



Anne Arundel County Fire Service Retirement Plan

Actuarial Valuation as of January 1, 2026
to Determine the County's Contribution for the
Fiscal Year Ending June 30, 2027

Bolton

Submitted by:

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May 1, 2026

Anne Budowski
Personnel Director
Anne Arundel County
2660 Riva Road
Annapolis, MD 21401

Re: Anne Arundel County Fire Service Retirement Plan Valuation

Dear Anne:

The following sets forth the actuarial valuation of the Anne Arundel County Fire Service Retirement Plan as of January 1, 2026. The actuarial valuation was performed at the request of Anne Arundel County (the County). Section I of the report provides a summary, Section II sets forth our Actuarial Certification, and Section III contains the development of the County's contribution for the 2027 fiscal year. Section IV provides a discussion of risk, while Sections V through VIII contain a summary of the census and asset data, a ten-year projection of benefit payments, plan provisions, assumptions and actuarial methods. The appendices of the report provide information on plan funding, a glossary of many of the terms used in this report, and a summary of major legislative changes.

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate.

Respectfully submitted,

A handwritten signature in blue ink, reading "Michelle L. Boyles".

Michelle L. Boyles, FSA, EA, FCA, MAAA

A handwritten signature in blue ink, reading "Tom Vicente".

Tom Vicente, FSA, EA, FCA, MAAA

Ann Sturner, Senior Consulting Actuary, peer reviewed this report.

A handwritten signature in black ink, reading "Ann M. Sturner".

Ann M. Sturner, FSA, EA, FCA, MAAA



Section I. Executive Summary

Background

Bolton Partners, Inc. (Bolton) has prepared the following report that sets forth the actuarial valuation of the Anne Arundel County Fire Service Retirement Plan as of January 1, 2026. This report provides the funded status of the plan as of January 1, 2026 as well as the Actuarially Determined Contribution (ADC) for the plan for the fiscal year ending June 30, 2027 (FY2027). Accounting results under Governmental Accounting Standards Board Statements 67 and 68 are provided in a separate report.

Actuarially Determined Contributions (ADC)

	FY2025	FY2026	FY2027
ADC	\$ 38,670,705	\$ 41,526,640	\$ 43,165,285
Percent of Total Payroll	48.0%	48.1%	46.8%

The above amounts assume the County's contribution will be made monthly throughout the fiscal year. Details of the determination of the County's contribution for FY2027 are shown in Section III of this report.

Key Demographic Elements

	1/1/2025	1/1/2026	% Change
Participant Counts			
Active (excluding DROP)	839	849	1.2%
Active Enrolled in DROP	88	104	18.2%
In Receipt	720	743	3.2%
Refund Owed	39	45	15.4%
Total	1,686	1,741	3.3%

Funding Measures

	1/1/2025	1/1/2026	% Change
1. Actuarial Accrued Liability	\$ 991,016,173	\$ 1,052,510,237	6.2%
2. Actuarial Value of Assets	\$ 756,228,449	\$ 817,400,545	8.1%
3. Plan Funded Ratio (2. / 1.)	76.3%	77.7%	1.8%
4. Market Value of Assets	\$ 754,187,600	\$ 871,064,126	15.5%
5. Funded Ratio based on Market Value of Assets (4. / 1.)	76.1%	82.8%	8.8%

Changes in Contribution

The following table shows the sources of changes in the County's contribution.

Description	Contribution (\$ millions)
January 1, 2025 Valuation	\$41.5
Investment Performance	(0.7)
Pay Increases	1.0
New Entrants/Change in Normal Cost	1.0
COLA	0.0
Change in Expenses	0.2
Assumption/Method Changes	0.0
Plan Changes	(0.3)
Demographics and Other Changes	0.5
January 1, 2026 Valuation	\$43.2

Experience Analysis

The following factors affected the County's contribution:

- **Plan assets and investment performance** – the net return for the year ended December 31, 2025 after investment expenses was 15.5% on a market value basis and 8.1% on an actuarial value basis. Investment returns during CY2025 were about \$64.2 million higher than assumed. A portion of this gain is reflected in the actuarial value of assets (AVA) in this valuation, and the remaining portions will be reflected in future valuations. The AVA and the return on the AVA also reflect the continued recognition of outstanding net investment losses from prior valuations. As of January 1, 2026, there is a total of \$53.7 million in net deferred investment gains that will be reflected in future valuations.
- **Payroll changes** – Pay for returning employees, excluding members in DROP, increased approximately 8.9% over the prior year; a larger increase than the 6.3% increase that was expected. Total participant payroll, including payroll for members in DROP, increased by 6.9% over the prior year, resulting in a higher total payroll than anticipated by the 3.0% per year payroll growth assumption.
- **Cost of Living Adjustment** – Retiree COLAs effective July 1, 2025 were greater than expected for pre-2/1/1997 annual increases (4.00%, as opposed to the assumed 3.00%) and less than the assumed post-1/31/1997 annual increases (1.40%, as opposed to the assumed 1.80%).

Risk Measures

The primary risk that a plan sponsor incurs from a defined benefit plan is the risk of substantial increases in annual contributions. Many variables can influence future results and the sensitivity of the ADC will vary from plan to plan. This valuation report includes information intended to assist plan sponsors and the readers of this report in understanding the most significant risks that affect the plan's future financial position. This report includes commentary about risks to be considered when developing the plan's investment and funding policies and why it is important that these two policies are connected. Preparing a full risk assessment for the plan is beyond the scope of this engagement.

We encourage plan sponsors and plan administrators to consider this information carefully, view the results of the annual valuation in the context of the risks to plan costs and member benefit security, and determine whether it is an appropriate time to consider a more in-depth, comprehensive risk assessment.

Changes in Methods, Assumptions, and Plan Provisions

The plan was amended to increase the employee contributions for active IAFF employees to 8.00% effective 1/1/2026. All other employees remained at 7.25%. Also, as of January 1, 2026 employee contributions are not required on or after the earlier of their date of disability, date of termination, date of retirement, or date of death.

The annual interest rate on DROP account balances increased from 4.25% to the following, by group:

- 5.00% for IAFF employees who begin participating in DROP on or after July 1, 2025.
- 4.75% for Fire Management employees and Battalion Chiefs who begin participating in DROP on or after July 1, 2025.

There were no changes in assumptions or methods.

Sources of Information

The January 1, 2026 participant data and market value of assets were provided by or at the direction of Anne Arundel County. While we have reviewed this data for consistency and completeness, we have not audited this data.

Section II. Actuarial Certification

This actuarial valuation sets forth our calculation of an estimate of the liabilities of the Anne Arundel County Fire Service Retirement Plan (the plan), together with a comparison of these liabilities with the value of the plan assets, as submitted by Anne Arundel County (the County). This liability calculation and comparison with assets are applicable for the valuation date only. The future is uncertain, and the plan may become better funded or more poorly funded in the future. This valuation does not provide any guarantee that the plan will be able to provide the promised benefits in the future.

This report was prepared for the internal use of the County and its auditors in connection with our actuarial valuations of the pension plan. The purpose of this report is to provide the recommended employer contribution for the 2027 fiscal year. It is neither intended nor necessarily suitable for other purposes. Bolton is not responsible for the consequences of any other use or the reliance upon this report by any other party.

