

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND**

WICHITA FALLS, TEXAS

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND
DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wichita Falls Firemen's Relief and Retirement Fund
Wichita Falls, Texas

Opinion

We have audited the accompanying financial statements of Wichita Falls Firemen's Relief and Retirement Fund, which comprise the statements of fiduciary net position as of December 31, 2022 and 2021, 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 present fairly, in all material respects, the financial position of Wichita Falls Firemen's Relief and Retirement Fund ("Fund") as of December 31, 2022 and 2021, and the changes in financial 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. 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 Fund 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 - 7 and the Required Supplementary Schedules on pages 20 - 25 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 both the Management's Discussion and Analysis and the Required Supplementary Schedules 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.

Henry + Peters, P.C.

Tyler, Texas
July 20, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2022 AND 2021**

The Management's Discussion and Analysis ("MD&A") of the Wichita Falls Firemen's Relief and Retirement Fund ("Fund") for the years ended December 31, 2022 and 2021, provides a summary of the financial position and performance of the Fund, including highlights and comparisons. The MD&A is presented as a narrative overview and analysis. For more detailed information regarding the Fund's financial activities, the reader should also review the actual financial statements, including the notes and supplementary schedules.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Fund's basic financial statements, which comprise the following components:

- Basic Financial Statements
- Notes to Financial Statements
- Required Supplementary Schedules

Collectively, this information presents the net position and summarizes the changes in fiduciary net position of the Fund as of December 31, 2022 and 2021. The information available in each of these sections is briefly summarized below.

- Basic Financial Statements. The financial statements presented include Fiduciary Fund statements. Fiduciary Fund statements represent the financial position and activities of the Pension Trust Fund. A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position are presented for the Pension Trust Fund as of and for the years ended December 31, 2022 and 2021. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries.
- Notes to Financial Statements. The financial statement notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information available in the notes to the financial statements is described below:
 - Note 1 provides a general description of the Fund, including membership and benefit provisions, as well as a description of its reporting entity.
 - Note 2 provides a summary of significant accounting policies, including the basis of presentation and accounting and explanations of investment fair value estimates.
 - Note 3 provides a general description of the contributions.
 - Note 4 provides information on the Fund's investment portfolio including information pertaining to the investment policy, and rate of return of the portfolio.
 - Note 5 provides the components of the net pension liability of the employer, summarizes actuarial assumptions and discount rate.
 - Note 6 explains that the Fund and related trust are designed in accordance with applicable sections of the Internal Revenue Code.
 - Note 7 explains that the Fund is exposed to various investment risks.
 - Note 8 provides a description of the required supplementary schedules.
 - Note 9 explains that the Fund has evaluated subsequent events through the date on which the financial statements were available to be issued.
- Required Supplementary Schedules. The required supplementary information includes schedules and related notes concerning the annual fluctuations in the net pension liability of the Fund, employer contributions required of the City of Wichita Falls to the Fund and investment return on plan assets. Also included are certain actuarial assumptions that have an effect on the net pension liability and required contributions.

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
DECEMBER 31, 2022 AND 2021**

Financial Highlights

Fiduciary Fund - Pension Trust Fund

The following table displays a summary of assets, liabilities, net position and changes in net position for the Fund at December 31, 2022 and 2021, respectively:

	2022	2021
Assets	\$ 51,061,535	\$ 62,380,496
Liabilities	(20,919)	(21,809)
Net Position	<u>51,040,616</u>	<u>62,358,687</u>
Change in net position	\$ (11,318,071)	\$ 4,529,927

Additions to net assets held in the trust for pension benefits include employer and member contributions as well as investment income. Such amounts were as follows in 2022 and 2021, respectively:

	2022	2021
Employer contributions	\$ 1,646,524	\$ 1,615,588
Member contributions	1,615,459	1,583,797
Net investment (loss) income	(8,438,527)	7,983,091
Other Income	<u>10,060</u>	<u>3,386</u>
Total contributions and investment (loss) income, net	\$ (5,166,484)	\$ 11,185,862

Fund membership totaled 310 and 315 at December 31, 2022 and 2021, respectively. The employer contribution rate was 13.25% for the years ended December 31, 2022 and 2021. The employee contribution rate was 13.00% for the years ended December 31, 2022 and 2021.

