

City of Irving Supplemental Benefit Plan

Annual Financial Report

December 31, 2020



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Independent Auditor's Report

To the Members of the Administrative Board of the
City of Irving Supplemental Benefit Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Irving Supplemental Benefit Plan (the Plan), a fiduciary fund of the City of Irving, which comprise the statements of plan fiduciary net position as of December 31, 2020 and 2019, and the related statements of changes in plan fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Fund Financial Statements

As discussed in Note 1, the financial statements present only the Plan, a fiduciary fund of the City of Irving (the City) and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2020 and 2019 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Weaver and Tidwell, L.L.P.
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The Members of the Administrative Board of the
City of Irving Supplemental Benefit Plan

Investments with Values that are not readily determined

As discussed in Note 1, the financial statements include investments valued at \$13,630,073 and \$16,674,431 as of December 31, 2020 and 2019, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedule of changes in net pension liability and related ratios, schedule of contributions from the employers and other contributing sources and ten year schedule of investment returns be presented to supplement the basic financial statements. Such information, 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 and opinion on the financial statements that collectively comprise the Plan's financial statements. The Direct and Indirect Fees and Commissions is presented for purposes of additional analysis and is not a required part of the financial statements. The Direct and Indirect Fees and Commissions is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Direct and Indirect Fees and Commissions is fairly stated, in all material respects, in relation to the financial statements as a whole. The Direct and Indirect Fees and Commissions has not been subjected to the auditing procedures applied in the audit of financial statements, accordingly, we do not express an opinion or provide any assurance on it.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
July 22, 2021

City of Irving Supplemental Benefit Plan

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

Our discussion and analysis of the City of Irving Supplemental Benefit Plan (SBP or the Plan) financial performance provides an overview and analysis of the Plan's financial activities for the years ended December 31, 2020 and 2019. Please read it in conjunction with the accompanying basic financial statements, including the notes thereto, and required supplementary information.

The City of Irving, Texas (the City) established the SBP, a defined benefit pension plan, which provides specific benefits to participants at retirement or disability and to their beneficiaries in case of death.

FINANCIAL HIGHLIGHTS

- In 2020, net position of the Plan increased by \$9.5 million. The increase in net position is primarily driven by a \$7.8 million in net investment income. This is compared to an increase in net investment income of \$11.6 million in 2019.
- Total investment return decreased in 2020 by \$3.8 million. The investment rate of return net of investment expenses decreased from 19.8% in 2019 to 10.98% in 2020, primarily resulting from market declines caused by the COVID-19 pandemic as compared to 2019.
- The SBP paid \$3.4 million in benefits during 2020, compared to \$4.5 million in 2019. Benefit payments decreased primarily due to a \$1.1 million decrease in lump sum payments from \$1.5 million in 2019 to \$500 thousand in 2020.
- The SBP received \$2.5 million and \$2.4 million in City contributions during 2020 and 2019, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

In this financial report, the basic financial statements consist of the Statements of Plan Fiduciary Net Position and the Statements of Changes in Plan Fiduciary Net Position with accompanying Notes to the Financial Statements. Each of those financial statements present information for the Plan as of and for the year ended December 31, 2020, and comparative audited information as of and for the year ended December 31, 2019.

The Statements of Plan Fiduciary Net Position present the financial position of the Plan. The financial position is assets (primarily investments) less liabilities (advisory fees owed). The difference between assets and liabilities is fiduciary net position, which represents the amount of resources available to pay future benefits to retirees. Investments consist of cash equivalents, fixed income securities, domestic and international equities and alternative investments.

The Statements of Changes in Plan Fiduciary Net Position present the additions to and deductions from the Plan's net position during the year. The Plan receives contributions from the City, as well as income or losses from investments and related activities. The primary deductions are to pay retirement benefits, which is the Plan's primary purpose. Deductions also include lump-sum distributions for plan member terminations and administrative expenses. The change in the Plan fiduciary net position during the year is added to or subtracted from the beginning balance of the Plan fiduciary net position to obtain the balance of Plan fiduciary net position at the end of the year.

City of Irving Supplemental Benefit Plan

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the basic financial statements. They provide background and more details about the information in the financial statements. Among other matters, the notes describe:

- The SBP purpose and its membership
- The nature of the Plan, including the membership and benefit provisions and contribution requirements
- The significant accounting policies used to prepare the basic financial statements
- The SBP's investment authority and policies, how investments are safeguarded and selected details about various investment activity and balances

Required Supplementary Information

Governmental Accounting Standards Board (GASB) Statement No. 67 requires plans to calculate net pension liability (asset) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position. Additional supplemental schedules required by GASB Statement No. 67 are included in the Required Supplementary Information section.

SUMMARY AND ANALYSIS OF THE FINANCIAL INFORMATION

The following Condensed Statements of Plan Fiduciary Net Position and Statements of Changes in Plan Fiduciary Net Position present financial information for the SBP, comparing 2020, 2019 and 2018 audited information. This information comes from the Statements of Plan Fiduciary Net Position and Statements of Changes in Plan Fiduciary Net Position for those three years.