This report is based on plan provisions, census data, and asset data submitted by the County. We have relied on this information for purposes of preparing this report. We have not audited the census or asset data provided, however based on our review the data appears to be reasonable and consistent with previously provided information. Unless otherwise noted in our report, we believe the information provided is sufficiently complete and reliable for purposes of the results presented in this report. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. The County is solely responsible for the validity and completeness of this information.

The County is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in this report. The County is solely responsible for communicating to Bolton any changes required thereto.

The County is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Bolton's actuaries have not provided any investment advice to the County.

This is a deterministic valuation in that it is based on a single set of assumptions. This set of assumptions is one possible basis for our calculations. We may consider that some factors are not material to the valuation of the plan and may not provide a specific assumption for those factors. We may have used other assumptions in the past. We will likely consider changes in assumptions at a future date.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward-looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future.

The County could reasonably ask how the valuation would change if we used a different assumption set or if plan experience exhibited variations from our assumptions. This report does not contain such an analysis. That type of analysis would be a separate assignment.



In addition, decisions regarding benefit improvements, benefit changes, the trust's investment policy, and similar issues should not be based on this valuation. These issues are complex and other factors should be considered when making such decisions. Other factors might include the anticipated vitality of the local economy and future growth expectations, as well as other economic and financial factors.

The cost of this plan is determined by the benefits promised by the plan, the plan's participant population, the investment experience of the plan and many other factors. An actuarial valuation is a budgeting tool for the County. It does not affect the cost of the plan. Different funding methods provide for different timing of contributions to the plan. As the experience of the plan evolves, it is normal for the level of contributions to the plan to change. If a contribution is not made for a particular year, either by deliberate choice or because of an error in a calculation, that contribution can be made in later years. We are not responsible for the consequences of any decision by the County to make contributions at a future time rather than an earlier time. The County is responsible for funding the cost of the plan.

The report is conditioned on the assumption of an ongoing plan and is not meant to present the actuarial position of the plan in the case of plan termination. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status), and changes in plan provisions or applicable law.

The valuation was completed using both proprietary and third-party models (including software and tools). We have tested these models to ensure they are used for their intended purposes, within their known limitations, and without any known material inconsistencies unless otherwise stated.

The calculations in this report have been computed in accordance with our understanding of generally accepted actuarial principles and practices and fairly reflect the actuarial position of the plan. The various actuarial assumptions and methods which have been used are, in our opinion, appropriate for the purposes of this report.

We make every effort to ensure that our calculations are accurately performed. We reserve the right to correct any potential errors by amending the results of this report or by including the corrections in a future valuation report.

Bolton does not practice law and, therefore, cannot and does not provide legal advice. Any statutory interpretation on which this report is based reflects Bolton's understanding as an actuarial firm. Bolton recommends that recipients of this report consult with legal counsel when making any decisions regarding compliance with ERISA, the Internal Revenue Code, or any other statute or regulation.

The County should notify Bolton promptly after receipt of this report if the County disagrees with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Bolton or incorporated herein. The report will be deemed final and acceptable to the County unless the County promptly provides such notice to Bolton.



The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services, which could create a conflict of interest that would impair the objectivity of our work.

We are available to answer any questions on the material in this report to provide explanations or further details as appropriate.

Michelle L. Boyles, FSA, EA, FCA, MAAA

Tom Vicente, FSA, EA, FCA, MAAA

Ann Sturner, Senior Consulting Actuary, peer reviewed this report.

Ann M. Sturner, FSA, EA, FCA, MAAA



Section III. Determination of Contributions

Derivation of Liabilities

Below is a summary of the actuarial accrued liability of the future benefits expected to be paid from the plan.

Participants	1/1/2025	1/1/2026
1. Participants		
a. Active (excluding DROP)	839	849
b. Active Enrolled in DROP	88	104
c. Retirees	519	528
e. Disabled Participants	119	121
d. Beneficiaries	82	94
f. Terminated Due Refund	39	45
g. Total	1,686	1,741
2. Active Payroll	\$ 86,339,365	\$ 92,255,289

Actuarial Accrued Liability	1/1/2025	1/1/2026
1. Active Participants	\$ 460,665,989	\$ 491,323,898
2. In-Pay Participants		
a. Retirees	398,119,462	417,274,990
c. Disabled Participants	89,127,125	92,839,832
b. Beneficiaries	42,875,668	50,827,894
d. Total In-Pay Participants	\$ 530,122,255	\$ 560,942,716
3. Inactive with Deferred Benefits		
a. Terminated Vested	0	0
b. Terminated Due Refund	227,929	243,623
c. Total Inactive with Deferred Benefits	\$ 227,929	\$ 243,623
4. Total Actuarial Accrued Liability (1. + 2.d. + 3.c)	\$ 991,016,173	\$ 1,052,510,237
5. Actuarial Value of Assets (AVA)	\$ 756,228,449	\$ 817,400,545
6. Unfunded Liability Based on AVA (4. - 5.)	\$ 234,787,724	\$ 235,109,692
7. Funded Ratio Based on AVA (5. / 4.)	76.3%	77.7%
8. Market Value of Assets (MVA)	\$ 754,187,600	\$ 871,064,126
9. Unfunded Liability Based on MVA (4. - 8.)	\$ 236,828,573	\$ 181,446,111
10. Funded Ratio Based on MVA (8. / 4.)	76.1%	82.8%



Normal Cost

The normal cost and the projected normal cost are shown below.

Normal Cost	1/1/2025	1/1/2026
1. Total Benefit Normal Cost	\$ 25,453,933	\$ 26,794,476
2. Employee Normal Cost	4,887,255	5,632,978
3. County Benefit Normal Cost (1. - 2.)	\$ 20,566,678	\$ 21,161,498
4. Estimated Expenses	620,000	793,000
5. County Benefit Normal Cost with Expenses	\$ 21,186,678	\$ 21,954,498
6. Projected Normal Cost with Expenses as of July 1 (5. x 1.03 ^{0.5})	\$ 21,502,130	\$ 22,281,382

Projection of Unfunded Liability

The projection of the unfunded actuarial liability for the fiscal year January 1, 2026 to July 1, 2026 is shown below.

Projection of Unfunded Liability		
1. Unfunded Liability as of January 1, 2026	\$	235,109,692
2. Expected Employer Contributions 01/01/2026-07/01/2026		20,763,320
3. Expected Employee Contributions 01/01/2026-07/01/2026		3,104,404
4. Expected Expenses 01/01/2026-07/01/2026		396,500
5. Total Normal Cost 01/01/2026-07/01/2026		13,397,238
6. Interest at 7.00%		8,150,253
7. Projected Unfunded Liability as of July 1, 2026 (1. - 2. - 3. + 4. + 5. + 6.)	\$	233,185,959

Actuarially Determined Contribution

Below is the derivation of the actuarially determined contribution.