Investment income includes appreciation/depreciation in fair value of investments, interest and dividends, and is shown net of investment-related expenses. The change in investment income for 2022 was due in large part to the decrease in fair value of investments and fluctuations of the market and economic conditions.

Deductions from net position restricted for pension benefits include payments of retirement benefits and refunds, as well as administrative and other expenses. Such amounts are as follows for 2022 and 2021, respectively:

	2022	2021
Benefits paid to members	\$ 5,817,837	\$ 5,597,079
Refunds and drop payments	188,969	938,220
Administrative & other expenses	144,781	120,636
Total deductions	<u>\$ 6,151,587</u>	<u>\$ 6,655,935</u>

Requests for Information

This financial report is designed to provide a general overview of the Wichita Falls Firemen's Relief and Retirement Fund finances. Questions and requests for additional information should be addressed to the Fire Pension Board, 624 Indiana Avenue. Suite 305, Wichita Falls, TX 76301.

BASIC FINANCIAL STATEMENTS

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 72	\$ 177
Receivables:		
Interest and dividends	9,693	-
Total receivables	<u>9,693</u>	<u>-</u>
Investments, at fair value:		
Short-term investment funds	216,237	255,292
Equities:		
Domestic	23,076,782	29,881,052
International	6,879,259	8,902,286
Fixed income:		
Domestic	9,403,074	11,596,128
International	2,383,476	2,765,522
Alternative investments	3,259,172	3,684,434
Real estate	5,833,770	5,295,605
Total investments	<u>51,051,770</u>	<u>62,380,319</u>
Total assets	<u>51,061,535</u>	<u>62,380,496</u>
LIABILITIES		
Accrued expenses	20,919	21,809
Net position - restricted for pension benefits	<u><u>\$ 51,040,616</u></u>	<u><u>\$ 62,358,687</u></u>

See accompanying notes to financial statements.

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Contributions:		
Employer	\$ 1,646,524	\$ 1,615,588
Members	<u>1,615,459</u>	<u>1,583,797</u>
Total contributions	3,261,983	3,199,385
Investment (loss) income, net:		
Interest and dividend income	1,834,544	1,813,660
Net (depreciation) appreciation in fair value of investments	(9,842,326)	6,796,077
Less investment expense	<u>(430,745)</u>	<u>(626,646)</u>
Total investment (loss) income, net	(8,438,527)	7,983,091
Other income	<u>10,060</u>	<u>3,386</u>
Total contribution and investment (loss) income, net	(5,166,484)	11,185,862
Deductions:		
Benefits paid to participants	5,817,837	5,597,079
Refunds and drop payments	188,969	938,220
Administrative expenses	<u>144,781</u>	<u>120,636</u>
Total deductions	<u>6,151,587</u>	<u>6,655,935</u>
Net (decrease) increase	(11,318,071)	4,529,927
Net position - restricted for pension benefits		
Beginning of year	<u>62,358,687</u>	<u>57,828,760</u>
End of year	<u>\$ 51,040,616</u>	<u>\$ 62,358,687</u>

See accompanying notes to financial statements.

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - FUND DESCRIPTION

BACKGROUND AND REPORTING ENTITY

The Wichita Falls Firemen's Relief and Retirement Fund ("Fund") was established October 1, 1941, pursuant to the Texas Local Firefighter's Retirement Act of 1937 ("Act"). The purpose of the Fund is to provide specific benefits to members at retirement or disability and to their beneficiaries in case of death.

The Fund is administered by a seven-member Board of Trustees ("Board"), which includes three members elected from and by the Fund members, two representatives of the City of Wichita Falls (the "City"), and two citizen members elected by the Board. The Board oversees the Fund and sets policies for its operation, including appointing management and directing investments.

The Fund is a single-employer defined benefit pension plan. The Fund is an independent entity for financial reporting purposes.

