

## Firemen's Relief and Retirement Fund of the City of McAllen, Texas Table of Contents



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### INDEPENDENT AUDITOR'S REPORT

To the Pension Board of Trustees of the Firemen's Relief and Retirement Fund City of McAllen, Texas

### **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the accompanying financial statements of the Firemen's Relief and Retirement Fund, a fiduciary fund of the City of McAllen, Texas (the "Plan") which comprise the statement of fiduciary net position as of September 30, 2024, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Firemen's Relief and Retirement Fund, a fiduciary fund of the City of McAllen, Texas, as of September 30, 2024, and the respective changes in the Plan's fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Firemen's Relief and Retirement Fund, a fiduciary fund of the City of McAllen, Texas, and do not purport to, and do not, present fairly the financial position of the City of McAllen, Texas, as of September 30, 2024, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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### Responsibilities of Management for the Financial Statements

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

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 Plan's ability to continue as a going concern for one year after the date the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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 Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan'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, schedule of changes in net pension liability and related ratios (unaudited), schedule of employer contributions (unaudited), schedule of investment returns (unaudited), and notes to required supplementary information (unaudited) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

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

### Other Reporting Required by Government Auditing Standards

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2025 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Harlingen, Texas

March 14, 2025

Our discussion and analysis of the Firemen's Relief and Retirement Fund (the "Plan") of the City of McAllen, Texas provides an overview of the Plan's financial activities for the year ended September 30, 2024 and 2023. This discussion and analysis is presented as a narrative overview and for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements and the required supplementary information.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **Financial Statements:**

<u>Statement of Fiduciary Net Position</u> – This statement reports the assets, liabilities and net position held in trust for pension benefits. This statement reports the Plan's financial net position at a point in time – September 30, 2024 (Assets – Liabilities = Net Position).

<u>Statement of Changes in Fiduciary Net Position</u> – This statement reports the results of operations during the year. Additions to and deductions from the Plan's net position are reported. The net increase or decrease in plan assets within the statement support the change in net position which is held in trust for pension benefits reported on the Statement of Fiduciary Net Position (Additions – Deductions = Net Change in Net Position).

### **Notes to the Financial Statements:**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and the status of the Plan. The following information is included within the notes to the financial statements:

<u>Note 1</u> – (Plan Description) provides a general description of the Firemen's Relief and Retirement Fund. This information includes plan membership, vesting and a description of the retirement benefits provided.

<u>Note 2</u> – (Summary of Significant Accounting Policies and Plan Asset Matters) provides information about the accounting methods used in determining the amounts reported on the financial statements. Information about the methods used for valuation of the Plan's investments, federal income taxes and estimates is also included.

<u>Note 3</u> — (Investments) provides the authorization of investments and the risk of such investments maintained in the Plan.

 $\underline{\text{Note 4}}$  – (Contributions Required and Contributions Made) provides information disclosing the methods and assumptions in determining required contributions.

Other notes to the financial statements provide information on the net pension liability, contingencies and other risk and uncertainties involving the Plan.

### **Required Supplementary Information**

Schedule of changes in net pension liability and related ratios (unaudited), schedule of employer contributions (unaudited), schedule of investment returns (unaudited), and additional notes are included within this section to provide historical and additional information considered useful in reading the basic financial statements.

GASB 67 requires a disclosure of the Net Pension Liability (NPL). The NPL is the difference between the Total Pension Liability (TPL) and the market value of assets. GASB 67 requires the determination for the TPL using the individual entry age method, level percent of pay actuarial cost method and a discounted rate.

Information about whether the Plan's net positions are increasing or decreasing over time relative to the total pension liability is provided in the Schedule of Changes in Net Pension Liability and Related Ratios (unaudited) on page 27.

### THE PLAN

The City of McAllen's Firemen's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits to essentially all eligible firefighter employees. The benefit and contribution provisions of this plan are authorized by the Texas Local Firefighters Retirement Act (TLFFRA). The benefits are funded through member contributions, employer contributions and earnings on the Plan's investments. Total Fiduciary net position held in trust for pension benefits was \$66,044,393 at September 30, 2024 and \$57,588,137 at September 30, 2023, which is an increase of \$8,456,256. Table 1 below illustrates a comparative summary of the Plan's Statement of Fiduciary Net Position.

Table 1
Firemen's Relief and Retirement Fund of the
City of McAllen, Texas
Condensed Statement of Fiduciary Net Position

|                  |  |   | Inc  | rease/(Decrease)  |
|------------------|--|---|--|---|
| 2024             |  | 2023  |  | 2024/2023   |
| \$<br>3,372,690  | \$   | 1,600,836                                     | \$   | 1,771,854   |
| 62,671,703       |  | 55,987,713                                    |  | 6,683,990   |
| 66,044,393       |  | 57,588,549                                    |  | 8,455,844   |
|                  |  |   |  |   |
| \$<br>-          | \$   | 412   | \$   | (412)   |
|                  |  |   |  |   |
|                  |  |   |  |   |
| \$<br>66,044,393 | \$   | 57,588,137                                    | \$   | 8,456,256   |
|                  | \$ 3,372,690<br>62,671,703<br>66,044,393<br>\$ - | \$ 3,372,690 \$ 62,671,703 66,044,393 \$ - \$ | \$ 3,372,690 \$ 1,600,836<br>62,671,703 55,987,713<br>66,044,393 57,588,549<br>\$ - \$ 412 | 2024 2023<br>\$ 3,372,690 \$ 1,600,836 \$<br>62,671,703 55,987,713<br>66,044,393 57,588,549<br>\$ - \$ 412 \$ |

### **Additions to Fiduciary Net Position**

Additions to the fiduciary net position held in trust for pension benefits include contributions from employees (plan members), the City of McAllen (the employer) and net investment income/loss earned during the year.