Actuarially Determined Contribution	FYE2027
1. Employer Normal Cost	\$ 22,281,382
2. Amortization Amount	\$ 19,448,074
3. Actuarially Determined Contribution (ADC) (1. + 2.)	\$ 41,729,456
4. Interest for Timing of Payment	\$ 1,435,829
5. ADC Adjusted for Timing of Payment (3. + 4.)	\$ 43,165,285
6. Participant Payroll as of Valuation Date	\$ 92,255,289
7. Employer Contribution as a Percentage of Participant Payroll	46.8%

Actuarial Gain/Loss

Development of actuarial (gain)/loss for January 1, 2025 to January 1, 2026 is shown below.

		Liability	Actuarial Value of Assets	UAAL
1.	Beginning of year total	\$ 991,016,173	\$ 756,228,449	\$ 234,787,724
2.	Normal cost (net of admin exp)	25,453,933		25,453,933
3.	Administrative expense		(880,186)	880,186
4.	Benefit payments	(45,261,338)	(45,261,338)	0
5.	Contributions		45,993,247	(45,993,247)
6.	Interest	69,568,761	52,930,802	16,637,959
7.	Expected end of year total	\$ 1,040,777,529	\$ 809,010,974	\$ 231,766,555
8.	Impact of plan changes	1,202,220	0	1,202,220
9.	Impact of assumption changes	0	0	0
10.	Actual end of year	1,052,510,237	817,400,545	235,109,692
11.	(Gain)/Loss	\$ 10,530,488	\$ (8,389,571)	\$ 2,140,917

Actuarial Experience

There was an actuarial loss of \$2,140,917 from January 1, 2025 to January 1, 2026. The loss is measured by comparing expected liabilities to actual liabilities before any changes, such as any assumption or plan changes, are reflected in the current valuation. The individual sources of gains and losses that follow are based upon a comparison of actual and expected experience in the year ending on the valuation date.

Source	(Gain)/Loss
1. Actuarial Value of Assets	\$ (8,390,000)
2. New Entrants	193,000
3. COLAs	563,000
4. Salary increases	6,267,000
5. Mortality	489,000
6. Turnover	1,061,000
7. Disability	1,894,000
8. Retirement	2,160,000
9. Other Demographic	(2,096,000)
10. Total	\$ 2,141,000

The actuarial (gain)/loss of \$1,827,885 in the amortization table is equal to the sum of:

1. The actuarial (gain)/loss of \$2,140,917 as of January 1, 2026, shown above, rolled forward to July 1, 2026, and
2. The actual FY2026 "contribution" (gain)/loss due to the sum of the actual FY2026 contributions to the plan falling short of/(exceeding) the amount necessary to align with the expected plan experience.



Schedule of Amortization Bases

Below is a schedule of the amortization bases as of July 1, 2026.

Description	Date Established	Years Remaining	Outstanding Balance	Amortization Amount
Unfunded Accrued Liability	1/1/2004	8	\$ 12,069,115	\$ 1,717,295
Actuarial (Gain)/Loss	1/1/2005	9	(1,717,396)	(221,164)
Actuarial (Gain)/Loss	1/1/2006	10	1,708,788	201,628
Actuarial (Gain)/Loss	1/1/2007	11	(439,468)	(47,987)
Assumption Change	1/1/2008	12	(516,812)	(52,651)
Actuarial (Gain)/Loss	1/1/2008	12	2,861,932	291,564
Actuarial (Gain)/Loss	1/1/2009	13	27,499,599	2,631,834
Actuarial (Gain)/Loss	1/1/2010	14	(9,686,981)	(875,998)
Asset Method Change	1/1/2011	15	24,026,699	2,063,292
Actuarial (Gain)/Loss	1/1/2011	15	(22,915,687)	(1,967,884)
Actuarial (Gain)/Loss	1/1/2012	16	21,554,309	1,765,370
Assumption Change	1/1/2013	17	(2,533,714)	(198,675)
Actuarial (Gain)/Loss	1/1/2013	17	26,720,539	2,095,222
Assumption Change	1/1/2014	8	4,736,211	673,908
Actuarial (Gain)/Loss	1/1/2014	8	(8,343,177)	(1,187,137)
Actuarial (Gain)/Loss	1/1/2015	9	(2,454,087)	(316,034)
Actuarial (Gain)/Loss	1/1/2016	10	(5,098,097)	(601,548)
Actuarial (Gain)/Loss	1/1/2017	11	2,060,483	224,989
Actuarial (Gain)/Loss	1/1/2018	12	271,684	27,678
Actuarial (Gain)/Loss	1/1/2019	13	12,479,619	1,194,355
Assumption Change - 7.45%	1/1/2019	13	4,053,720	387,959
Method Change	7/1/2019	13	900,254	86,158
Actuarial (Gain)/Loss	7/1/2020	14	497,463	44,986
Assumption Change	7/1/2020	14	9,733,784	880,230
Actuarial (Gain)/Loss	7/1/2021	15	(1,929,945)	(165,734)
Assumption Change - 7.00%	7/1/2021	15	40,112,328	3,444,646
Actuarial (Gain)/Loss	7/1/2022	16	2,685,970	219,990
Actuarial (Gain)/Loss	7/1/2023	17	23,648,287	1,854,319
Assumption Change	7/1/2023	17	15,457,888	1,212,090
Actuarial (Gain)/Loss	7/1/2024	18	33,322,179	2,509,893
Actuarial (Gain)/Loss	7/1/2025	19	21,594,272	1,567,071
Plan Change	7/1/2025	9	(1,997,075)	(257,181)
Actuarial (Gain)/Loss	7/1/2026	20	1,827,885	128,139
Plan Change	7/1/2026	10	995,390	117,451
Totals			\$ 233,185,959	\$ 19,448,074

Bases are amortized as an equal percent of payroll each year with total payroll expected to increase 3.0% annually. The July 1, 2026 amortization payment of \$19,448,074 is sufficient to cover the interest on the plan's unfunded liability. Based on the the total payment shown above, the total amount will be fully amortized in approximately 15.6 years.

Section IV. Risk Discussion

Risk Measures

Pension plans are complicated financial instruments designed to provide income security for plan participants as they move through their working lives and into retirement. As such they can be subject to many different forces that can put the plan in better or worse positions over time. The primary risk that a plan sponsor incurs from a defined benefit plan is the risk of substantial increases in annual contributions.

The “maturity” level of a plan can indicate the likely sensitivity the plan will have to different events whether positive or negative. Variations in the investment returns are a common source of these types of events or shocks. Other sources might be experience that differs from that assumed, assumption changes or plan changes.

The purpose of this section is to provide the reader with a basic understanding of the fundamentals of pension financing and the associated risks, including implications of the Plan’s funding policy on future plan funding, how future experience may differ from the assumptions used, and the potential volatility of future measurements resulting from these differences.