| Condensed Statements of Plan Fiduciary Net Position | | | | | | | |
|---|----------------------|----------------------|-----------------------|---------------------------|------------|---------------------------|------------|
| | <i>December 31</i> | | | <i>2020 - 2019 Change</i> | | <i>2019 - 2018 Change</i> | |
| | 2020 | 2019 | 2018 | Amount | Percentage | Amount | Percentage |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 5,513,263 | \$ 4,417,087 | \$ 1,974,673 | \$ 1,096,176 | 24.8% | \$ 2,442,414 | 123.7% |
| Investments, at fair value | 74,182,497 | 66,984,622 | 56,137,578 | 7,197,875 | 10.7% | 10,847,044 | 19.3% |
| Receivables | 56,564 | 17,520 | 108 | 39,044 | 222.9% | 17,412 | 16122.2% |
| Total Assets | <u>79,752,324</u> | <u>71,419,229</u> | <u>58,112,359</u> | <u>8,333,095</u> | 11.7% | <u>13,306,870</u> | 22.9% |
| Liabilities | | | | | | | |
| Due to broker for investments purchased | - | 1,205,811 | - | (1,205,811) | -100.0% | 1,205,811 | 0.0% |
| Net position restricted for pensions | <u>\$ 79,752,324</u> | <u>\$ 70,213,418</u> | <u>\$ 58,112,359</u> | <u>\$ 9,538,906</u> | 13.6% | <u>\$ 12,101,059</u> | 20.8% |
| Condensed Statements of Changes in Plan Fiduciary Net Position | | | | | | | |
| | <i>December 31</i> | | | <i>2020 - 2019 Change</i> | | <i>2019 - 2018 Change</i> | |
| | 2020 | 2019 | 2018 | Amount | Percentage | Amount | Percentage |
| Additions | | | | | | | |
| Contributions | \$ 5,480,176 | \$ 5,222,493 | \$ 4,824,788 | \$ 257,683 | 4.9% | \$ 397,705 | 8.2% |
| Net investment income | 7,805,446 | 11,570,512 | (2,288,325) | (3,765,066) | -32.5% | 13,858,837 | -605.6% |
| Total Additions | <u>13,285,622</u> | <u>16,793,005</u> | <u>2,536,463</u> | <u>(3,507,383)</u> | -20.9% | <u>14,256,542</u> | 562.1% |
| Deductions | | | | | | | |
| Benefits | 3,399,681 | 4,507,225 | 3,745,857 | (1,107,544) | -24.6% | 761,368 | -68.7% |
| Refunds of members' contributions | 254,693 | 70,613 | 270,957 | 184,080 | 260.7% | (200,344) | -108.8% |
| Administrative and other expenses | 92,342 | 114,108 | 150,834 | (21,766) | -19.1% | (36,726) | 168.7% |
| Total Deductions | <u>3,746,716</u> | <u>4,691,946</u> | <u>4,167,648</u> | <u>(945,230)</u> | | <u>524,298</u> | |
| Net increase (decrease) in net position | <u>\$ 9,538,906</u> | <u>\$ 12,101,059</u> | <u>\$ (1,631,185)</u> | <u>\$ (2,562,153)</u> | -21.2% | <u>\$ 13,732,244</u> | -841.9% |

City of Irving Supplemental Benefit Plan

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

2020 Compared to 2019

- The SBP's fiduciary net position increased \$9.5 million during 2020 versus a \$12.1 million increase during 2019. The increase in net position for calendar year 2020 is primarily driven by investment income due to recovering U.S. equity markets in 2020 following significant market declines early in the year resulting from the COVID-19 pandemic. The overall total investment return in 2020 was \$7.8 million compared to an overall total investment return of \$11.6 million in 2019.
- In 2020, the overall rate of return on the SBP's investment activity was 10.98%. In 2019, that rate of return was 19.8%.
- The SBP paid \$3.4 million in retirement benefits to 428 members as of December 31, 2020 compared to \$4.5 million paid to 413 members as of December 31, 2019. This decrease resulted from a \$1 million decrease in lump sum payments from \$1.5 million in 2019 to \$500 thousand in 2020. On average, this amounts to payments of \$7,943 per person in 2020 versus \$10,913 per person in 2019.
- The SBP received \$2.5 million in City contributions in 2020 as compared to \$2.4 million in 2019. The City's contribution rates are based on an annual actuarial study, consistency in annual contributions resulted from consistency in active and retiree members.

2019 Compared to 2018

- The SBP's fiduciary net position increased \$12.1 million during 2019 versus a \$1.6 million decrease during 2018. The increase in net position for calendar year 2019 was primarily driven by investment income due to strong U.S. equity markets in 2019 coupled by a rebound from the market decline that occurred at the end of calendar year 2018. The overall total investment return in 2019 was \$11.6 million compared to an overall total investment loss of \$2.3 million in 2018.
- In 2019, the overall rate of return on the SBP's investment activity was a gain of 19.8%. In 2018, that rate of return was a loss of 3.8%.
- The SBP paid \$4.5 million in retirement benefits to 413 members as of December 31, 2019 compared to \$3.7 million paid to 400 members as of December 31, 2018. On average, this amounts to payments of \$10,913 per person in 2019 versus \$9,365 per person in 2018.
- The SBP received \$2.5 million in City contributions in 2019 compared to \$2.2 million in 2018. The City's contribution rates are based on an annual actuarial study, and the increase is attributable to increased payroll as well as an increase in active members.

Request for Information

This financial report is designated to provide a general overview of the finances of the City of Irving Supplemental Benefit Plan. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, City of Irving, 825 W. Irving Blvd., Irving, Texas 75060.

Basic Financial Statements

City of Irving Supplemental Benefit Plan

Statements of Fiduciary Net Position

December 31, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,513,263 | \$ 4,417,087 |
| Total cash and cash equivalents | 5,513,263 | 4,417,087 |
| Investments, at fair market value | | |
| Government security | 5,335,258 | 5,034,853 |
| Common stock | 18,092,436 | 14,304,157 |
| Mutual funds | 21,134,462 | 18,071,327 |
| Corporate bonds | 5,078,978 | 3,429,384 |
| Foreign bonds and stocks | 10,911,290 | 9,470,470 |
| Alternative investments/Hedge funds | 13,630,073 | 16,674,431 |
| Total investments, at fair market value | 74,182,497 | 66,984,622 |
| Other assets | | |
| Interest receivable | 56,564 | 17,520 |
| TOTAL ASSETS | 79,752,324 | 71,419,229 |
| LIABILITIES | | |
| Due to broker for investments purchased | - | 1,205,811 |
| TOTAL LIABILITIES | - | 1,205,811 |
| NET POSITION RESTRICTED FOR PENSION BENEFITS | \$ 79,752,324 | \$ 70,213,418 |

The Notes to Financial Statements are an integral part of these statements.