Employees contributed \$2,120,526 and \$2,010,356 to the Plan and the employer contributed \$2,273,025 and \$2,155,354, during fiscal years 2024 and 2023, respectively. Net investment income amounted to \$9,274,308 and \$4,987,718 during fiscal years 2024 and 2023, respectively. Net investment income of the current year was the result of the appreciation in the fair value of investments \$7,794,896 and interest and dividends income of \$1,868,849 less investment expenses of \$389,437. The appreciation in fair value of investments increased during fiscal year 2024 as there was an upswing in fixed income investments due to impacts from economic growth.

### **Deductions from Fiduciary Net Position**

Deductions from fiduciary net position held in trust for pension benefits are comprised of retirement benefits payments to Plan retirees, survivors, and their beneficiaries, refunds of contributions and administrative expenses.

Benefit payments to retirees, survivors and their beneficiaries, DROP payments, and refunds of member contributions totaled \$5,160,806 and \$4,941,772 for 2024 and 2023. Administrative expenses were \$56,205 and \$48,118 for 2024 and 2023, respectively. Total deductions from net position held in trust for pension benefits were \$5,217,011 and \$4,989,890 at September 30, 2024 and 2023, respectively. The increase in benefit payments is due to additional service retirements during 2024. Table 2 below illustrates a comparative summary of the Plan's Statement of Changes in Fiduciary Net Position.

### Firemen's Relief and Retirement Fund of the City of McAllen, Texas Condensed Statement Changes of Fiduciary Net Position

|  |                  |                  | Inc | rease/(Decrease) |
|--|------------------|------------------|-----|------------------|
| September 30,                              | 2024             | 2023             |     | 2024/2023        |
| Plan member contributions                  | \$<br>2,120,526  | \$<br>2,010,356  | \$  | 110,170          |
| Employer contributions                     | 2,273,025        | 2,155,354        |     | 117,671          |
| Net investment income/(loss)               | 9,274,308        | 4,987,718        |     | 4,286,590        |
| Other                                      | 5,408            | 6,393            |     | (985)            |
| Total additions to fiduciary net position  | 13,673,267       | 9,159,821        |     | 4,513,446        |
|  |                  |                  |     |                  |
| Benefit payments                           | 4,751,403        | 4,544,181        |     | 207,222          |
| Refunds to terminated employees            | 2,098            | 23,755           |     | (21,657)         |
| DROP payments                              | 407,305          | 373,836          |     | 33,469           |
| Administrative expenses                    | 56,205           | 48,118           |     | 8,087            |
| Total deductions to fiduciary net position | 5,217,011        | 4,989,890        |     | 227,121          |
| Change in fiduciary net position           | 8,456,256        | 4,169,931        |     | 4,286,325        |
| Fiduciary net position held in trust for   |                  |                  |     |                  |
| pension benefits:                          |                  |                  |     |                  |
| Beginning of year                          | 57,588,137       | 53,418,206       |     | 4,169,931        |
| End of year                                | \$<br>66,044,393 | \$<br>57,588,137 | \$  | 8,456,256        |

### **Investments**

Upon approval by the board of trustees, several realignments in the portfolio were made in accordance with the investment strategy. Total investments, exclusive of cash holdings and accrued interest receivable, amounted to \$62,671,703 at September 30, 2024. The estimated rate of return of the Plan was approximately 13.5% for the current year. The Plan's board of trustees and its consultant remain confident in the long-term potential of the portfolio to deliver upon the desired results of performance in excess of the actuarial requirement with appropriate levels of risk. The approach has served the Plan well historically and the Plan sees no reason to believe it is not attainable going forward.

| Investments at Fair Value           |    | 2024       | <br>2023         |
|-------------------------------------|----|------------|------------------|
| Fixed income                        | \$ | 11,839,108 | \$<br>10,835,435 |
| Domestic and international equities |    | 34,874,571 | 27,585,904       |
| Alternative investments             |    | 15,958,024 | 17,566,374       |
| Total investments                   | \$ | 62,671,703 | \$<br>55,987,713 |

### REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the Firemen's Relief and Retirement Fund of McAllen, Texas finances for interested parties. Questions concerning any of the information provided herein, or requests for additional information, should be addressed to Firemen's Relief and Retirement Fund of McAllen, Texas, P.O. Box 220, McAllen, Texas 78505-0220.



### **FINANCIAL STATEMENTS**

### Firemen's Relief and Retirement Fund of the City of McAllen, Texas Statement of Fiduciary Net Position

| September 30  | 2024             |
|---|------------------|
| Assets  |                  |
| Cash & cash equivalents                                   | \$<br>1,281,532  |
| Investments at fair value:                                |                  |
| Fixed income  | 11,839,108       |
| Domestic and international equities                       | 34,874,571       |
| Alternative investments                                   | 15,958,024       |
| Total Investments   | 62,671,703       |
| Receivables:  |                  |
| Accrued interest receivables                              | 84,356           |
| Other   | 2,006,802        |
| Total assets  | \$<br>66,044,393 |
| Liabilities   |                  |
| Accounts payable  | -                |
| Fiduciary Net Position Held In Trust For Pension Benefits | \$<br>66,044,393 |

### Firemen's Relief and Retirement Fund of the City of McAllen, Texas Statement of Changes in Fiduciary Net Position

| For the fiscal year ended September 30,                      | 2024             |
|--|------------------|
| Additions  |                  |
| Contributions  |                  |
| Employer   | 2,273,025        |
| Plan members   | 2,120,526        |
| Other  | 5,408            |
| Total contributions  | 4,398,959        |
| Investment income  |                  |
| Net appreciation (depreciation) in fair value of investments | 7,794,896        |
| Interest and dividends                                       | 1,868,849        |
| Total investment income                                      | 9,663,745        |
| Less investment expense                                      | (389,437)        |
| Net investment income  | 9,274,308        |
| Total additions (reductions)                                 | 13,673,267       |
| Dadustiana   |                  |
| Deductions Benefits paid                                     | 4,751,403        |
| Refunds to terminated employees                              | 2,098            |
| DROP payments  | 407,305          |
| Administrative expenses                                      | 56,205           |
| Administrative expenses                                      | 30,203           |
| Total deductions   | 5,217,011        |
| Net change in fiduciary net position                         | 8,456,256        |
| Fiduciary Net Position Held In Trust For Pension Benefits:   |                  |
| Beginning of year  | 57,588,137       |
| End of year  | \$<br>66,044,393 |