Elements of Pension Plan Financing

The following equation lays out the fundamental elements of pension plan financing:

$$\text{Contributions} + \text{Investment Returns} = \text{Benefit Payments} + \text{Expenses}$$

Employers and employees **contribute** to a plan based on the statutory requirements, plan terms, and plan sponsor funding policy. The plan invests these contributions and earns a **return** on that investment. Together, these contributions and investment returns are the sole sources of income to the plan. **Benefits** are paid to participants who have met the eligibility and vesting requirements defined by the plan. Plans also pay administrative, investment, auditing, legal, and other **expenses** for maintaining the plan. **Over time, contributions and investment earnings must equal benefits and expenses.**

From this equation, it is evident that funding, investment, and benefit policies must be developed together. Once the benefit terms are established, each plan sponsor must determine the desired balance of contributions versus investment returns needed to finance benefits accrued to participants. It is important to remember that the plan sponsor’s investment and funding policies, along with the selected actuarial assumptions, determine the assumed balance between contributions and investment returns. **The actual cost of a plan is based on the actual experience of the plan and may result in a different balance than is assumed.** Ultimately, the expected return does not impact the long-term relationship between the contributions required and the benefit level that can be supported by such contributions. Using a higher expected return assumption may give a false sense of benefit security if the plan does not realize that level of actual returns over time.

The development of integrated benefit, funding, and investment policies generally requires consideration of many factors such as:

- Balancing benefit security and intergenerational equity;
- Risk appetite and ability to absorb short-term volatility in plan contributions;
- Current plan funded status;
- Timing and expected duration of benefit payments; and
- Nature and frequency of past and anticipated future plan amendments..

Significant Risks Affecting Pension Plans

Examples of risk common to most public plans include the following (generally listed from greatest to least risk):

- **Investment risk:** The potential that investment returns will be different than expected.
- **Contribution risk:** the potential that actual future contributions are not made in accordance with the plan's actuarially based funding policy.
- **Longevity and other demographic risks:** The potential that mortality or other demographic experience will be different than expected.
- **Asset/liability mismatch risk:** The potential that changes in the value of liabilities are not matched by changes in asset values.
- **Cash flow risks:** The potential that contributions to the plan will not cover benefit payments and expenses.

Investment risk is often the single most significant risk for defined benefit plans. Plans that seek a higher investment return are typically forced to accept a higher level of volatility that can change the plan's funded status drastically year-to-year. Use of an asset smoothing method that phases in investment gains and losses over a period of years can give the perception of less volatility in the funded status from year to year.

Contribution risk most commonly results from either large contribution increases that are difficult for the plan sponsor to meet, or from a material decrease in the number of covered employees and/or covered payroll.

Assumptions regarding mortality and other demographic factors related to participant behavior bring the risk that future experience will diverge from the reasonable assumptions utilized within the actuarial valuation model. For example, participants living longer than expected will increase plan costs, while people terminating sooner than expected will generally decrease plan costs. Additionally, what is considered a reasonable assumption may change over time and lead to an increase or decrease in future contributions. Actual life expectancies may be longer or shorter than what is reflected in the valuation and benefit payment projections and will increase or decrease the cost of the plan as actual experience emerges.

Asset/liability mismatch risk is also another major risk for many pension plans. To the extent that the duration of plan assets is not matched to the duration of plan liabilities the change in discount rates could have a significant impact on the plan's funded status. For most public pension plans, changes in asset values and interest rates do not directly affect the

measurement of the plan's liability. Liability-driven investment approaches (where the liability is immunized by investments in fixed income whose cash inflows are matched to the benefit payment outflows, or the asset and liability durations are brought into close alignment) will reduce this risk, however it is difficult to invest in a manner that hedges all risks.

As plans mature, they become more reliant on investment returns to pay benefits and expenses. When plans have negative cash flows, they must spend interest and dividends, or may be forced to sell assets at inopportune times, to meet those obligations. Plans with DROP or other lump sum payment features are particularly exposed to this risk.

One item left off this list is "interest rate risk" (i.e., the potential that interest rates will be different than expected). This risk is common in corporate ERISA plans where funding is based on bond rates. Interest rates on bonds are still an important consideration when setting an expected return assumption and can change over time, along with long-term capital market expectations. Together these may lead to a change in the interest rate used to value plan liabilities which will increase or decrease the measurement of plan liabilities and the actuarially determined contribution.

Quantifying Investment and Funded Status Risk

Although cash and money market funds have the lowest absolute investment risk, they are typically not the lowest risk investment for a pension plan. With respect to interest rate risk, a pension plan liability behaves like the price of a bond because both equal the discounted value of a series of future cash flows. The present value will change in the opposite direction to a change in interest rates. Therefore, a bond portfolio with the timing of expected income cash flows matched to the expected benefit payment outflows is typically the lowest risk investment approach for a pension plan.

Corporate, Treasury, and municipal bonds, often considered lower risk investment classes, can still have a high level of interest rate risk in their present values. If the duration (timing and pattern of income payments) of the fixed income assets are misaligned with the duration of the plan's liability, there can be significant funded status volatility as interest rates change. The way to mitigate this volatility is minimizing the asset/liability (or duration) mismatch risk.

One means of quantifying the expected cost of assuming future investment and asset/liability mismatch risk is to compare the Plan's current assets to a liability calculated assuming very low default risk. One such measure is called a **Low-Default-Risk Obligation Measure (LDROM)**. An example of an LDROM is the Plan's Funding Liability determined using a discount rate based on the yields on high quality municipal bonds, similar to what is referenced under GASB statement 68.

		Liability Measure	Assumed Return
Actuarial Liability – Funding Policy Return	\$	1,052,510,237	7.00%
Actuarial Liability – Municipal Bond Yield (LDROM)	\$	1,499,463,541	4.43%
Market Value of Assets	\$	871,064,126	7.00%

The difference between the LDROM and the Actuarial Liability used to determine funding contributions can be viewed in several ways, and certain views of this measure may be more relevant for some plan sponsors:

- The expected long-term contribution savings to be achieved by investing in asset classes with higher expected risk and returns than bonds.
- The cost of investing in an all-bond portfolio and significantly lowering expected long-term investment returns in exchange for protecting the Plan's current funded status.
- A measure of the Plan's non-diversifiable investment risk.

Investors expect to be compensated for assuming risk when they make an investment. The risk premium of an investment is the return an asset is expected to generate in excess of the risk-free rate of return. The more risk assumed by the investor, the greater the return they expect to achieve in exchange for accepting that risk.

For plans whose assumed long-term rate of return on plan assets is greater than the municipal bond yield used for the LDROM calculation, the expected cost to the plan sponsor of funding the plan will be lower because of the greater level of investment risk accepted. This in turn leads to greater volatility in the plan's funded status because the actual return on plan investments is expected to vary considerably year-to-year. Conversely, if a plan has taken steps to reduce asset/liability mismatch risk the expected cost of contributions to fund the plan will be greater (if the plan is not already fully funded) and the volatility in the plan's funded status will be reduced.

Selecting the right level of investment risk (and associated asset/liability mismatch risk) for a plan requires complex analysis that goes beyond the scope of these basic disclosures. Included in any such analysis must be an evaluation of the plan sponsor's funding policy.

Risk Considerations in Assessing a Funding Policy

When assessing a plan's funding policy, two primary considerations are:

- whether the contributions are determined using reasonable and appropriate actuarial cost, amortization, and asset valuation methods (i.e., is the contribution an Actuarially Determined Contribution (ADC)), and
- the projected period until any Unfunded Actuarial Accrued Liability (UAAL) is fully amortized.