City of Irving Supplemental Benefit Plan
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|--|---------------|---------------|
| ADDITIONS | | |
| Contributions | | |
| Employer contributions | \$ 2,508,332 | \$ 2,462,185 |
| Member contributions | 2,971,844 | 2,760,308 |
| Total contributions | 5,480,176 | 5,222,493 |
| Investment income | | |
| Net appreciation in fair value of investments | 5,810,838 | 9,227,424 |
| Interest | 2,349,272 | 2,707,371 |
| Investment expenses | (354,664) | (364,283) |
| Net investment income | 7,805,446 | 11,570,512 |
| TOTAL ADDITIONS | 13,285,622 | 16,793,005 |
| DEDUCTIONS | | |
| Benefit payments | 3,399,681 | 4,507,225 |
| Refunds of members' contributions | 254,693 | 70,613 |
| Administrative and other expenses | | |
| General administrative expenses | 92,342 | 114,108 |
| TOTAL DEDUCTIONS | 3,746,716 | 4,691,946 |
| Changes in pension plan net position | 9,538,906 | 12,101,059 |
| NET POSITION RESTRICTED FOR PENSION BENEFITS, beginning of year | 70,213,418 | 58,112,359 |
| NET POSITION RESTRICTED FOR PENSION BENEFITS, end of year | \$ 79,752,324 | \$ 70,213,418 |

The Notes to Financial Statements are an integral part of these statements.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Note 1. Defined Benefit Pension Plan Description

General Description

The City of Irving Supplemental Benefit Plan (the Plan) is a contributory single-employer defined benefit pension plan initially organized on March 1, 1984, under the provisions of section 401(a)(3) of the Internal Revenue Code. The Plan is administered by the Administrative Board (the Board). The Board consists of nine voting members, five of whom shall be active City of Irving (the City) employees who contribute to the Plan and who are elected at-large from among City of Irving employees, the Chair of the Audit and Finance committee of the Irving City Council, the City's Chief Financial Officer, the Human Resources Director and the City Attorney or designee. The City Council may, by resolution appoint one of its members to the Board in place of the Chair of the Audit and Finance Committee.

The Plan is a single-employer retirement system covering all employees of the City except any person who is (1) a Fire Civil Service Employee, (2) any employee who is a member of a legally recognized collective bargaining unit and who is otherwise eligible to become a participant shall be eligible to participate in the Plan only if the collective bargaining agreement expressly provides for the participation of such employee in the plan (3) in accordance with Section 410(b)(3) of the Code, any employee who is a nonresident alien and who receives no earned income from the City of Irving which constitutes income from sources within the United States. All benefits vest after five years of service.

Pension plan membership consisted of the following at December 31:

| | 2020 | 2019 |
|---|-------|-------|
| Inactive plan members or beneficiaries currently receiving benefits | 428 | 413 |
| Inactive plan members entitled to but not yet receiving benefits | 677 | 714 |
| Active plan members | 1,536 | 1,516 |
| | 2,641 | 2,643 |

Plan Benefits

The plan provides retirement, disability, and death benefits. The normal retirement age of a participant is the later of his 65th birthday or completion of a five year period of service. The participant's monthly retirement benefit with payments commencing at Normal Retirement Date under the Plan is equal to one-twelfth of six tenths of one percent of his final average earnings multiplied by his years of benefit service.

Participants who are eligible for disability retirement shall be entitled to receive a Disability Retirement Benefit equal to one-twelfth of 70% of his annualized base salary or wage rate at time of disability, less any other monthly disability income benefits as follows:

- (1) Disability retirement or service retirement under TMRS;
- (2) Disability retirement under the Federal Social Security Act, including benefits payable on account of the presence of dependents; and
- (3) Any amount payable under the Worker's Compensation Act or similar law for loss of time on account of disability.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Death benefits are determined in the same manner as retirement benefits except the years of service shall be the time between the participant's last date of hire and his 65th birthday and the final average earnings shall be figured as the date of participant's death. A plan member whose employment is terminated, prior to having completed a five year period of service shall receive a refund of his employee contributions.

Cost-of-Living Adjustment (COLA)

The Board, with the concurrence of the actuary, may periodically recommend to the City Council for their approval an increase in the retirement benefit payable to retirees.

Contributions

The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the years ended December 31, 2020 and 2019, the average active member contribution rates were 2.5% of annual pay, and the City of Irving's average contribution rates were 2.11% and 2.23% of annual payroll, respectively.

Basis of Accounting

The Plan's financial statements are presented on the accrual basis of accounting. Employer and employee contributions that should have been made in the calendar year based on the actuarial determined contribution rates or amounts are recognized as revenues of that calendar year. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Note 2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less at the date of acquisition.

Method Used to Value Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investments is based on market prices provided by the Plan's custodians, Morgan Stanley and US Bank, where available. The fair value of alternative investments is based on information provided by the investment manager, including audited financial statements and quarterly valuation statements.

Securities Transactions and Related Investment Income

Security transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Realized gains and losses on investments sold during the year are not displayed separately in the financial statements. Instead, the realized gains and losses, along with the change in unrealized gains and losses on investments, are reported as net appreciation/ (depreciation) in fair value of investments.