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

### **NOTE 1: PLAN DESCRIPTION**

The provisions of Firemen's Relief and Retirement Fund of McAllen, Texas (the "Plan") are authorized by the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). The following brief description of the Plan is provided for general information purposes only. The Plan agreement should be referred to for more complete information. The Plan has an actuarial valuation performed biennially in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans — an amendment of GASB Statement No. 25. The most recent actuarial valuation was performed as of September 30, 2022. This valuation was rolled forward to September 30, 2024 in accordance with GASB No. 67.

The plan is sponsored by the City of McAllen, Texas (the "City"). The Plan does not purport and does not present the financial position or changes in financial position of the City as of any time or for any period. The Plan meets the criteria of a "fiduciary fund" of the City as established by GASB, and certain information regarding the Plan is included in the City's financial statements.

In 2013 the Office of the Fire Fighter's Pension Commissioner was abolished under the Senate Bill 220 by the Texas Sunset Commission. Accordingly, the duties and responsibilities assigned to the Commissioner were transferred to the Texas Pension Review Board (PRB).

The Texas Pension Review Board (PRB) is mandated to oversee all Texas public retirement systems, both state and local, in regard to their actuarial soundness and compliance with state law. The PRB monitors the financial and actuarial soundness of 100 actuarially funded defined benefit public retirement systems in Texas, as well as their compliance with state law.

### Plan Membership

The Pension Board of Trustees are the administrators of the Plan, which consists of seven board members, current and former fire fighters of the City, as well as certain beneficiaries of current and former fire fighters. The Plan is a single-employer defined benefit pension plan. The City is the only contributing employer. The fire fighters covered by the Plan also contribute to the Plan. The types of employees covered, as well as Plan membership data, are as follows:

| , ,   | <u>2022*</u> |
|---|--------------|
| 1. Active Members   | 180          |
| 2. Retirees and beneficiaries entitled to benefits                        | 120          |
| 3. Retirees and beneficiaries entitled to, but not yet receiving benefits | <u></u>      |
| Total   | <u>307</u>   |
|   |              |

<sup>\*</sup>This is plan membership as of the last actuarial valuation date.

### Service Retirement Benefits

A member is eligible for service retirement upon completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the fund will receive a monthly benefit equal to the sum of (a), (b), and (c) where: (a) equal to 2.9% of the member's highest 60-month average salary for each of the member's years of service up to and including the 20<sup>th</sup> year of service and (b) equals the greater of 2.9% of the member's highest 60-month average salary, or \$58.00 per month for each of the member's 21<sup>st</sup> and 22<sup>nd</sup> years of service, and (c) equals \$58.00 per month for each year of service in excess of 22 years.

### **NOTE 1: PLAN DESCRIPTION (Continued)**

### Disability Benefits

An active member who becomes disabled as defined in the plan will receive a monthly disability benefit. Separate disability benefits are provided for duty-related and off-duty disabilities. Disability benefits are payable in the same joint-and-survivor as service retirement benefits. However, disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the fund. If the total monthly amount a disabled member receives from (a) the fund, (b) workers compensation, and (c) the City of McAllen, exceeds the member's monthly rate of pay as of his date of disability, the amount payable from the fund will be reduced so that the member's benefit from all three sources, combined, does not exceed such rate of pay.

Duty-related death benefits, payable to a member's spouse for as long as they are living, equal the sum of (a) 38.67% of the member's highest 60-month average salary, (b) plus two-thirds of any additional service benefit earned by the member as of the date of their death. The death benefit is payable for life, but it ceases upon remarriage. Effective January 1, 2006 the widowed spouse of a member who completed 10 or more years of service prior to their death will have the death benefit payments terminated in the event of remarriage. In addition to the above spousal death benefit, each unmarried child of the member will receive a monthly benefit of 7.73% of the fire fighter's highest 60-month average salary. Orphan benefits continue until the child reaches age 18. However, benefits will continue until age 22 for a child who is a full-time student. If the member's spouse dies or remarries, or if the member has no spouse on the date of their death, each eligible orphan will receive a monthly benefit of 15.47% of the member's highest 60-month average salary. Orphan benefits are continued for life for disabled children. The total of all benefits paid as a result of the death of an active fund member may not exceed the disability or retirement benefits such member had earned as of the date of their death. The total of all benefits paid as a result of the death of a retired member may not exceed the retirement benefit the member was receiving as of the date of their death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations.

### **Termination Benefits**

Members who terminate employment with less than 10 years of service will be entitled to the return of the excess of their contributions to the fund over the amount of any benefits they have received from the Plan. Such refunds will not include any interest on the members' contributions. If members terminate on or after the date they have completed 10 years of service but prior to the date they complete 20 years of service, they will be entitled to receive a monthly benefit, starting on the date they would have both completed 20 years of service and attained age 50, had they remained in the service of the fire department.

The amount the members will receive will equal the monthly service retirement benefit they had accumulated on the date they separated from service with the fire department, multiplied by the vested percentage of the members.