Under the current funding policy, the annual contribution is an ADC. The Plan's UAAL is required to be amortized varying periods ranging up to 20 years, depending on the source of the change, with new layered amortization bases established annually. If the plan is in a surplus position, i.e., the actuarial value of assets exceed AAL, a new single amortization base with a 30-year amortization period is established each year equal to the current year's UAAL.

Assuming all actuarial assumptions are met and contributions are made according to the funding policy, the plan's unfunded liability is expected to decrease in future years. The effect of declining interest rates, investment losses, or other actuarial losses may offset the favorable effect of these contributions and cause the unfunded liability to remain steady or increase in future years.

The second consideration for plan sponsors is the projected period until full funding. Based on the Plan's amortization policy, if contributions are made as expected based on the current valuation and plan funding policy, and all actuarial assumptions are met, the plan is expected to pay off the UAAL in approximately 20 years. Depending on future actuarial and investment experience, the plan may be projected to reach \$0 in unfunded accrued liability in greater than or fewer than 20 years.

Some examples of changes from year to year that will shorten or lengthen the period until the UAAL is fully amortized include:

Factors that Shorten the Amortization Period	Factors that Lengthen the Amortization Period
Contributing more than the ADC	Contributing less than the ADC
Investment and demographic gains	Investment and demographic losses
Increasing interest rates	Decreasing interest rates
Shorter life expectancies	Longer life expectancies
Reducing or eliminating future benefit accruals	Increasing benefit accruals (past and/or future)

Historical Plan Risk and Maturity Measures

While historical plan experience is no guaranteed predictor of the future, it can be informative in assessing the degree of risk and variability in the annual valuation results year-to-year, and in understanding how certain factors influence future outcomes.

There are several plan maturity measures that can be significant to understanding the risks associated with the plan. The following table shows four commonly used measures of the relative riskiness of a pension plan, relative to the plan sponsor and the employee group covered by the plan and how they have changed over time.

Risk Measure	January 1, 2024	January 1, 2025	January 1, 2026
In-Pay Liability as a Percent of Total Liability	54%	53%	53%
Assets to Payroll	8.5	8.7	9.4
Liabilities to Payroll	11.5	11.5	11.4
Benefit Payments to Contributions	1.2	1.1	1.0

The Assets to Payroll ratio, also called the Asset Volatility Ratio (AVR), is equal to the Market Value of Assets (MVA) divided by payroll. A higher AVR implies that the plan is exposed to greater contribution volatility. The current AVR of 9.4 indicates that a:

- 1% asset gain/loss can be related to about 9.4% of the annual payroll.

- The County's contribution changes by about 0.7% of payroll for each 1.0% gain or loss on the market assets (the plan currently amortizes asset gains/losses over a period of 20 years)

The Liabilities to Payroll ratio, also call the Liability Volatility Ratio (LVR), is equal to the Actuarial Accrued Liability (AAL) divided by payroll. A higher LVR implies that the plan is exposed to greater contribution volatility due to changes in liability measurements. The current LVR of 11.4 indicates that a:

- 1% liability gain/loss can be related to about 11.4% of the annual payroll.
- The County's contribution changes by about 0.8% of payroll for each 1.0% gain or loss on the AAL (the plan currently amortizes liability gains/losses over a period of 20 years).

As the plan approaches a 100% funded level, the AVR will converge to the LVR.

The use of payroll in these risk measures is an easily available substitute for the employer's revenue and often reflects the employer's ability to afford the plan. Each of these measures is a measure of plan maturity. The common evolution of a pension plan is to become more mature over time. Mature plans present more risk to plan sponsors because changes to the liability or assets will result in large changes in the unfunded liability as compared to the overall size of the employer as measured by payroll. As a result, the change in the metrics over time can be as important as the nominal size of the metric itself.

Additional Review

In some instances, more detailed quantitative assessment of risks is warranted either by the above maturity metrics, part of a periodic self-assessment of risks, or due to changes in investment allocations and capital market assumptions. When risks are identified and discussed early, Plan Sponsors may have more options available to them to address those risks. As plans mature, however, certain tools become less effective for addressing potential future funding shortfalls.

The following are examples of tests that could be performed:

- **Scenario Test**—A process for assessing the impact of one possible event, or several simultaneously or sequentially occurring possible events, on a plan's financial condition. A scenario test could show, for example, the effect of a layoff or reduction in workforce, or early retirement program.
- **Sensitivity Test**—A process for assessing the impact of a change in an actuarial assumption on an actuarial measurement. A sensitivity analysis could demonstrate, for example, the impact of a decrease in the valuation discount rate or a change in future life expectancies.
- **Stochastic Modeling**—A process for generating numerous potential outcomes by allowing for random variations in one or more inputs over time for the purpose of assessing the distribution of those outcomes. This type of analysis could show, for example, a range of potential future contribution levels and the likelihood of contributions increasing to a certain level.

- **Stress Test**—A process for assessing the impact of adverse changes in one or relatively few factors affecting a plan's financial condition. A stress test could show, for example, the impact of a single year or period of several years with significant investment losses.



Section V. Assets

Reconciliation of Assets

Below is a reconciliation of assets (unaudited) from January 1, 2024 through December 31, 2025.

		1/1/2024 to 12/31/2024		1/1/2025 to 12/31/2025
1. Beginning of Year Assets	\$	682,859,488	\$	746,655,694
2. Receipts				
a. Employer Contributions	\$	32,228,827	\$	43,083,237
b. Employee Contributions		5,149,239		6,526,181
c. Investment Income & Dividends		16,960,363		12,056,772
d. Realized and Unrealized Gain/(Loss)		45,930,679		100,925,477
e. Stock Loan Income		56,951		41,121
f. Other		8,848,546		7,469,648
g. Total Receipts	\$	109,174,605	\$	170,102,436
3. Deductions				
a. Benefit Payments	\$	41,785,014	\$	45,261,338
b. Administrative Expenses		641,188		880,186
c. Investment Expenses	\$	2,952,197	\$	3,468,215
d. Total Deductions	\$	45,378,399	\$	49,609,739
4. Net Increase (2.g. - 3.d.)	\$	63,796,206	\$	120,492,697
5. Preliminary Ending Value (1. + 4.)	\$	746,655,694	\$	867,148,391
6. Contribution Receivable	\$	7,531,906	\$	3,915,735
7. End of Year Assets	\$	754,187,600	\$	871,064,126
8. Rate of Return Net of Investment Fees (2I / [A + B - I] Method)		10.1%		15.5%



Determination of Investment Gain/(Loss) for Assets

Market Value of Assets			
As of December 31, 2024			\$ 754,187,600

Item (1)	Amount (2)	Weight for Timing (3)	Weighted Amount (2) × (3)
Contributions	\$ 45,993,247	50%	\$ 22,996,624
Benefits Paid	(45,261,338)	50%	(22,630,669)
Expenses	(880,186)	50%	(440,093)
Total			(74,138)
Market Value plus Total Weighted Amount			754,113,462
Assumed Rate of Return for the Year			7.00%
Expected Return			\$ 52,787,942

Actual Return	
1. Market Value as of December 31, 2024	\$ 754,187,600
2. Contributions	45,993,247
3. Benefits and Administrative Expenses Paid	(46,141,524)
4. Market Value as of December 31, 2025	871,064,126
5. Actual Return [(4) - (1) - (2) - (3)]	\$ 117,024,803
6. Calculation Base (1) + 50% × [(2) + (3)]	754,113,462
7. Market Value Return as a Percentage [(5) / (6)]	15.5%

Investment Gain/(Loss)	
Actual Return minus Expected Return	\$ 64,236,861

Development of Actuarial Value of Assets

The actuarial asset value as of January 1, 2026 is determined by spreading the asset gain or loss for each year over a five-year period. The asset gain or loss is the amount by which the actual asset return differs from the expected asset return.