MEMBERSHIP

Firefighters for the City are covered by the Fund. The membership consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Inactive Plan members or beneficiaries currently receiving benefits	152	152
Inactive Plan members entitled to but not yet receiving benefits	5	3
Active Plan members	<u>153</u>	<u>160</u>
Total membership	<u>310</u>	<u>315</u>

BENEFIT PROVISIONS

The Fund provides service retirement, death, disability, and termination benefits. These benefits fully vest after 20 years of credited service. Members may retire at age 50 with 20 years of service. The Fund provides a monthly normal retirement benefit equal to 2.55% of the member's highest three-year average salary, multiplied by years of credited service as of date of termination. Six payment options are available. These options allow members to adjust the amount and longevity of the monthly benefit.

The Fund provisions also allow members the opportunity to select initial lump sum distributions, referred to as DROP payments, if certain eligibility requirements are met. There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide for ad hoc postretirement benefit increases. The benefit provisions of the Fund are authorized by the Act. The Act provides the authority and procedure to amend benefit provisions.

Effective April 20, 2016, the Fund was amended in an effort to reduce the remaining amortization period of the Fund's net pension liability. The member's contribution rate was increased from 12% to 13%. For members hired on or after April 20, 2016, this amendment extended the final average compensation period from three years to five years. The normal retirement date was changed from age fifty to age fifty-five, and the eligibility age for entry into the Deferred Retirement Option Program was changed from age fifty-three to age fifty-five. This amendment also reduced the normal service retirement factor from 2.55% to 2.50%.

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Fund financial statements are prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (“GASB”) for pension trust funds, with the financial activities recorded in a separate fund. The financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized when due. Benefits and refunds are recognized when paid in accordance with the provisions of the Fund. Investment transactions are recorded as of the date a transaction is agreed upon and investment income, from interest and dividends, is recorded when earned or declared. All other expenses are recognized when incurred.

ESTIMATES

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

INVESTMENTS

Investments are reported at fair value. The Fund determines the fair value of investments as follows:

- Short-term investments, such as debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value.
- Debt and equity securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.
- Debt securities not traded on national or international exchanges are reported at estimated fair value based on equivalent values of comparable securities with similar yield and risk.
- Investments in open-ended mutual funds are based on the funds' current share price.
- Investments in partnerships or other alternative investments that are not traded on national or international exchanges are valued at the last reported share value.
- Investments in common/collective trusts are valued at Net Asset Value (“NAV”) based on values reported by the sponsor of the trust.

Investment gains and losses arising from increases or decreases in the current market values from the beginning of the year to the end of the year and investment gains and losses arising from the sale or maturity of investments are reported as net appreciation (depreciation) in fair value on investments in the statements of changes in fiduciary net position.

ADMINISTRATIVE COSTS

The administrative costs are paid by the Fund through the use of investment earnings.

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 3 - CONTRIBUTIONS

The contribution provisions of the Fund are authorized by the Act. The Act provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the City.

In accordance with the provisions of the Fund, the Fund requires that the contributions must be actuarially determined. The actuary certifies that the contribution commitment by the members and the City provides an adequate financing arrangement. The funding policy of the Fund requires contributions by the members at the rate elected by the members according to the Act. The City's contribution rate is based on the Texas Municipal Retirement System's formula. Contributions and contribution rates for the years ended December 31 were as follows:

	2022		2021	
	Amount	Percentage	Amount	Percentage
Employer	\$ 1,646,524	13.25%	\$ 1,615,588	13.25%
Members	1,615,459	13.00%	1,583,797	13.00%

NOTE 4 - INVESTMENTS

INVESTMENTS OVERVIEW

The Board has established, and has the authority to amend, the following investment guidelines:

SHORT-TERM INVESTMENT FUNDS

- The money market fund or short-term investment fund options provided by the Fund's custodian; and
- Have a minimum rating of A1/P1, or its equivalent, by a major credit rating service.

EQUITIES

- Must be traded on a national exchange or electronic network; and
- Not more than five percent (5%) of the Fund's assets, at book value, shall be invested in the stock of one corporation, nor shall a retirement system own more than five percent (5%) of the voting stock of one corporation.

FIXED INCOME

- The purchase of high yield bonds and convertible bonds is permitted if so stated in the investment manager agreement for that manager. All other fixed income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service unless specifically approved by the Board to invest below investment grade; and
- Not more than five percent (5%) of the Fund's assets, at book value, shall be invested in the bonds of one corporation.