### The Deferred Retirement Option Plan (DROP)

A member is eligible to receive their benefits under the plan's DROP provision after they have both completed 20 years of service and attained age 53. The election to participate in the DROP may be made at the time the member elects to retire. The monthly retirement income payable to a member

### **NOTE 1: PLAN DESCRIPTION (Continued)**

who retires under the DROP will equal their service retirement benefits under the plan based on highest 60-month average salary and years of service as of the member's DROP Eligibility Date. The member's benefits will be calculated, however using the benefit formula in effect on the member's actual date of retirement. A member's DROP Eligibility Date is the later of (a) the date the member meets the eligibility requirements for the DROP or (b) the date which is two years prior to the member's actual retirement date. Upon retirement, the member will receive—in addition to their monthly retirement benefit—a single payment equal to the sum of: (a) the total of the monthly retirement benefits the member would have received between his DROP Eligibility Date and the time they retired under the plan, and (b) the amount of monthly contributions that the member has made to the fund between their DROP Eligibility Date and the time they retired under the Plan. Since the member does not elect a DROP until actual retirement, Plan does not have any DROP accounts or liabilities reported for DROPS on September 30, 2024.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

### **Organization**

The Plan was created pursuant to the TLFFRA. The Plan provides pension, disability, death, and severance benefits to employees of the City's fire department and former volunteer firemen eligible to receive benefits pursuant to a single-employer defined benefit pension plan.

### **Basis of Accounting**

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for local governmental units as prescribed by the GASB. The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

### **Cash Equivalents**

For purposes of the statement of fiduciary net position, short-term, highly liquid investments with maturities of 3 months or less when purchased are considered cash equivalents.

### **Contributions**

Active members are required to contribute to the plan a certain percentage of qualifying salary. The City is required to contribute at a rate that has been agreed upon.

### Valuation of Plan Investments

Investments are carried at fair value as defined in GASB Cod. Sec. 3100.115, Fair Value Measurement - Valuation Techniques and Approaches, which requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Consistent with GASB Cod. Sec. 3100.129, Fair Value Measurement – Fair Value Hierarchy, the Plan categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS (Continued)

active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A detail of the fair value hierarchy of investments held by the Plan is disclosed in Note 3 to the financial statements.

Unrealized gains and losses are presented at net appreciation (depreciation) in fair value of investments on the Statements of Changes in Fiduciary Net Position, along with gains and losses realized on sales of investments.

Purchases and sales of investments are recorded on a trade-date basis and, accordingly, the related receivables and payables for any unsettled trades are recorded. Interest income and dividends are recorded on the accrual basis.

### Federal Income Tax

The Plan is exempt from federal income tax pursuant to applicable regulations.

### **Estimates**

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

### **Administrative Expenses**

The cost of administering the fund is paid by the fund from current earnings pursuant to an annual fiscal budget approved by the Board.

### **Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 14, 2025. See note 8 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### **NOTE 3: INVESTMENTS**

Statutes of the State of Texas authorize the Plan to invest in surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed "prudent" by the Board. The investment policy of the Board does restrict the types of investments authorized to be made on behalf of the Plan and includes investments based on prudent and reasonable investment risk and the cash flow requirements of the Plan given prevailing economic and capital market conditions.

### **NOTE 3: INVESTMENTS (Continued)**

While the Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

### Firemen's Relief and Retirement Fund Investments

The Firemen's Relief and Retirement Fund Investments are recorded at fair value as of September 30, 2024. The composition of these investments is as follows:

|                                 |            |            |                | Investment Policy of    |
|---------------------------------|------------|------------|----------------|-------------------------|
|                                 | Fair Value |            | % of Portfolio | <b>Asset Allocation</b> |
| Equities                        |            |            |                |                         |
| Domestic                        | \$         | 25,299,961 | 40%            | 30-60%                  |
| International                   |            | 9,574,610  | 15%            | 10-30%                  |
| Total equities                  |            | 34,874,571 |                |                         |
| Fixed income:                   |            |            |                |                         |
| Treasury and agency securities, |            |            |                |                         |
| Corporate bonds, mutual funds,  |            |            |                |                         |
| and mortgage-back securities    |            | 11,839,108 |                |                         |
| Total fixed income              |            | 11,839,108 | 19%            | 20-50%                  |
| Alternative Investment          |            | 15,958,024 | 25%            | 0-30%                   |
| Total investments               | \$         | 62,671,703 |                |                         |

The Plan has adopted the provisions of GASB Statement 72. Below is the fair value hierarchy and the methods of valuing the related investments as required under generally accepted accounting principles.

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs other than quoted market prices for similar assets; Level 3 inputs are significant unobservable inputs.

### **NOTE 3: INVESTMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30, 2024:

| Investment Type                 | Fair Value       | Value Level 1 Level 2 |            | Level 2 |           | Le | evel 3 |
|---------------------------------|------------------|-----------------------|------------|---------|-----------|----|--------|
| Equities                        |                  |                       |            |         |           |    |        |
| Domestic Equity                 | \$<br>25,299,961 | \$                    | 25,299,961 | \$      | -         | \$ | -      |
| International Equity            | 9,574,610        |                       | 9,574,610  |         | -         |    | -      |
| Fixed income:                   |                  |                       |            |         |           |    |        |
| US Treasury Notes and Bonds     | 3,214,772        |                       | 3,214,772  |         | -         |    | -      |
| Government Agency               | 26,663           |                       | 26,663     |         | -         |    | -      |
| Corporate Bonds                 | 1,538,081        |                       | 1,327,944  |         | 210,137   |    | -      |
| Mutual Funds                    | 5,044,445        |                       | 5,044,445  |         | -         |    | -      |
| Mortgage Backed Securities      | 2,015,147        |                       | -          |         | 2,015,147 |    |        |
| Total investments at fair value | \$<br>46,713,679 | \$                    | 44,488,395 | \$      | 2,225,284 | \$ | -      |