Market Value of Assets		
As of December 31, 2025	\$	871,064,126

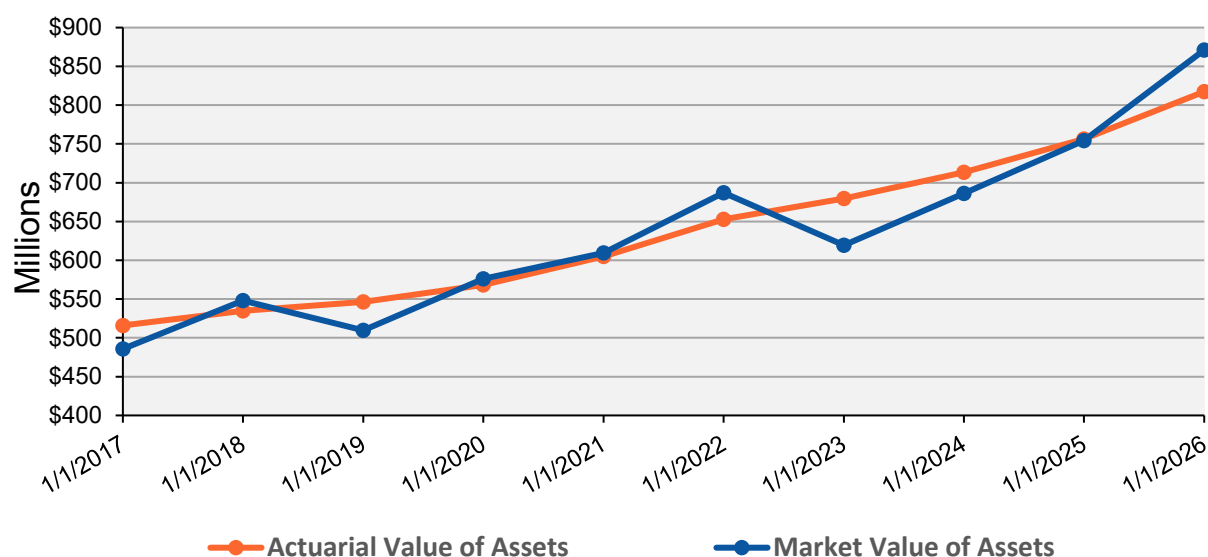
Plan Year End (1)	Investment Gain/(Loss) (2)	Percent Deferred (4)	Deferred Gain/(Loss) (2) × (4)
12/31/2025	64,236,861	80%	\$ 51,389,489
12/31/2024	20,839,742	60%	12,503,845
12/31/2023	31,817,471	40%	12,726,988
12/31/2022	(114,783,704)	20%	(22,956,741)
Total Deferred			\$ 53,663,581

Preliminary Actuarial Value of Assets		
As of January 1, 2026		
(Market Value of Assets less total Deferred Gain/(Loss))	\$	817,400,545

Final Actuarial Value of Assets		
Minimum Actuarial Value of Assets (50% of MVA)	\$	435,532,063
Maximum Actuarial Value of Assets (150% of MVA)		1,306,596,189
As a Percentage of Market Value		93.8%
Actuarial Value of Assets as of January 1, 2026	\$	817,400,545

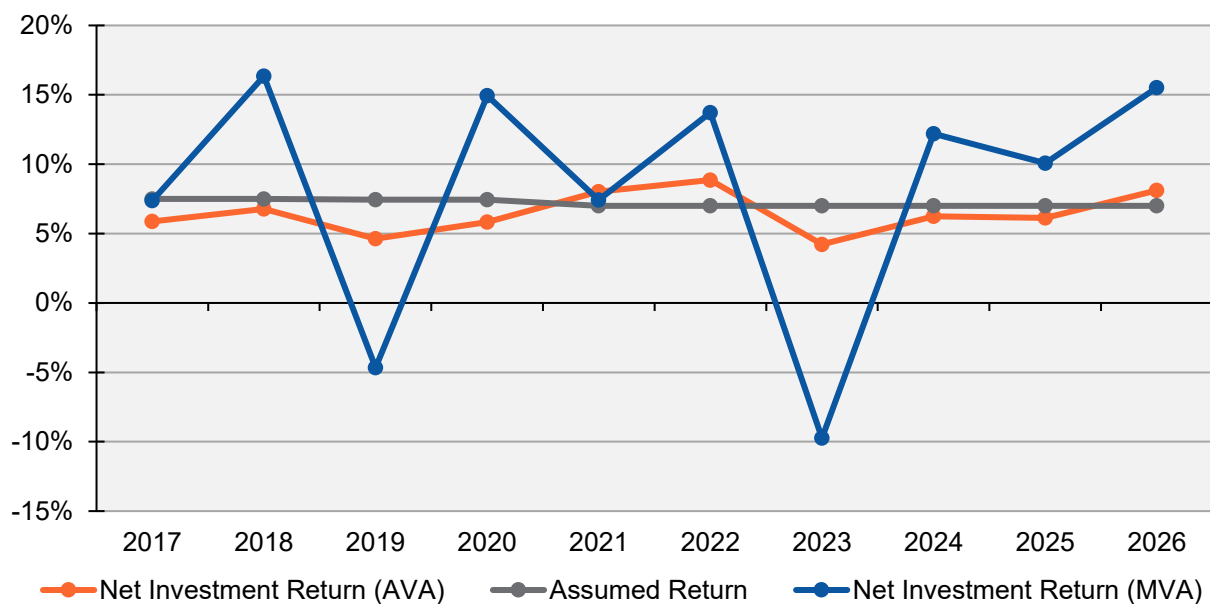
Calculation of Actuarial Return		
1. Actuarial Value as of January 1, 2025	\$	756,228,449
2. Contributions		45,993,247
3. Benefits and Administrative Expenses Paid		(46,141,524)
4. Actuarial Value as of January 1, 2026		817,400,545
5. Actuarial Return [(4) - (1) - (2) - (3)]		61,320,373
6. Calculation Base (1) + 50% × [(2) + (3)]		756,154,311
7. Actuarial Return as a Percentage [(5) / (6)]		8.1%

10-Year: Market Value vs. Actuarial Value of Assets



10-Year: Market Value vs. Actuarial Value Rates of Return

The assumed long-term rate of return 7.00% considers past experience, the Trustees' asset allocation policy and future expectations.