The realized gain/(loss) on the sale of securities is computed as the difference between the proceeds of sale in 2020 and 2019 and the carrying cost of the securities at December 31, 2020 and 2019, or the original cost of the securities acquired during 2020 and 2019. The calculation of realized gains/(losses) is independent of the calculation of net appreciation/(depreciation) in the fair value of plan investments. Unrealized gain/(loss) on investments sold in the current year that had been held for more than one year are included in the net appreciation/(depreciation) reported in prior years and the current year.

Investment Expenses

Investment expenses include fees paid for investment management services, investment consulting services, fund evaluation services, securities custodian services, and interest expense and other fees incurred in security lending transactions.

Note 3. Investments

GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which established three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets and liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are observable for an asset and liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Debt and equity securities and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

For the City, U.S. Government Agencies, U.S. Treasury Notes, U.S. Treasury Bills and for the SBP Plan, US Government Agencies, US Treasury Notes, Corporate Bonds and Municipal Obligations are classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2020:

| | December 31, 2020 | Fair Value Measurement Using | | | Weighted Average Maturity (Years) |
|--|----------------------|---|---|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Investments by fair value | | | | | |
| Government securities | \$ 5,335,258 | \$ - | \$ 5,335,258 | \$ - | 7.58 |
| Domestic equity | 18,092,436 | 18,092,436 | - | - | N/A |
| International equity | 10,604,803 | 10,604,803 | - | - | N/A |
| Mutual funds | 21,134,462 | 21,134,462 | - | - | N/A |
| Corporate bonds | 5,385,465 | - | 5,385,465 | - | 11.90 |
| Total investments by fair value level | 60,552,424 | 49,831,701 | 10,720,723 | - | |
| Investments measured at net asset value (NAV) | | | | | |
| Feeder fund of master real estate fund fund | 1,242,500 | | | | N/A |
| Real estate debt fund | 4,849,749 | | | | N/A |
| Private equity hedge fund | 1,057,788 | | | | N/A |
| Feeder fund of multi-strategy hedge fund | 3,135,226 | | | | N/A |
| Student housing debt/equity fund | 1,816,405 | | | | N/A |
| Feeder fund of private or public securities fund | 1,528,405 | | | | N/A |
| Total investments at the NAV | 13,630,073 | | | | |
| Total investments at fair value | \$ 74,182,497 | | | | |

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2019:

| | December 31, 2019 | Fair Value Measurement Using | | | Weighted Average Maturity (Years) |
|--|----------------------|---|---|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Investments by fair value | | | | | |
| Government securities | \$ 5,034,853 | \$ - | \$ 5,034,853 | \$ - | 13.51 |
| Domestic equity | 14,304,157 | 14,304,157 | - | - | N/A |
| International equity | 9,470,470 | 9,470,470 | - | - | N/A |
| Mutual funds | 18,071,327 | 18,071,327 | - | - | N/A |
| Corporate bonds | 3,429,384 | - | 3,429,384 | - | 6.16 |
| Total investments by fair value level | 50,310,191 | 41,845,954 | 8,464,237 | - | |
| Investments measured at net asset value (NAV) | | | | | |
| Feeder fund of master real estate fund fund | 1,527,166 | | | | N/A |
| Sector based long/short hedge fund | 282,053 | | | | N/A |
| Real estate debt fund | 6,952,998 | | | | N/A |
| Private equity hedge fund | 1,061,538 | | | | N/A |
| Feeder fund of multi-strategy hedge fund | 3,319,589 | | | | N/A |
| Student housing debt/equity fund | 2,021,146 | | | | N/A |
| Feeder fund of private or public securities fund | 1,509,941 | | | | N/A |
| Total investments at the NAV | 16,674,431 | | | | |
| Total investments at fair value | \$ 66,984,622 | | | | |

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Additional information related to investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2020 is presented on the following table:

| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|----------------------|-------------------------|--|--------------------------------|
| Feeder fund of master fund ⁽¹⁾ | \$ 1,242,500 | \$ 927,228 | * | * |
| Real estate debt fund ⁽³⁾ | 4,849,749 | - | * | * |
| Private equity hedge fund ⁽⁴⁾ | 2,586,193 | 1,372,656 | * | * |
| Feeder fund of multi-strategy hedge fund ⁽⁵⁾ | 3,135,226 | - | ** | ** |
| Student housing debt/equity fund ⁽⁶⁾ | 1,816,405 | 1,334,453 | * | * |
| Total investments measured at the NAV | <u>\$ 13,630,073</u> | | | |

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of December 31, 2019 is presented on the following table:

| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|----------------------|-------------------------|--|--------------------------------|
| Feeder fund of master fund ⁽¹⁾ | \$ 1,527,166 | 1,113,076 | * | * |
| Sector based long/short hedge fund ⁽²⁾ | 282,053 | - | Quarterly | 65 days |
| Real estate debt fund ⁽³⁾ | 6,952,998 | - | * | * |
| Private equity hedge fund ⁽⁴⁾ | 2,571,479 | 1,622,955 | * | * |
| Feeder fund of multi-strategy hedge fund ⁽⁵⁾ | 3,319,589 | - | ** | ** |
| Student housing debt/equity fund ⁽⁶⁾ | 2,021,146 | 1,334,453 | * | * |
| Total investments measured at the NAV | <u>\$ 16,674,431</u> | | | |

* These investments cannot be voluntarily redeemed. Instead, the nature of the investments is that distributions are received through liquidation of the underlying assets of the investment partnerships. It is estimated that the underlying assets of the investment partnerships will be liquidated between 2020 and 2026.