Investments measured at the net asset value (NAV):

|                                   |                  | Redemption  | Redemption |
|-----------------------------------|------------------|-------------|------------|
| Alternative Investments           |                  | Frequency   | Notice     |
| Terracap Partners V               | \$<br>1,892,233  | (1)         | (1)        |
| Ironwood                          | 3,253,943        | Semi-annual | 95 days    |
| Terracap Partners III             | 1,126,565        | (1)         | (1)        |
| Pointer                           | 3,468,313        | (3)         | (3)        |
| Serenitas                         | 3,240,490        | (1)         | (1)        |
| Ironsides Opportunties Annex Fund | 666,202          | (1)         | (1)        |
| Ironside Opportunities Fund II    | 990,578          | (1)         | 10 days    |
| Ironside Private Equity Fund VII  | 90,441           | (1)         | (1)        |
| CCA Longevity Fund VI             | 1,229,259        | (2)         | (2)        |
| Total investments measured at NAV | \$<br>15,958,024 |             |            |
| Total Investments                 | \$<br>62,671,703 |             |            |

<sup>(1)</sup> These hedge funds are not redeemable. The Firemen's Relief and Retirement Fund receives distributions as the underlying assets of investments are sold/liquidated. Management estimates that the remaining five hedge funds will liquidate in 5-10 years.

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

<sup>(2)</sup> The money invested with CCA Longevity Fund is locked up because the investment is a private equity style fund. It is a self-liquidating fund that will make distributions when there are realizations.

<sup>(3)</sup> All capital is subject to an initial 24-month lockup, so the lockup on McAllen Firemen's Relief and Retirement Fund's initial investment of \$2.6M made on 4/1/18 expires on 4/1/20. Pointer has semi-annual redemptions at 6/30 and 12/31, where an investor has access to up to 50% of their capital at each date, with signed notification due by 3/15 and 9/15, respectively.

### **NOTE 3: INVESTMENTS (Continued)**

The fair value of common stocks and mutual funds are based on quoted market prices. The fair value of United States Government securities and corporate and foreign bonds are based on quotes from broker dealers or are valued using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and considering the counter party rating. The Plan values investments in alternative funds based on its percentage investment in each such fund and are reported at net asset value (NAV). The estimated fair value of each fund is based on market conditions and information reported by the fund manager, and is generally based on the estimated fair value of each funds' underlying investments at the end of the reporting period.

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

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name. The Plan does not have a policy regarding custodial credit risk. The Plan does not have any cash deposits held with financial institutions and all investments are held in the name of the Plan.

### **Concentration of Credit Risk**

The allocation of assets among various asset classes is set by the Board with the objective of optimizing the investment return of the Plan within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, private equity and real estate, and specialty), the Plan further diversifies by employing investment managers who implement the strategies selected by Management.

### Interest Rate Risk

The Plan invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest. Instruments may have an investment grade or noninvestment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the Plan's Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The Plan's investment policy does not include limits of investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

### **NOTE 3: INVESTMENTS (Continued)**

At September 30, 2024, the following table shows the Plan's investments by type, with weighted average maturity and fair value:

|                                    | Weighted Average |                  |                     |
|------------------------------------|------------------|------------------|---------------------|
|                                    | Maturity *       | Fair Value       | Percentage of Total |
| Corporate Bonds                    | 10.22            | \$<br>1,538,081  | 13%                 |
| US Treasury Notes and Bonds        | 8.70             | 3,214,772        | 27%                 |
| Government Agency                  | 31.52            | 26,663           | 0%                  |
| Mutual Funds                       | 7.57             | 5,044,445        | 43%                 |
| Mortgage Backed Securities         | 23.75            | 2,015,147        | 17%                 |
| Total fixed income debt securities | 11.03            | \$<br>11,839,108 | 100%                |

<sup>\*</sup> Modified duration used for weighted average maturity

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract.

The Plan's exposure to investment credit risk in fixed income securities as of September 30, 2024 are as follows:

|                             |              |              |             | Bel | ow B, Not |
|-----------------------------|--------------|--------------|-------------|-----|-----------|
| Investment Type             | Fair Value   | AAA, AA, A   | BBB,BB,B    |     | Rated     |
| US Treasury Notes and Bonds | \$ 3,214,772 | \$ 3,214,772 | \$ -        | \$  | -         |
| Government Agency           | 26,663       | 26,663       | -           |     | -         |
| Corporate bonds             | 1,538,081    | 932,433      | 605,648     |     | -         |
| Mutual Funds                | 5,044,445    | -            | 5,044,445   |     | -         |
| Mortgage Backed Securities  | 2,015,147    | 2,015,147    | -           |     | -         |
|                             | \$11,839,108 | \$ 6,189,015 | \$5,650,093 | \$  | -         |

### TerraCap Partners V (Institutional), LP

TerraCap Management LLC was founded in 2008 and is an SEC registered investment adviser (2014). TerraCap Partners V, a value-add commercial real estate fund (closed end), seeks to acquire mainstream property types with a focus on the Southern US, particularly Florida, as the population growth is rapid, supply is limited and prices are low. Emphasis is on well-established, well-built properties in strong locations, where the investment manager believes that potential for future competition will be limited and the acquisition price has been well below the cost of replacement. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### **NOTE 3: INVESTMENTS (Continued)**

### Ironwood International Ltd.

The Fund was created for the purpose of trading and investing in investment funds. The Fund's investment objective is capital appreciation with limited variability of returns. The fund invests substantially all of its assets in Ironwood Partners LP (the Master Fund). The Master Fund invests in a number of pooled investment vehicles, which are each managed by a separate investment manager, and include investment strategies such as relative value, market neutral and low net equity, event-driven, and distressed and credit securities. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### TerraCap Partners III

The Partnership is engaged in the acquisition and resale of value-add investments in real-estate and real-estate backed assets with a focus on opportunities in Florida and the Southeast. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### CCA Longevity Fund VI, LP

The Partnership's primary investments consist of in-force, non-variable universal life insurance policies insuring the lives of individuals of at least seventy years of age who have a life expectancy as of the date of purchase between two and nine years at a price greater than the cash surrender value offered by the life insurance companies, but less than the face amount of or the death benefit payable under such policies. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### Pointer Offshore, LTD

The Fund invests all or substantially all of its investable assets in the Master Fund. The Master Fund's investment objective is trading and investing in securities, private investment companies and other investments. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### Ironsides Opportunities Annex Fund, L.P.