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 4 - INVESTMENTS - CONTINUED
ALTERNATIVE INVESTMENTS/REAL ESTATE

- Alternative investment strategies are defined as those strategies that seek to produce investment returns that have low correlation to traditional equity and fixed income markets and are highly dependent on manager skill more than market results. These strategies include private equity, hedge funds and fund of funds, real estate, and real assets.
- No more than five percent (5%) of the total Fund should be allocated to any one manager at the time of the commitment. To the extent possible, the allocation to a single manager should be limited to no more than ten percent (10%) of the total Fund based upon market value.
- Given the illiquid nature of most alternative investments and the broad latitude given to most alternative managers, due diligence on these types of investments is of greater importance and shall be conducted, for the most part, by the investment consultant. In evaluating a given opportunity, factors to be analyzed include, but are not necessarily limited to: (1) the type of investment strategy to be employed, (2) the length of time the manager has been operating, (3) the internal controls in place, (4) the external controls in place such as independent administrators, auditors, legal representatives, etc. (5) reporting frequency, (6) valuation policy, (7) registration issues, (8) liquidation rights and (9) personal capital at risk or subordinated to the Fund's investment.

FAIR VALUE

The Fund's investments are reported at fair value in the accompanying statements of fiduciary net position. Following is a description of the valuation methodologies used for investments measured at fair value.

- Interest-bearing cash: Valued at cost, which approximates fair value.
- Equity securities and mutual funds: Valued at the daily closing price as reported in the active market where the securities and individual funds are traded. Equity securities and mutual funds held by the Fund are registered with the Securities and Exchange Commission.
- Fixed income: Valued at prices quoted in active markets where the securities are traded.
- Alternative investments and real estate: Valued at NAV as reported by each individual alternative investment. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by each individual alternative investment or comingled fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 - inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 - observable inputs, such as, quoted market prices of similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active, and Level 3 - inputs are unobservable and have the lowest priority. As discussed above, the Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 4 - INVESTMENTS - CONTINUED

FAIR VALUE - CONTINUED

In accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board for pension trust funds, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The following table sets forth by level, within the fair value hierarchy, the Fund's investments at fair value as of December 31, 2022 and 2021, respectively:

<u>Assets at Fair Value as of December 31, 2022</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Short-term investments	\$ 216,237	\$ 216,237
Equities	29,956,041	29,956,041
Fixed income	11,786,550	11,786,550
Investments measured at net asset value		9,092,942
Investments at fair value	<u>\$ 41,958,828</u>	<u>\$ 51,051,770</u>

<u>Assets at Fair Value as of December 31, 2021</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Short-term investments	\$ 255,292	\$ 255,292
Equities	38,783,338	38,783,338
Fixed income	14,361,650	14,361,650
Investments measured at net asset value		8,980,039
Investments at fair value	<u>\$ 53,400,280</u>	<u>\$ 62,380,319</u>

RATE OF RETURN

For the years ended December 31, 2022 and 2021, the annual money-weighted rate of return on Fund investments, net of investment expenses, was (13.83) and 14.14 percent, respectively. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 4 - INVESTMENTS - CONTINUED

INVESTMENT MANAGEMENT

The Fund is invested in various financial instruments that are managed by their own respective investment management companies. The following table lists the investments that the Fund is currently invested in along with their investment managers:

Investment	Investment Manager
Alger Capital Appreciation Institutional Fund App Class Y	Fred Alger Management, LLC
Vanguard Equity Income Fund Eqt Class Adm Mf	Wellington Management Company LLP & Vanguard
Vanguard Growth Index Fund Class Adm Mf	Quantitative Equity Group
Vanguard S&P 500 ETF	Vanguard Equity Index Group
Westwood Smallcap Value Equity	Vanguard Equity Index Group
American Europacific Growth Fund	Westwood Holdings Group, Inc.
Baird Funds Inc Aggregate Bond Class Inst Mf	Capital Research and Management Company
LBC Credit Partners IV, L.P.	Baird Asset Management
Pimco Diversified Income Fund	LBC Credit Partners
BlackRock Multi-Asset Income Portfolio K	Pacific Investment Management Company LLC
ASB Real Estate Investments	BlackRock Multi-Asset Strategies & Solutions
Deerpath Capital Advantage V, LP	ASB Capital Management
Deerpath Capital Advantage VI, LP	Deerpath Capital Management, LP
Stockbridge Value Fund III	Deerpath Capital Management, LP
Pacific Funds INC Aggregate Bond Class Inst Mf	Stockbridge Capital Group, LLC
	Pacific Investment Management Company LLC

