11/23	80	ST
Kauffman Charles R.	1/21/2012	12/27/23	78	D
Manderscheid, Donald C.	4/2/2002	3/6/23	85	ST
Mauget Richard R.	12/4/2012	12/9/22	70	E
Morgan Robert J.	2/13/2016	9/8/23	69	E
Penkunis, Michael B.	9/11/2018	10/23/23	58	E
Pierce, Gary W.	6/4/2011	3/1/23	72	D
Porter, Darrell M.	8/9/2006	3/23/23	68	E
Pounds, Robert C.	6/8/1993	1/26/23	93	E
Schott Mary M.	1/10/2009	12/17/22	71	ST
Schutz, Nancy A.	10/8/2011	2/25/23	81	ST
Shea, Michael C.	1/13/2007	4/9/23	78	E
Sproule, Leon E.	9/8/2001	10/6/23	75	ST
Stapleton Richard E.	7/9/2011	10/8/23	71	D
Stone, Diane F.	7/2/2013	7/13/23	64	ST
Storer, Donald L.	10/24/1989	1/31/23	95	ST
Tonkin Patricia M.	7/8/2000	11/12/23	88	ST
VanLeuven, Carolyn J.	5/13/2001	4/11/23	86	ST
Wagner, Debbie R.	2/15/2014	6/9/23	68	ST

Active Member Deaths During 2023

Name	Department	Date of Death	Age	Years of Service
Illback, Kathryn E.	Library	3/8/2023	41	6.2
Faggiano, Salvatore J.	Legal	3/14/2023	65	18.2
Reed, Autumn L.	Development Services Center	4/24/2023	46	4.2

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Investment Section

Total Retirement Assets

A 10 year look



Schedule of Investment Results

	Market Value of Investments	Net Investment Income	Investment Rate of Return (net of fees)
2014	285,567,005	14,497,901	5.34%
2015	272,332,285	(3,228,439)	-0.94%
2016	276,992,752	16,802,274	6.71%
2017	308,520,137	43,084,584	15.40%
2018	278,768,297	(18,715,945)	-6.27%
2019	317,470,461	50,166,728	18.35%
2020	339,886,455	33,795,088	11.47%
2021	374,540,809	46,166,835	13.67%
2022	311,156,246	(50,241,335)	-13.50%
2023	342,331,066	42,225,848	14.10%

Investments Listed by Type

As of December 31, 2023

Capital Preservation:

Cash Held by Treasurer	\$ 191,389
Fidelity Government Money Market	1,060,215
Sterling Capital Core Bond	35,178,935
Hotchkis & Wiley High Yield	16,768,398
Pimco Dynamic Bond Fund	5,961,391
Polar Long/Short Fund	9,496,536
Loomis Core Plus Bond Fund	26,430,398
Blackrock High Yield	6,494,554
Post Limited Term High Yield	333,550

Domestic Equities:

Hotchkis & Wiley Large Cap Value	10,915,244
MFS Large Cap Growth	10,990,835
Fidelity S&P 500 Index	35,454,801
Sterling Mid Cap Value	5,383,207
Westfield Mid Cap Growth	5,779,805
Fidelity Mid Cap Index	3,221,711
Champlain Small Cap	8,820,816
Bridge City Small Cap Growth	7,790,876
Fidelity Small Cap Index	545,130

International Equities:

Artisan International Value	19,994,429
EuroPacific Growth	14,972,874
Trivalent Small Cap Value	16,638,140

Emerging Markets:

ABS Emerging Markets Strategic Portfolio	10,233,299
Vanguard Emerging Market Equity	6,645,133

Real Estate:

Morrison Street Fund VI	6,678,720
Morrison Street Fund VII	2,395,530
Morrison Street Income Fund	2,508,912
Morgan Stanley PRIME Fund	7,462,311
Principal (REITs)	7,761,800

Long Biased Hedge Funds:

Weatherlow Offshore	21,817,592
Royalty Opportunities I	710,279
Royalty Opportunities II	234,276

Opportunistic Credit:

Beach Point Select Fund	14,872,344
Contrarian Capital Fund I	11,683,824

Special Opportunities:

Contrarian Emerging Markets	6,616,897
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Total Cash and Investments

\$ 342,044,151

Note: Totals may not add due to rounding

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