** Withdrawals can be made every six months, subject to a 33 1/3% limit without notice.

(1) The fund invests all or substantially all of its investable assets in the master fund. The master fund's investment objective is to seek achieve risk-adjusted returns by investing primarily in public and/or private debt and non-controlling equity and other interests relating to real estate related investments on a global basis. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

(2) The investment objective of the fund is to use a high amount of leverage to achieve capital appreciation by utilizing a variety of investment strategies including, but not limited to, sector-based fundamental long/short equity (including, but not limited to, investments in financial, consumer/retail, technology, energy, industrial, and media sectors), short and medium term trading portfolios, global macro trading, special situations, distressed companies and arbitrage opportunities, both within and outside U.S. markets. The fund may invest in a wide range of U.S. and non-U.S. securities and other financial instruments, including, but not limited to listed and unlisted equity and fixed income securities, derivative instruments, currencies, and money market instruments, distressed another special situation securities, and investments in other investment vehicles. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

- (3) This fund invests in real estate related loans and securities. The funds' investment objective is to seek long-term total return, with an emphasis on current income, by primarily investing in a broad range of real estate-related debt investments. The fair value of the investments have been determined using the NAV per share (or its equivalent) of the investments.
- (4) This category includes 2 funds that generate capital appreciation through privately negotiated equity and equity-related investments alongside other private equity firms. Investments may be effected using a broad variety of investment types and transaction structures, including buyout investments, direct or indirect private equity investments, secondary transactions, strategic investments, restructurings and recapitalizations. The fair value of the investments have been determined using the NAV per share (or its equivalent) of the investments.
- (5) The fund is a feeder fund that is engaged in the business of trading equities, fixed income products, options, futures and other financial instruments. The fund's equity securities (both long positions and short positions) are primarily from Canadian and US companies across a variety of industries. A small portion of the fund's portfolio is comprised of options, corporate bonds, asset backed securities and government securities. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.
- (6) The fund directly or indirectly invests in equity, debt and other interests, in or relating to, student housing and university related real estate, including interests in joint ventures and real estate companies, as well as public-private partnerships. The fund intends to maximize the returns from each investment through rebranding, repurposing, redevelopment and/or improved management, development (ground-up and adaptive re-use), public-private partnerships, recapitalization of existing properties and the use of leverage. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

The Plan may record changes to valuations based on the amount that it might reasonably be expected to receive for an investment upon its current sale, consistent with the fair value measurement. Each determination is based on consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to: (i) type of investment; (ii) existence of any contractual restrictions on the investment's disposition; (iii) price and extent of public trading of similar or comparable investments; (iv) quotations or evaluated prices from broker-dealers and/or pricing services; (v) information obtained from the issue, analysts, and/or the appropriate stock exchange (for exchange-traded securities); (vi) analysis of an issuer's financial statements; (vii) evaluation of the forces that influence the issuer and the market(s) in which the investment is purchased and sold and (viii) with respect to debt securities, maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which the security is normally traded. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value determined upon sale of those investments.

In the December 31, 2020 financial statements for the Blackstone Real Estate Income Fund II (Feeder Fund II) investment, the Feeder Fund II Board of Trustees approved the liquidation, dissolution and termination of the Feeder Fund II. The fund was liquidated and the Plan received final payment in April 2021.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Allocation of Investments

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. The investment policy was revised in 2019 to reflect the Board's decision to adopt and retain discretion over long-term asset allocation. The decision aligns with the Board's investment objective, stated in the policy, with principles of prudent diversification. Consistent with this decision, the strategic asset allocation approved by the Board is outlined in Exhibit A of the Executive Summary of the Statement of Investment Policy, Guidelines, and Investment Objectives. In collaboration with the Board's investment consultant, the Plan's asset allocation is reviewed at regular intervals to reaffirm the allocation aligns with the long-term goals of the Plan. The Board has selected the strategic asset allocation based upon investment time horizon, risk tolerance, performance expectation, asset class preferences, and long-term rate of return expectations. The asset allocation is designed to achieve the long-term required return objectives. The following table displays the Board-approved asset allocation policy for 2020 and 2019:

| Asset Class | 2020 | 2019 |
|---|---------|---------|
| Cash and equivalents | 0.00% | 0.00% |
| Fixed income | 30.00% | 30.00% |
| U.S. equities | 35.00% | 35.00% |
| Non-U.S. equities | 12.50% | 12.50% |
| Emerging markets | 2.50% | 2.50% |
| Real estate | 7.50% | 7.50% |
| Infrastructure | 2.50% | 2.50% |
| Hedge fund | 0.00% | 0.00% |
| Private equity | 5.00% | 5.00% |
| Global Tactical Asset Allocation (GTAA) | 5.00% | 5.00% |
| Total | 100.00% | 100.00% |

Concentration of Credit Risk

This risk represents the potential loss attributable to the magnitude of the Plan's investments in a single issuer. For the Plan, managers shall not invest more than 5% of the Funds' value in the issues of any one issuer, with the sole exceptions of the U.S. Government, its agencies, or instrumentalities. The strategic target for all fixed income investments shall range from 20% to 40%. The Plan limits this type of risk by requiring a maximum of 25% of the market value of the entire fund in an industry, and a maximum of 5% in any one company with the sole exception of the U.S. Government, its agencies or instrumentalities.

As of December 31, 2020 and 2019, for separately managed investment accounts, the Plan held the following investments that represent five percent (5%) or more of the Plan's fiduciary net position:

| Investment | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| Blackstone RE Income Fund II A | \$ 4,849,749 | \$ 6,952,998 |

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City of Irving monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio on a quarterly basis.

Credit Risk

Credit Risk - Generally, this is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. By policy, the City of Irving requires a minimum rating of AAA or its equivalent on some investments.

The investment policy of the Plan requires that the fixed income account managed by any manager shall maintain a weighted average credit rating that falls within the "A" category or better, as determined by the major credit ratings agencies at all times.