INVESTMENT EXPENSE

In the normal course of operations, the Fund will incur various expenses on behalf of its members due to advisory, consulting, and administrative duties required. The following is a breakdown of investment and administrative expenses for the years ended December 31, 2022 and 2021, respectively:

	2022	2021
Investment expenses:		
Brokerage fees	\$ 365,748	\$ 415,991
Investment consulting fees	26,559	35,396
Carried interest	<u>38,438</u>	<u>175,259</u>
Total investment expenses	<u>430,745</u>	<u>626,646</u>
Administrative expenses:		
Administrative fees	62,933	74,827
Actuary	29,375	2,250
Professional services	<u>52,473</u>	<u>43,559</u>
Total administrative expenses	<u>144,781</u>	<u>120,636</u>
Total investment and administrative expenses	<u><u>\$ 575,526</u></u>	<u><u>\$ 747,282</u></u>

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 4 - INVESTMENTS - CONTINUED

INVESTMENT EXPENSE - CONTINUED

The following table provides a breakdown between investment fees paid by the Fund and fees netted from investment returns for the year ended December 31, 2022 and 2021, respectively:

December 31, 2022 Asset Class	Investment Fees			Total Investment Management Fees
	Brokerage Fees	Consulting Fees	Carried Interest	
Equities	\$ 208,803	\$ 13,780	\$ -	\$ 222,583
Fixed income	73,322	6,635	5,179	85,136
Alternative investments	17,223	-	-	17,223
Real estate	66,400	6,144	33,259	105,803
Total	\$ 365,748	\$ 26,559	\$ 38,438	\$ 430,745

December 31, 2021 Asset Class	Investment Fees			Total Investment Management Fees
	Brokerage Fees	Consulting Fees	Carried Interest	
Equities	\$ 249,232	\$ 17,074	\$ -	\$ 266,306
Fixed income	88,784	10,420	14,341	113,545
Alternative investments	17,786	-	-	17,786
Real estate	60,189	7,902	160,918	229,009
Total	\$ 415,991	\$ 35,396	\$ 175,259	\$ 626,646

NOTE 5 - NET PENSION LIABILITY OF THE EMPLOYER

The components of the net pension liability of the employer on December 31, 2022 were as follows:

Total pension liability	\$ 123,099,731
Plan fiduciary net position	(51,040,616)
Employer's net pension liability	<u>\$ 72,059,115</u>
Plan fiduciary net position as a percentage of total pension liability	41.46%

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of January 1, 2022 updated to December 31, 2022, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary increases	Service based
Discount rate	5.60%
Investment rate of return	7.50%

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 5 - NET PENSION LIABILITY OF THE EMPLOYER - CONTINUED

ACTUARIAL ASSUMPTIONS - CONTINUED

The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2021 and a base year of 2010.

The long-term expected rate of return on Fund investments for the January 1, 2022 actuarial valuation and December 31, 2022 measurement date 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 weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2022 are summarized in the following table:

Asset class	Long term expected real rate of return
Domestic equity	7.50%
International equity	8.50%
Domestic fixed income	2.50%
Global fixed income	3.50%
Real estate	4.50%
GTAA	3.50%

DISCOUNT RATE

The projection of cash flows used to determine the discount rate assumed that current Fund Member and Sponsor contributions will be made at the current contribution rate. Future Member's contributions in excess of their normal costs were also included. Based on those assumptions, the Pension Fund's Fiduciary Net Position was projected to provide future benefit payments for 24 years. These payments were discounted using a discount rate of 7.50%. Future benefit payments beyond 24 years were discounted using a high-quality municipal bond rate of 4.31%. The high-quality municipal bond rate was based on the week closest to, but not later than, the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index. The single equivalent discount rate was 5.60%.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	4.60%	5.60%	6.60%
Employer's net pension liability	\$ 87,847,743	\$ 72,059,115	\$ 58,930,571

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
CONTINUED

NOTE 6 - TAX STATUS

The Internal Revenue Service has determined and informed the Fund by a letter dated April 30, 2015, that the Fund and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). The Fund has been amended since receiving the determination letter. However, the Fund's board and tax counsel believe that the Fund is designed and is currently being operated in compliance with the applicable requirements of the IRC.