CCP seeks to generate superior rates of return by making fund and co-investments in premier buyouts. The Ironsides Partnership Fund and the Ironsides Direct Investment Fund focus on middle market buyouts in North America, specifically sector focused funds, secondaries, special situation funds, distressed debt, and emerging managers. Risk is managed through diversification among managers and co-investments as well as industries, managers, vintage years, and investment stage risk. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### Serenitas Credit Gamma Offshore Fund, LTd.

Serenitas Credit Gamma Fund seeks a relative value trading strategy focused on mortgage, corporate and synthetic credit, low net exposure to interest rates and credit spreads, and a low negative correlation versus the broader market. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### **NOTE 3: INVESTMENTS (Continued)**

### **Ironsides Opportunities Fund II**

Ironside Opportunities Fund II is a Constitution Capital Partner's (CCP) fund that aims to take advantage of dislocation in credit. The distressed credit markets provide Constitution Capital Partners with opportunities to acquire debt at discounts due to pressured sellers. The investment team includes both fully dedicated and shared resources with experience investing in secondary market debt purchases and special situations, investing \$1.25 billion across 47 companies. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### Ironsides Private Equity Fund VII (50/50), L.P.

The Fund invests all or substantially all of its investable assets in the Master Fund. The Master Fund's investment objective is trading and investing in private equity co-investments and other funds. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the investment.

### **NOTE 4 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE**

The funding policy of the Firemen's Relief and Retirement Fund required contributions equal to 14% of payroll by the firefighters and 15% of payroll by the City of McAllen at September 30, 2024.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Plan must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the firefighters and the City provide an adequate financing arrangement. Using the variation of the entry age normal actuarial cost method, the Plan's normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the Plan's unfunded actuarial accrued liability, and the number of years needed to amortize the Plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

Contributions required and paid into the fund as of September 30, 2024 were \$2,120,526 (members) and \$2,273,025 (employer).

### **NOTE 5: NET PENSION LIABILITY OF EMPLOYER**

The components of the net pension liability (as actuarially determined) of the Plan at September 30, 2024 were as follows:

|                              | 2024          |
|------------------------------|---------------|
| Total pension liability      | \$101,296,458 |
| Plan fiduciary net position  | (66,044,393)  |
|                              |               |
| City's net pension liability | \$ 35,252,065 |

Plan fiduciary net position as a percentage of the total pension liability

65.2%

### NOTE 5: NET PENSION LIABILITY OF EMPLOYER (Continued)

Actuarial assumptions: the total pension liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

| Inflation                 | 2.85%  |
|---------------------------|--|
| Projected salary increase | 2.85%, plus promotion, step an longevity increase that vary by service |
| Investment rate of return | 7.25%, net of pension plan investment expense, including inflation     |
| Cost-of-living adjustment | None   |
| Mortality                 | PubS-2010 (public safety) total dataset mortality tables for employees |
|                           | and for retirees (sex distinct), projected for mortality improvement   |
|                           | generationally using the projection scale MP-2018                      |

There were no changes in actuarial assumptions from the prior valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates 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 (currently resulting in 4.40%) and by adding expected inflation (assumed 2.85%), resulting in the final 7.25% assumption. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of September 30, 2024 are summarized in the following table:

### NOTE 5: NET PENSION LIABILITY OF EMPLOYER (Continued)

|                         |                  | Long-term expected net real |
|-------------------------|------------------|-----------------------------|
| Asset class:            | Targe allocation | rate of return              |
| Equities                |                  |                             |
| Domestic large cap      | 32%              | 5.55%                       |
| International developed | 16%              | 6.05%                       |
| Emerging markets        | 7%               | 7.37%                       |
| Fixed Income            |                  |                             |
| Global                  | 5%               | 1.69%                       |
| Domestic core           | 5%               | 1.43%                       |
| Nontraditional          | 14%              | 2.50%                       |
| Alternatives            |                  |                             |
| Private real estate     | 6%               | 4.25%                       |
| Hedge funds             | 14%              | 2.75%                       |
| Cash                    | 1%               | 0.00%                       |
| Total                   | 100%             |                             |
| Weighted average        |                  | 4.40%                       |

Discount rate: The discount rate used to measure the total pension liability was 7.25%. No projection of cash flows was used to determine the discount rate because the September 30, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 35 years. Because of the 35-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments as the discount rate 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, calculated using the discount rate of 7.25% as well as what the Plan's net pension liability would be if it were to be calculated using the discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|   | 1%           | Current      | 1%           |
|---|--------------|--------------|--------------|
|   | Decrease     | Discount     | Increase     |
|   | (6.25%)      | Rate (7.25%) | (8.25%)      |
| City's net pension liability – 2024 fiscal year | \$48,044,770 | \$35,252,065 | \$24,563,333 |

Money-weighted rate of return: For the year ended September 30, 2024, the annual money weighted rate of return was calculated at 16.23%. The calculation was determined based on the rate of return on pension plan investments, net of pension plan investment expense. Inputs to the money-weighted internal rate of return calculation were determined at least monthly.

### **NOTE 6: CONTINGENCIES**

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the fiduciary net position or the changes in fiduciary net position of the Plan.

### **NOTE 7: RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. It is at least reasonably possible that changes in the value of the Plan's investment securities may occur over the course of different economic and market cycles.