The Plan's fixed income investments are rated by Standard and Poor's as follows:

As of December 31, 2020:

| Rating | Distribution by Moody | |
|--------|-----------------------|--------------|
| | Number | Market Value |
| Aaa | 21 | \$ 5,386,896 |
| Aa1 | 2 | 82,295 |
| Aa2 | 5 | 144,613 |
| Aa3 | 3 | 80,190 |
| A1 | 6 | 198,575 |
| A2 | 25 | 909,794 |
| A3 | 26 | 706,083 |
| Baa1 | 41 | 1,085,745 |
| Baa2 | 50 | 1,380,881 |
| Baa3 | 30 | 695,406 |
| Ba1 | 2 | 50,245 |

As of December 31, 2019:

| Rating | Distribution by Moody | |
|--------|-----------------------|--------------|
| | Number | Market Value |
| Aaa | 19 | \$ 5,814,948 |
| Aa3 | 1 | 280,521 |
| A1 | 3 | 416,920 |
| A2 | 3 | 554,078 |
| A3 | 7 | 1,087,434 |
| Baa1 | 1 | 28,895 |
| Baa2 | 2 | 265,946 |
| Ba2 | 1 | 15,495 |

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Custodial Credit Risk

The custodial credit risk represents the risk that, in the event of the failure of the counterparty of a transaction, the Plan will not be able to recover the value of deposits and investments or collateral securities that are in the possession of an outside party.

Texas State Law under section 802.205(f) states that a brokerage firm that provides custodial services to a pension plan must provide insurance against errors, omissions, mysterious disappearances, or fraud in an amount equal to the amount of the assets the firm holds in custody. The Plan's service agreement with the Plan's brokerage firm states that the brokerage firm must maintain professional and fiduciary liability insurance policies that meet the Texas State Law requirement.

Rate of Return

For the year ended December 31, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.98% and 19.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 4. Net Pension Liability

Net Pension Liability of Employers

The Plan's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021.

The components of the net pension liability at December 31, 2020 and 2019 were as follows:

| | 2020 | 2019 |
|---|---------------|---------------|
| Total pension liability | \$ 96,617,125 | \$ 91,423,241 |
| Plan fiduciary net position | 79,752,324 | 70,213,418 |
| Net pension liability | \$ 16,864,801 | \$ 21,209,823 |
| Plan fiduciary net position as a percentage of the total pension liability | 82.54% | 76.80% |

Actuarial Assumptions

The Plan retains an independent actuarial firm to conduct actuarial valuations of the pension plan to monitor the plan's funding status and to establish the contribution rate requirements for the pension plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67 and 68, *Financial Reporting for Pension Plans*.

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

The total pension liability as of December 31, 2020 and December 31, 2019 was determined by an actuarial valuation as of January 1, 2021 and January 1, 2020 with a measurement date of December 31, 2020 and December 31, 2019 respectively. Key assumptions used by the actuary are as follows:

| | | |
|-------------------------------|--|--|
| Valuation date | January 1, 2021 | January 1, 2020 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level percentage of payroll | Level percentage of payroll |
| Remaining amortization period | 20 years | 23 years |
| Asset valuation method | Smoothed actuarial value (5 years) | Smoothed actuarial value (5 years) |
| Actuarial assumptions | | |
| Nominal rate of return | 6.75% | 6.75% |
| Projected salary increases | 3.50% - 11.50% | 3.50% - 11.50% |
| General inflation rate | 2.50% | 2.50% |
| Cost-of-living adjustments | None | None |
| Payroll growth rate | 2.75% | 2.75% |
| Retirement age | Varying rates of retirement based on member's age were established based on plan's experience as determined by the TMRS experience study. | Varying rates of retirement based on member's age were established based on plan's experience as determined by the TMRS experience study. |
| Mortality | Pre-Retirement - the PUB(10) Public Safety Mortality Table and the PUB(10) General Employee Mortality Table are used for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Post-Retirement (Healthy) - the Gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. | Pre-Retirement - the PUB(10) Public Safety Mortality Table and the PUB(10) General Employee Mortality Table are used for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Post-Retirement (Healthy) - the Gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. |

A complete description of the methods and assumptions used to determine the total pension liability for the years ended December 31, 2020 and December 31, 2019, can be found in the January 1, 2021 and January 1, 2020 actuarial valuation reports, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020 and 2019 (see the discussion of the Plan's investment policy) are summarized in the following tables:

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

As of December 31, 2020:

| Asset Classification | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return | Asset Class Return |
|---|-------------------|---|-----------------------|
| Domestic Equity | 35.00% | 7.50% | 2.65% |
| International Equity | 12.50% | 8.50% | 1.06% |
| Emerging Markets | 2.50% | 8.50% | 0.21% |
| Fixed Income | 30.00% | 3.00% | 0.90% |
| Real Estate | 10.00% | 5.50% | 0.55% |
| Global Tactical Asset Allocation (GTAA) | 5.00% | 5.50% | 0.25% |
| Private Equity | 5.00% | 7.50% | 0.38% |
| Total | 100.00% | | 6.00% |
| Inflation | | | 2.50% |
| Arithmetic nominal return before adverse experience | | | 8.50% |
| Margin for adverse experience | | | (1.75%) |
| Expected arithmetic nominal return | | | 6.75% |

As of December 31, 2019:

| Asset Classification | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return | Asset Class Return |
|---|-------------------|---|-----------------------|
| Domestic Equity | 35.00% | 5.34% | 1.87% |
| International Equity | 12.50% | 6.73% | 0.84% |
| Emerging Markets | 2.50% | 8.96% | 0.23% |
| Fixed Income | 30.00% | 1.59% | 0.48% |
| Real Estate | 10.00% | 4.45% | 0.44% |
| Hedge Fund | 5.00% | 3.47% | 0.17% |
| Private Equity | 5.00% | 9.15% | 0.46% |
| Total | 100.00% | | 4.49% |
| Inflation | | | 2.50% |
| Arithmetic nominal return before adverse experience | | | 6.99% |
| Margin for adverse experience | | | (0.24%) |
| Expected arithmetic nominal return | | | 6.75% |