NOTE 7 - RISKS AND UNCERTAINTIES

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Investment values are subject to market fluctuations that may cause a decline in the value of investments held at year-end.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 8 - REQUIRED SUPPLEMENTARY SCHEDULES

Required supplementary schedules for the Fund include the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, the Schedule of Investment Returns and the Notes to Required Supplementary Schedules. These are presented in order to demonstrate the Fund's ability to pay the net pension liability and its progress in doing so. Certain schedules should include a ten-year history of information. As provided for in GASB Statement No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of the standard. The full trend information will be accumulated over the next year as the necessary information becomes available.

NOTE 9 - SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through July 20, 2023, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND**
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS *

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability									
Service cost	\$ 2,640,087	\$ 3,462,346	\$ 3,066,397	\$ 2,923,162	\$ 3,797,094	\$ 2,514,077	\$ 1,613,166	\$ 1,514,459	\$ 1,447,068
Interest	6,792,673	6,175,999	6,288,749	6,405,216	5,944,979	5,887,833	5,740,141	5,743,802	5,537,931
Changes of benefit terms	-	-	-	(6,621,408)	-	-	-	6,752	-
Differences between Expected and Actual Experience	-	(2,700,656)	-	(1,17,512)	3,358,881	1,599,916	1,231,936	(3,155,703)	(320,862)
Changes of assumptions	2,195,408	(20,894,841)	8,605,683	(1,593,843)	933,555	24,056,360	16,673,408	-	(423,984)
Benefit payments, including refunds of member contributions	(6,006,806)	(6,535,299)	(5,901,298)	(5,759,722)	(5,292,918)	(5,250,040)	(4,543,166)	(3,950,906)	(3,616,549)
Net change in total pension liability	5,621,362	(20,492,451)	12,059,531	(4,764,107)	8,741,571	28,808,146	20,715,505	158,404	2,623,604
Total pension liability - beginning	117,478,369	137,970,820	125,911,289	130,675,396	121,933,825	93,125,679	72,410,174	72,251,770	69,628,166
Total pension liability - ending (a)	<u>\$ 123,099,731</u>	<u>\$ 117,478,369</u>	<u>\$ 137,970,820</u>	<u>\$ 125,911,289</u>	<u>\$ 130,675,396</u>	<u>\$ 121,933,825</u>	<u>\$ 93,125,679</u>	<u>\$ 72,410,174</u>	<u>\$ 72,251,770</u>
Plan fiduciary net position									
Contributions - employer	\$ 1,646,524	\$ 1,615,588	\$ 1,551,830	\$ 1,442,485	\$ 1,455,950	\$ 1,411,351	\$ 1,283,410	\$ 1,273,913	\$ 1,232,957
Contributions - member	1,615,459	1,583,797	1,551,830	1,468,465	1,475,242	1,463,122	1,350,904	1,221,926	1,144,644
Net investment income	(8,438,527)	8,128,492	7,864,359	9,142,584	(2,225,595)	6,581,299	2,577,572	421,270	3,284,243
Benefit payments, including refunds of member contributions	(6,006,806)	(6,535,299)	(5,901,298)	(5,759,722)	(5,292,918)	(5,250,040)	(4,543,166)	(3,950,906)	(3,616,549)
Administrative expense	(144,781)	(266,037)	(115,915)	(111,432)	(96,102)	(124,267)	(115,843)	(87,245)	(85,636)
Other	10,060	3,386	-	-	347,490	250	-	-	-
Net change in plan fiduciary net position	(11,318,071)	4,529,927	4,950,806	6,182,380	(4,663,423)	4,428,955	553,127	(1,121,042)	1,959,659
Plan fiduciary net position - beginning	62,358,687	57,828,760	52,877,954	46,695,574	51,378,997	46,950,042	46,396,915	47,517,957	45,558,298
Plan fiduciary net position - ending (b)	<u>\$ 51,040,616</u>	<u>\$ 62,358,687</u>	<u>\$ 57,828,760</u>	<u>\$ 52,877,954</u>	<u>\$ 46,695,574</u>	<u>\$ 51,378,997</u>	<u>\$ 46,950,042</u>	<u>\$ 46,396,915</u>	<u>\$ 47,517,957</u>
Net pension liability - ending (a) - (b)	<u>\$ 72,059,115</u>	<u>\$ 55,119,682</u>	<u>\$ 80,142,060</u>	<u>\$ 73,033,335</u>	<u>\$ 83,979,822</u>	<u>\$ 70,554,828</u>	<u>\$ 46,175,637</u>	<u>\$ 26,013,259</u>	<u>\$ 24,733,813</u>
Plan fiduciary net position as a percentage of the total pension liability	41.46%	53.08%	41.91%	42.00%	35.73%	42.14%	50.42%	64.08%	65.77%
Covered member payroll	\$ 12,426,596	\$ 12,183,054	\$ 11,937,154	\$ 11,295,885	\$ 11,348,015	\$ 11,254,785	\$ 10,391,569	\$ 10,182,717	\$ 9,520,903
Net pension liability as a percentage of covered member payroll	579.88%	452.43%	671.37%	646.55%	740.04%	626.89%	444.36%	255.46%	259.78%