The Plan's contribution rates and actuarial information are based on certain assumptions pertaining to interest rates, inflation rates, and participant demographics, all of which are subject to change. Due to inherent uncertainties in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

### **NOTE 8: SUBSEQUENT EVENTS**

On February 10, 2025, the McAllen City Commission approved the following changes to the McAllen Firemen's Relief and Retirement Fund as negotiated with the Plan: a 2.5% increase in the City's contribution rate, bringing the new rate to 17.5%; a 1% increase in the firefighter contribution, bringing the new rate to 15%; and a change in the averaging period for the final average salary from 60 consecutive months to 84 consecutive months. These changes are effective April 1, 2025.



# REQUIRED SUPPLEMENTARY INFORMATION

# Firemen's Relief and Retirement Fund City of McAllen, Texas Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited)

| For the Fiscal Years Ended September 30, 2017 2018 2019 2020 2021 2022 2  | 023 2024               |
|---|------------------------|
| Total pension liability   |                        |
| Service cost (Pension benefits) \$ 1,536,125 \$ 1,636,993 \$ 1,612,284 \$ 2,709,877 \$ 1,694,789 \$ 1,741,865 \$ 2                      | ,019,606 \$ 2,049,748  |
| Service cost (Admininstrative expenses) 329,653 303,416 347,363 426,793 399,296 415,043   | 406,636 445,642        |
| Interest 5,361,757 5,631,214 5,715,164 5,697,831 6,170,518 6,432,009 6  | ,720,076 7,021,979     |
| Changes in benefit terms  | -                      |
| Differences between expected and actual   |                        |
| experience (1,202,731) - (6,083,899) - (939,637) -  | 477,920 -              |
| Changes in assumptions 23,055,865 (20,428,073) 2  | ,524,259 -             |
| Benefit payments, including refunds of  |                        |
| member contributions (3,520,297) (3,898,551) (3,797,821) (4,519,133) (4,763,835) (4,917,916) (4   | ,941,772) (5,160,806)  |
| Net change in total pension liability 2,504,507 3,673,072 20,848,956 (16,112,705) 2,561,131 3,671,001 7                                 | ,206,725 4,356,563     |
| Total pension liability- beginning 72,587,208 75,091,715 78,764,787 99,613,743 83,501,038 86,062,169 89                                 | ,733,170 96,939,895    |
|   |                        |
| Total pension liability- ending (a) 75,091,715 78,764,787 99,613,743 83,501,038 86,062,169 89,733,170 96                                | ,939,895 101,296,458   |
|   |                        |
| Plan fiduciary net position   |                        |
| Contributions- employer 1,498,194 1,547,133 1,625,691 1,675,942 1,969,448 2,028,406 2   | ,155,354 2,273,025     |
| Contributions- member 1,266,209 1,360,361 1,499,435 1,547,867 1,836,219 1,894,577 2   | ,010,356 2,120,526     |
| Expected Net investment income/(loss) 5,489,970 4,256,675 2,006,816 5,318,376 9,374,927 (11,898,715) 4                                  | ,994,111 9,279,716     |
| Benefit payments, including refunds of  |                        |
| member contributions (3,520,297) (3,898,550) (3,797,821) (4,519,133) (4,763,835) (4,917,916) (4   | ,941,772) (5,160,806)  |
| Administrative expenses (33,822) (49,519) (37,403) (38,950) (28,852) (32,282)   | (48,118) (56,205)      |
| Net change in plan fiduciary net position 4,700,254 3,216,100 1,296,718 3,984,102 8,387,907 (12,925,930) 4                              | ,169,931 8,456,256     |
|   |                        |
| Plan fiduciary net position- beginning 44,759,055 49,459,309 52,675,409 53,972,127 57,956,229 66,344,136 53                             | ,418,206 57,588,137    |
|   |                        |
| Plan fiduciary net position- ending (b) 49,459,309 52,675,409 53,972,127 57,956,229 66,344,136 53,418,206 57                            | ,588,137 66,044,393    |
|   |                        |
| Fund's net pension liability - ending (a)-(b) \$ 25,632,406 \$ 26,089,378 \$ 45,641,616 \$ 25,544,809 \$ 19,718,033 \$ 36,314,964 \$ 39 | ,351,758 \$ 35,252,065 |
|   |                        |
| Plan fiduciary net position as a percentage   |                        |
| of the total pension liability 65.87% 66.88% 54.18% 69.41% 77.09% 59.53%  | 59.41% 65.20%          |
|   |                        |
| Actual covered-employee payroll 11,524,569 11,901,023 12,505,315 12,891,862 13,129,647 13,522,707 14                                    | .369,027 15,153,500    |
|   |                        |
| Fund's net pension liability as a percentage  |                        |
| rund's net pension liability as a percentage  |                        |

**Notes to Schedule:** Actual covered-employee payroll is estimated using firefighter contributions divided by the negotiated contribution rate.

### Firemen's Relief and Retirement Fund City of McAllen, Texas Schedule of Employer Contributions (Unaudited)

| For the Fiscal Years Ended September 30,                      | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contributions determined by plan                              | \$ 1,435,293 | \$ 1,477,483 | \$ 1,554,567 | \$ 1,498,194 | \$ 1,547,133 | \$ 1,625,691 | \$ 1,675,942 | \$ 1,969,448 | \$ 2,028,406 | \$ 2,155,354 | \$ 2,273,025 |
| Contributions in relation to the plan determined contribution | 1,435,293    | 1,477,483    | 1,554,567    | 1,498,194    | 1,547,133    | 1,625,691    | 1,675,942    | 1,969,448    | 2,028,406    | 2,155,354    | 2,273,025    |
| Contribution deficiency (excess)                              | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Actual covered-employee payroll                               | 11,043,509   | 11,365,262   | 11,515,311   | 11,524,569   | 11,901,023   | 12,505,315   | 12,891,862   | 13,129,647   | 13,522,707   | 14,369,027   | 15,153,500   |
| Contributions as a percentage of covered<br>employee payroll  | 13.0%        | 13.0%        | 13.5%        | 13.0%        | 13.0%        | 13.0%        | 13.0%        | 15.0%        | 15.0%        | 15.0%        | 15.0%        |