City of Irving Supplemental Benefit Plan

Notes to Financial Statements

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2020 and 2019 was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the Plan as of December 31, 2020 and 2019, calculated using a discount rate of 6.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| Net Pension Liability | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------------|---------------|--------------------------|--------------|
| 2020 | \$ 29,664,886 | \$ 16,864,801 | \$ 5,225,503 |
| 2019 | 33,893,861 | 21,209,823 | 10,788,110 |

Note 5. Contributions Required and Contributions Made

Funding Policy

The funding objective of the plan is to establish contribution rates that, over time, are likely to remain as a level percentage of payroll unless plan benefit provisions are changed. Actuarial valuations involve estimates and make assumptions about the probability of events far into the future, therefore actuarially determined rates are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Contribution rates are calculated by the actuary using the Entry Age Normal Method. The required contribution rates are expressed as a percentage of covered payroll. The 2020 and 2019 contribution rates were determined using the actuarial valuations performed as of January 1, 2020 and 2019, respectively.

Employer Contributions

The required employer contribution rates include Normal Cost and amortization of the Unfunded Actuarial Liability (UAL). The UAL is being amortized on a 20-year period as of January 1, 2021 and 2020.

Member Contributions

A participant shall make contributions to the Plan equal to 2.5% of their annual earnings. In 2020, member contributions totaled \$2,971,844, and employer contributions totaled \$2,508,332. For 2019, member contributions totaled \$2,760,308, and employer contributions totaled \$2,462,185.

Required Supplementary Information

City of Irving Supplemental Benefit Plan

Schedule of Changes in Net Pension Liability and Related Ratios*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY | | | | | | | |
| Service cost | \$ 3,729,864 | \$ 3,517,009 | \$ 3,364,800 | \$ 3,086,079 | \$ 3,014,502 | \$ 2,975,950 | \$ 2,844,836 |
| Interest (includes interest on service cost) | 6,173,575 | 5,761,293 | 5,608,564 | 5,273,704 | 4,977,651 | 4,528,512 | 4,259,329 |
| Differences between expected and actual experience | (1,055,181) | (425,946) | (2,492,833) | 288,848 | 39,934 | 95,587 | - |
| Changes of assumptions | - | 1,274,482 | - | - | - | 5,088,734 | - |
| Benefit payments, including refunds of employee contributions | (3,654,374) | (4,577,838) | (4,016,815) | (3,639,007) | (3,733,824) | (3,572,309) | (3,086,278) |
| Net change in total pension liability | 5,193,884 | 5,549,000 | 2,463,716 | 5,009,624 | 4,298,263 | 9,116,474 | 4,017,887 |
| Total pension liability - beginning | 91,423,241 | 85,874,241 | 83,410,525 | 78,400,901 | 74,102,638 | 64,986,164 | 60,968,277 |
| Total pension liability - ending (a) | 96,617,125 | 91,423,241 | 85,874,241 | 83,410,525 | 78,400,901 | 74,102,638 | 64,986,164 |
| PLAN NET POSITION | | | | | | | |
| Contributions - employer | 2,508,332 | 2,462,185 | 2,227,913 | 2,083,347 | 2,067,639 | 1,390,021 | 1,358,113 |
| Contributions - employee | 2,971,844 | 2,760,308 | 2,596,875 | 2,585,695 | 2,448,428 | 2,334,190 | 2,262,508 |
| Net investment income | 7,805,446 | 11,570,512 | (2,288,326) | 6,592,197 | 1,103,719 | (350,875) | 2,711,022 |
| Benefit payments, including refunds of employee contributions | (3,654,374) | (4,577,838) | (4,016,815) | (3,639,007) | (3,733,824) | (3,572,309) | (3,086,278) |
| Administrative expenses | (92,342) | (114,108) | (150,832) | (136,810) | (165,946) | (123,779) | (118,500) |
| Net change in plan net position | 9,538,906 | 12,101,059 | (1,631,185) | 7,485,422 | 1,720,016 | (322,752) | 3,126,865 |
| Plan net position - beginning | 70,213,418 | 58,112,359 | 59,743,544 | 52,258,122 | 50,538,106 | 50,860,858 | 47,733,993 |
| Plan net position - ending (b) | 79,752,324 | 70,213,418 | 58,112,359 | 59,743,544 | 52,258,122 | 50,538,106 | 50,860,858 |
| TOTAL PENSION LIABILITY | \$ 16,864,801 | \$ 21,209,823 | \$ 27,761,882 | \$ 23,666,981 | \$ 26,142,779 | \$ 23,564,532 | \$ 14,125,306 |
| Plan net position as a percentage of the total pension liability | 82.54% | 76.80% | 67.67% | 71.63% | 66.66% | 68.20% | 78.26% |
| Covered payroll** | \$ 117,946,166 | \$ 110,207,064 | \$ 105,124,301 | \$ 100,135,456 | \$ 95,365,820 | \$ 92,985,815 | \$ 89,179,811 |
| Plan net pension liability as a percentage of covered payroll | 14.30% | 19.25% | 26.41% | 23.63% | 27.41% | 25.34% | 15.84% |

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** Covered payroll shown in this table is the beginning of year payroll.