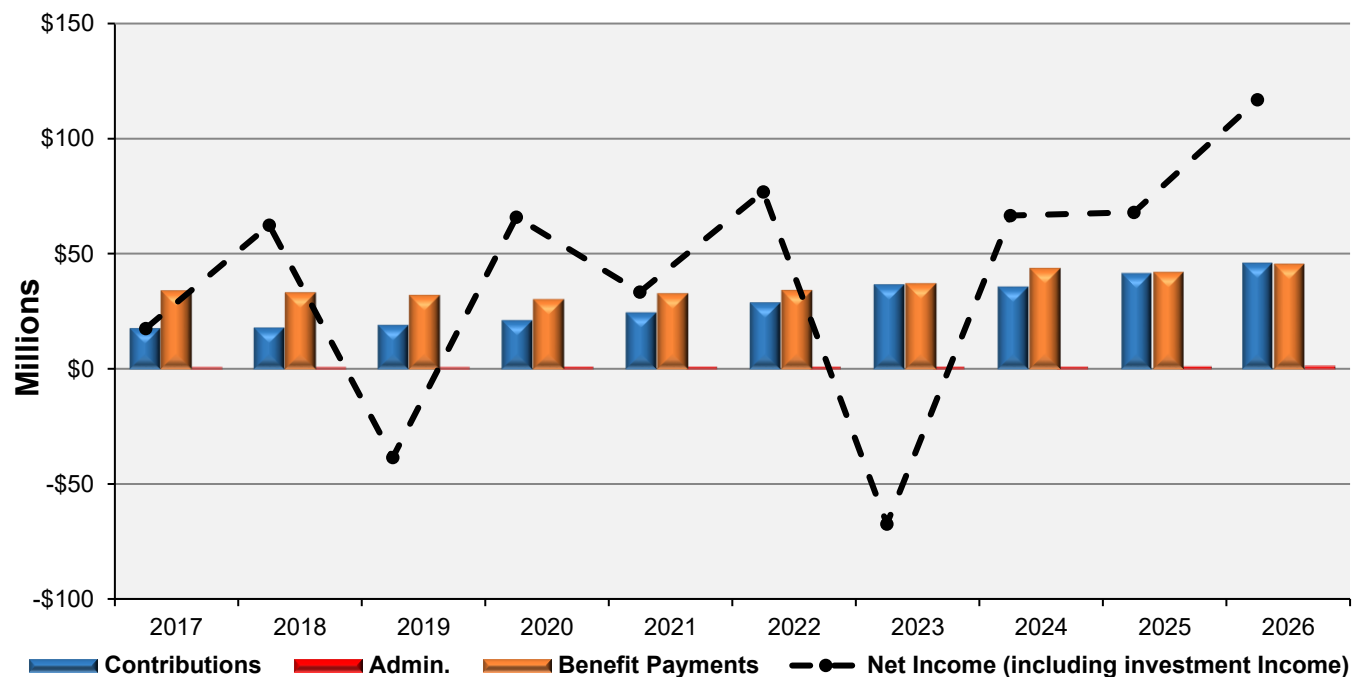
Average Rates of Return	MVA	AVA
Most recent year return	15.5%	8.1%
Most recent five-year average return	7.9%	6.7%
Most recent ten-year average return	8.0%	6.5%



Summary of Investment Returns & Historical Cash Flows

Plan Year Ending	Market Value		Total Contributions	Benefit Payments	Admin. Expenses	Net Income
	Net Investment Return Amount	Percent				
2017	\$ 33,926,574	7.4%	\$ 17,848,680	\$ 33,868,434	427,890	\$ 17,478,930
2018	77,929,057	16.3%	18,104,982	33,128,506	447,787	62,457,746
2019	(25,332,870)	(4.7%)	19,227,318	31,972,539	429,576	(38,507,667)
2020	75,169,934	14.9%	21,289,535	30,097,711	521,786	65,839,971
2021	41,906,865	7.4%	24,598,749	32,663,118	486,076	33,356,420
2022	82,587,195	13.7%	28,845,971	34,048,772	512,562	76,871,832
2023	(66,717,032)	(9.7%)	36,752,609	36,912,450	528,302	(67,405,175)
2024	74,899,762	12.2%	35,765,348	43,506,938	547,062	66,611,110
2025	68,844,342	10.1%	41,552,712	41,785,014	641,188	67,970,852
2026	117,024,803	15.5%	45,993,247	45,261,338	880,186	116,876,526
Total	\$ 480,238,630		\$ 289,979,151	\$ 363,244,820	\$ 5,422,415	\$ 401,550,546

Comparison of Net Income versus Historical Cash Flows





Benefit Payment Projection

The following table shows the estimated benefit payments, including DROP lump sum payments and DROP annuity payments after DROP exit, from January 1, 2026 through December 31, 2035 based on existing members of the plan.

Calendar Year	Benefits
2026	\$ 52,435,629
2027	55,654,647
2028	52,721,901
2029	56,879,393
2030	64,004,699
2031	78,053,511
2032	70,582,285
2033	73,946,884
2034	82,056,267
2035	80,733,217



Section VI. Participant Information

Participant Summary

The following table summarizes the counts, ages and benefit information for plan participants used in this valuation.

		1/1/2025	1/1/2026	% Change
1.	Actives, not in DROP			
a.	Number	839	849	1.2%
b.	Average Age	37.8	37.5	(0.8%)
c.	Average Service	11.1	10.8	(2.7%)
d.	Total Compensation	\$ 74,477,821	\$ 77,853,074	4.5%
e.	Average Salary	\$ 88,770	\$ 91,700	3.3%
2.	Actives, in DROP			
a.	Number	88	104	18.2%
b.	Average Age	55.0	54.6	(0.7%)
c.	Average Service	28.4	27.2	(4.2%)
d.	Total Compensation	\$ 11,861,545	\$ 14,402,215	21.4%
e.	Average Salary	\$ 134,790	\$ 138,483	2.7%
3.	Service Retirements and Alternate Payees			
a.	Number	519	528	1.7%
b.	Average Age	66.9	67.0	0.1%
c.	Total Annual Benefit	\$ 29,299,939	\$ 30,791,632	5.1%
d.	Average Annual Benefits	\$ 56,455	\$ 58,317	3.3%
4.	Disabled Retirees			
a.	Number	119	121	1.7%
b.	Average Age	59.1	59.2	0.2%
c.	Total Annual Benefit	\$ 5,927,037	\$ 6,204,933	4.7%
d.	Average Annual Benefits	\$ 49,807	\$ 51,280	3.0%
5.	Beneficiaries			
a.	Number	82	94	14.6%
b.	Average Age	72.2	71.8	(0.6%)
c.	Total Annual Benefit	\$ 3,941,860	\$ 4,783,907	21.4%
d.	Average Annual Benefits	\$ 48,071	\$ 50,893	5.9%
6.	Refunds Owed			
a.	Number	39	45	15.4%
b.	Total Lump Sum Amount Due	\$ 227,929	\$ 243,623	6.9%



Active Age/Service Distribution Including Compensation

Shown below is the distribution of active participants, excluding those currently enrolled in DROP, based on age and service. The compensation shown is the average rate of pay as of January 1, 2026.