### Firemen's Relief and Retirement Fund City of McAllen, Texas Schedule of Investment Returns (Unaudited)

| For the Fiscal Years Ended September 30,     | 2015   | 2016  | 2017   | 2018  | 2019  | 2020  | 2021   | 2022    | 2023  | 2024   |
|--|--------|-------|--------|-------|-------|-------|--------|---------|-------|--------|
|  |        |       |        |       |       |       |        |         |       | _      |
| Annual money-weighted rate of return, net of |        |       |        |       |       |       |        |         |       |        |
| investment expense                           | -5.44% | 8.54% | 12.37% | 8.70% | 3.84% | 9.98% | 16.31% | -18.07% | 9.42% | 16.23% |

### Firemen's Relief and Retirement Fund City of McAllen, Texas Notes to Required Supplementary Information (Unaudited)

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date September 30, 2022

Contributions to the Plan are based on negotiations between the members and the City rather than an actuarially determined rate. The funding policy of the McAllen Firemen's Relief and Retirement Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 15.0% of member payroll for firefighters. Each active member contributes 14.0% of member payroll.

Inflation: 2.85%

Salary Increases: 2.85% plus merit, step and longevity increases that vary by

service

Investment Rate of Return: 7.25% per annum, net of pension plan investment

expenses, including inflation

Mortality: PubS-2010 (public safety) total dataset mortality tables for

employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection

scale MP-2018



### **SUPPLEMENTARY INFORMATION**

# Firemen's Relief and Retirement Fund City of McAllen, Texas Schedule of Administrative and Investment Expenses

| For the fiscal year ended September 30,      |    | 2024    |  |  |  |
|--|----|---------|--|--|--|
| Investment Expenses                          |    |         |  |  |  |
| Brokerage fees                               | \$ | 159,755 |  |  |  |
| Custodial                                    |    | 51,443  |  |  |  |
| Research                                     |    | 8,927   |  |  |  |
| Legal  |    | 27,019  |  |  |  |
| Actuary                                      |    | 59,819  |  |  |  |
| Investment consulting                        |    | 82,474  |  |  |  |
|  |    | 389,437 |  |  |  |
|  |    |         |  |  |  |
| Administrative Expenses                      |    |         |  |  |  |
| Administrative fees                          |    | 13,138  |  |  |  |
| Operating expenses                           |    | 11,789  |  |  |  |
| Professional services                        |    | 22,000  |  |  |  |
| Education and training                       |    | 9,278   |  |  |  |
|  | _  | 56,205  |  |  |  |
| Total Administrative and Investment Expenses | \$ | 445,642 |  |  |  |

### Firemen's Relief and Retirement Fund City of McAllen, Texas Schedule of Investment Management Fees

For the fiscal year ending September 30, 2024

|                                       |                              |         |                 |         |            | Total      |               |          |                   |               |
|---------------------------------------|------------------------------|---------|-----------------|---------|------------|------------|---------------|----------|-------------------|---------------|
|                                       | Management<br>Fees Paid From |         | Management Fees |         |            | Investment |               | Profit   |                   | al Direct and |
|                                       |                              |         | Netted From     |         | Management |            | Share/Carried |          | Indirect Fees and |               |
| Asset Class                           | Trust                        |         |                 | Returns |            | Fees       |               | Interest | Co                | mmissions     |
| Cash                                  | \$                           | -       | \$              | -       | \$         | -          | \$            | -        | \$                | -             |
| Public Equity                         |                              | 71,138  |                 | -       |            | 71,138     |               | -        |                   | 71,138        |
| Fixed Income                          |                              | 88,617  |                 | -       |            | 88,617     |               | -        |                   | 88,617        |
| Alternative/Other                     |                              | -       |                 | 189,228 |            | 189,228    |               | 29,056   |                   | 218,284       |
|                                       |                              | 159,755 | \$              | 189,228 | \$         | 348,984    | \$            | 29,056   | \$                | 378,039       |
| Other fees paid from trust            |                              |         |                 |         |            |            |               |          |                   |               |
| Custodial                             |                              | 51,443  |                 |         |            |            |               |          |                   | 51,443        |
| Research                              |                              | 8,927   |                 |         |            |            |               |          |                   | 8,927         |
| Legal                                 |                              | 27,019  |                 |         |            |            |               |          |                   | 27,019        |
| Actuary                               |                              | 59,819  |                 |         |            |            |               |          |                   | 59,819        |
| Investment consulting                 |                              | 82,474  |                 |         |            |            |               |          |                   | 82,474        |
| Total Investment Expenses (Direct and |                              |         |                 |         |            |            |               |          |                   |               |
| Indirect)                             | \$                           | 389,437 |                 |         |            |            |               |          | \$                | 607,721       |

List of Alternative/Other Investments

Terracap Partners V

Ironwood

Terracap Partners III

Pointer

Serenitas

Ironsides Opportunties Annex Fund

Ironside Opportunities Fund II

Ironside Private Equity Fund VII

CCA Longevity Fund VI

List of Investment Manager Names

CBIZ



# GOVERNMENT AUDITING STANDARDS



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### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Pension Board of Trustees of the Firemen's Relief and Retirement Fund City of McAllen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Firemen's Relief and Retirement Fund (the "Plan"), a fiduciary fund of the City of McAllen, Texas (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 14, 2025. The financial statements present only the financial position of the Plan, a fiduciary fund of the City, and do not purport to, and do not, present the financial position of the City, as of September 30, 2024, and the changes in financial position for the year then ended.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

Carr, Riggs & Chypan, L.L.C.

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

### **Purpose of this Report**

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

Harlingen, Texas March 14, 2025