City of Irving Supplemental Benefit Plan
Schedule of Contributions from the Employers and
Other Contributing Sources*

| Plan Year Ending December 31, | Actuarially Determined Contributions | Actual Contribution | Contribution (Excess) | Covered Payroll** | Contributions as a Percentage of Covered Payroll |
|-------------------------------------|--|------------------------|--------------------------|----------------------|---|
| 2020 | \$ 2,377,566 | \$ 2,508,332 | \$ (130,766) | \$ 118,878,294 | 2.11% |
| 2019 | 2,208,238 | 2,462,185 | (253,947) | 110,411,883 | 2.23% |
| 2018 | 2,270,964 | 2,227,913 | 43,051 | 107,628,647 | 2.07% |
| 2017 | 1,966,524 | 2,083,347 | (116,823) | 97,352,664 | 2.14% |
| 2016 | 1,874,402 | 2,067,639 | (193,237) | 96,618,645 | 2.14% |
| 2015 | 1,315,389 | 1,390,021 | (74,632) | 93,290,000 | 1.49% |
| 2014 | 1,312,629 | 1,358,113 | (45,484) | 91,148,542 | 1.49% |

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** The payroll shown on this table is the payroll on which contributions were made during the year. This includes payroll for members who terminated and or retired during the year.

City of Irving Supplemental Benefit Plan

Ten Year Schedule of Investment Returns

| <u>December 31,</u> | <u>Annual Money-Weighted Rate of Return Net of Investment Expense</u> |
|---------------------|---|
| 2011 | -2.47% |
| 2012 | 8.89% |
| 2013 | 9.64% |
| 2014 | 5.40% |
| 2015 | -0.93% |
| 2016 | 2.17% |
| 2017 | 12.51% |
| 2018 | -3.81% |
| 2019 | 19.82% |
| 2020 | 10.98% |

The Notes to Required Supplementary Financial Statements are an integral part of these statements.

City of Irving Supplemental Benefit Plan

Notes to Required Supplementary Information

Note 1. Key Methods and Assumptions Used to Determine Contribution Rates

The following actuarial methods and assumptions were used to determine contribution rates in the Schedule of Employer Contributions, for the year ended December 31, 2020 and 2019:

| | | |
|-------------------------------|--|--|
| Valuation date | January 1, 2020 | January 1, 2019 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level percentage of payroll | Level percentage of payroll |
| Remaining amortization period | 23 years | 32 years |
| Asset valuation method | Smoothed actuarial value (5 years) | Smoothed actuarial value (5 years) |
| Actuarial assumptions | | |
| Nominal rate of return | 6.75% | 6.75% |
| Projected salary increases | 3.50% - 11.50% | 3.50% - 10.50% |
| General inflation rate | 2.50% | 2.50% |
| Cost-of-living adjustments | None | None |
| Payroll growth rate | 2.75% | 3.00% |
| Retirement age | Varying rates of retirement based on member's age were established based on plan's experience as determined by the TMRS experience study. | Varying rates of retirement based on member's age were established based on plan's experience as determined by the TMRS experience study. |
| Mortality | Pre-Retirement - the PUB(10) Public Safety Mortality Table and the PUB(10) General Employee Mortality Table are used for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Post-Retirement (Healthy) - the Gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. | The RP-2000 tables for males and females, projected on a fully generational basis by scale BB to account for future mortality improvement. |

A complete description of the methods and assumptions used to determine contribution rates for the years ending December 31, 2020 and December 31, 2019 can be found in the January 1, 2020 and January 1, 2019 actuarial valuation reports, respectively.

City of Irving Supplemental Benefit Plan

Notes to Required Supplementary Information

Changes in January 1, 2020 Actuarial Assumptions since January 1, 2019 Actuarial Valuation

- The demographic assumptions were modified to those used by TMRS for the valuation of the City of Irving's TMRS liabilities. These included changes to the rates of salary increase, retirement, termination, and disability. Also, the rate of mortality (pre-retirement, disabled and healthy post-retirement) were modified.
- The payroll growth assumption was decreased from 3.00% to 2.75%.
- Pre-mortality assumptions changed from using Gender-distinct RP 2000 tables to PUB10 PS mortality table for males and PUB10 General employee mortality table for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.
- Post-retirement (Healthy) assumptions changed from using Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females to using Gender-distinct 2019 Municipal Retirees of Texas mortality tables projected on a fully generational basis by Scale UMP to account for future mortality improvements.

City of Irving Supplemental Benefit Plan
 Supplementary Information (Unaudited)
 December 31, 2020

Direct and Indirect Fees and Commissions

| ASSET CLASS | MANAGEMENT FEES PAID FROM TRUST | MANAGEMENT FEES NETTED FROM RETURNS | TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust) | BROKERAGE FEES/COMMISSIONS | PROFIT SHARE/CARRIED INTEREST | TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share) |
|-------------------|---------------------------------|-------------------------------------|--|----------------------------|-------------------------------|--|
| Cash | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public Equity | 175,760 | 60,242 | 236,002 | 7,817 | - | 243,819 |
| Fixed Income | 37,105 | 134,180 | 171,285 | - | - | 171,285 |
| Real Assets | | 6,525 | 6,525 | - | - | 6,525 |
| Alternative/Other | | 105,593 | 105,593 | - | - | 105,593 |
| TOTAL | 212,865 | 306,540 | 519,405 | 7,817 | - | 527,222 |

| Alternative/Other List of Alternative/Other Investments* |
|---|
| Private Equity |
| Hedge Funds |
| |
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| Investment Managers List of Investment Manager Names* |
|--|
| Aristotle |
| Blackstone |
| Campus Clarion |
| Cohesive Capital Partners |
| Driehaus |
| Federated |
| Great Lakes |
| Lazard |
| Millenium Strategic Capital |
| Polen |
| Segall Bryant |
| Vanguard |
| Victory Trivalent |
| WCM |

| Total Investment Expenses | |
|--|-------------------|
| Total Direct and Indirect Fees and Commissions | \$ 527,222 |
| Investment Services | |
| Custodial | \$ 20,167 |
| Research | - |
| Investment Consulting | 45,000 |
| Legal | 13,590 |
| Total | \$ 78,757 |
| Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services) | \$ 605,979 |