* See Note 8 to the Financial Statements.

See summary of assumptions on next page

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND**
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS *

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually required contribution	\$ 1,646,524	\$ 1,615,588	\$ 1,551,830	\$ 1,442,485	\$ 1,455,950	\$ 1,411,351	\$ 1,283,410	\$ 1,273,913	\$ 1,232,957
Contributions in relation to the contractually required contributions	<u>1,646,524</u>	<u>1,615,588</u>	<u>1,551,830</u>	<u>1,442,485</u>	<u>1,455,950</u>	<u>1,411,351</u>	<u>1,283,410</u>	<u>1,273,913</u>	<u>1,232,957</u>
Contribution excess	<u> </u>								
Covered employee payroll	\$ 12,426,596	\$ 12,183,054	\$ 11,937,154	\$ 11,295,885	\$ 11,348,015	\$ 11,254,785	\$ 10,391,569	\$ 10,182,717	\$ 9,520,903
Contributions as a percentage of covered employee payroll	13.25%	13.25%	13.00%	12.77%	12.83%	12.54%	12.35%	12.51%	12.95%

* - See Note 8 to the Financial Statements.

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND**
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS *

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Annual money-weighted rate of return net of investment expense									
(13.83%)	14.14%	15.35%	20.15%	(4.60%)	15.42%	5.10%	0.45%	0.45%	7.32%

* - See Note 8 to the Financial Statements.

**WICHITA FALLS FIREMEN'S RELIEF
AND RETIREMENT FUND
REQUIRED SUPPLEMENTARY SCHEDULES - UNAUDITED
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES**

Valuation date: 1/1/2022

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method.
Amortization method:	Level percent of compensation.
Remaining amortization period:	32.1 years (as of January 1, 2022 Valuation)
Mortality rate:	PubS-2010 Mortality Tables with sex distinction.
Retirement age:	Members are assumed to retire at the later of age 50 or 20 years of service.
Termination rates:	See table below.
Disability rates:	See table below.

Termination and disability rate table.

Age	Disability		Termination	
	Service	rate	Service	rate
25	0.056%		<4	8.00%
35	0.076%		4-10	4.00%
45	0.168%		11+	0.75%
55	0.429%			

Interest rate: 7.50% per year, compounded annually, net of expenses.

Salary increases:	Service	Increase
	<2	12.0%
	2-8	6.5%
	9-19	5.0%
	20+	3.5%

Payroll growth: 4.00% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumed payroll growth rate was approved in conjunction with an actuarial experience study dated October 2017.

Marital status: 100% of actives are assumed to be married at time of benefit commencement. Males are assumed to be two years older than their spouses.

Dependent children: Each member is assumed to have two children. The first child is assumed to have been born when the member was age 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid until each child reaches the age of 20.

Retirement election: Members eligible for the DROP are assumed to elect either straight service retirement benefits or the DROP, whichever is more valuable. Other members are assumed to receive straight service retirement benefits.

Actuarial asset method: Fair market value