Age	Years of Service as of 01/01/2026										Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Up	
Under 25	25	37	-	-	-	-	-	-	-	-	62
	56,402	61,545	-	-	-	-	-	-	-	-	59,471
25 to 29	12	81	42	1	-	-	-	-	-	-	136
	56,402	63,515	79,239	95,611	-	-	-	-	-	-	67,979
30 to 34	12	31	53	47	-	-	-	-	-	-	143
	56,402	66,620	81,268	91,154	-	-	-	-	-	-	79,255
35 to 39	6	18	51	74	34	-	-	-	-	-	183
	56,402	65,580	81,234	91,030	117,912	-	-	-	-	-	89,656
40 to 44	1	12	18	35	65	22	-	-	-	-	153
	56,402	60,667	79,372	92,461	121,060	145,627	-	-	-	-	107,987
45 to 49	-	4	2	8	36	37	4	-	-	-	91
	-	70,286	79,008	92,520	115,415	141,243	163,297	-	-	-	123,225
50 to 54	1	2	3	6	23	16	4	-	-	-	55
	56,402	66,852	76,204	84,614	120,452	133,543	164,878	-	-	-	118,055
55 to 59	-	1	1	4	5	4	2	-	-	-	17
	-	60,302	80,013	97,513	107,895	130,885	122,586	-	-	-	108,150
60 to 64	-	-	-	1	4	1	1	1	-	-	8
	-	-	-	78,794	128,066	115,584	115,584	175,366	-	-	124,699
65 to 69	-	-	-	-	-	-	-	-	1	-	1
	-	-	-	-	-	-	-	-	115,584	-	115,584
70 & up	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total	57	186	170	176	167	80	11	1	1	-	849
	56,402	63,821	80,432	91,301	118,892	140,070	152,132	175,366	115,584	-	91,700

Averages	
Age	37.5
Service	10.8



Participant Reconciliation

Shown below is the reconciliation of participants between the prior and current valuation date.

	Active Participants	DROP	Inactive Participants						Total
			With Deferred Benefits	Owed a Refund of Contributions	Retirees	Disabled Retirees	Beneficiaries	Alternate Payees	
Participants in Last Valuation	839	88	0	39	480	119	82	39	1,686
Retired	(10)	(11)	0	0	21	0	0	0	0
Disabled	(8)	0	0	0	0	8	0	0	0
Vested Termination	0	0	0	0	0	0	0	0	0
Nonvested Termination/ Lump Sum Paid	(6)	0	0	6	0	0	0	0	0
Deceased/Payment Expired	(1)	0	0	0	(13)	(5)	(3)	(1)	(23)
Beneficiary	0	0	0	0	0	0	15	0	15
New QDRO	0	0	0	0	0	0	0	2	2
Transfer In From:									
Police Plan	2	0	0	0	0	0	0	0	2
Employee Plan	1	0	0	0	0	0	0	0	1
Detention Plan	0	0	0	0	0	0	0	0	0
Transfer Out To:									
Police Plan	0	0	0	0	0	0	0	0	0
Employee Plan	0	0	0	0	0	0	0	0	0
Detention Plan	0	0	0	0	0	0	0	0	0
Rehired	1	0	0	0	(1)	0	0	0	0
New Participants	58	0	0	0	0	0	0	0	58
Entered DROP	(27)	27	0	0	0	0	0	0	0
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>(1)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Participants in This Valuation	849	104	0	45	488	121	94	40	1,741

Section VII. Summary of Plan Provisions

Plan Year

January 1 – December 31.

Compensation

Regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses, and commissions.

Final Average Basic Pay

The average of the highest 3 years of annual basic pay.

Employee Contributions

8.00% of compensation for IAFF employees effective January 1, 2026, and 7.25% for all other employees. Employee contributions cease upon date of disability, date of termination, date of retirement, or date of death.

Employee Contributions Benefit

The sum of the employee contributions made by the Participant and interest, including contributions made to other plans and transferred to this plan, as allowed by plan provisions.

Years of Service

Total number of years and nearest months.

Normal Retirement

Eligibility

20 years of service or age 50 with 5 years of service.

Benefit

2 ½% of final average basic pay for each year of service up to 20 years plus 2% of final average basic pay for each year of service after 20 years (maximum 70% plus 2% times unused disability credit and pre-employment military service credit).

DROP

Allows accumulation of pension after 20 years of County service. DROP period must be between three and seven years (with the sixth and/or seventh year requiring approval for certain job classifications). Interest shall be credited to the DROP account on a monthly basis at an interest rate of 0.34745%, which provides an effective annual yield of 4.25%. The rate was increased for certain employee groups who enter DROP on or after July 1, 2025. For IAFF employees, the rate is 5.0%. For Fire Management employees and Battalion Chiefs the rate is 4.75%. Employee contributions cease upon entry into DROP.

Termination Prior to Retirement

Return of employee contributions with 3% interest.

Disability Benefit

Must be totally and permanently disabled (except as the result of activities specified in the County code) regardless of length of service.

Line of Duty Disability

The greater of the accrued benefit or 66 2/3% of final average basic pay, payable immediately, unreduced.

Non-Line of Duty Disability

The greater of the accrued benefit or 20% of final average basic pay, payable immediately, unreduced.

Pre-Retirement Death Benefits

Pre-Retirement Death Benefit (Line of duty)

Married

Greater of accrued benefit or 66 2/3% of final average basic pay, payable immediately, unreduced.

Not Married

Other Pre-Retirement Death Benefit

Pre-Retirement Death Benefit (Non-line of duty)

Married

Accrued benefit, payable immediately, unreduced.

Not Married

Other Pre-Retirement Death Benefit

Other Pre-Retirement Death Benefits

Return of employee contributions with 3% interest, plus, if the member has one or more years of credited service, a lump sum equal to 50% of final average basic pay.

Normal Form of Benefit

For single participants, monthly life annuity with payments guaranteed for 5 years.

For married participants, unreduced 100% Joint & Survivor Annuity with payments guaranteed for 5 years.

The marital status of a participant at the date of death dictates the form of benefit payable.

Post-Retirement Cost of Living Increases

For Benefits Accrued as of 1/31/1997

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Base benefit multiplied by ratio of current 12 month average CPI to 12 month average CPI at retirement.
- Prior year benefit increased by 4%.

For Benefits Accrued After 1/31/1997

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit multiplied by 60% of the increase in the current March CPI from March CPI for prior year, or
- Prior year benefit increased by 2.5%.



Changes Since Prior Valuation

The plan was amended to increase the employee contributions for active IAFF employees to 8.00% effective 1/1/2026. All other employees remained at 7.25%. Also, as of January 1, 2026 employee contributions are not required on or after the earlier of their date of disability, date of termination, date of retirement, or date of death.

The annual interest rate on DROP account balances increased from 4.25% to the following, by group:

- 5.00% for IAFF employees who begin participating in DROP on or after July 1, 2025.
- 4.75% for Fire Management employees and Battalion Chiefs who begin participating in DROP on or after July 1, 2025.

Section VIII. Actuarial Methods and Assumptions

Funding Method

Entry Age Normal Funding Method. A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit (or DROP entry, if applicable and earlier).

Amortization Policy

The unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of payroll over the following closed periods:

- Gains and losses over 20 years
- Assumption changes over 20 years
- Active plan amendments over the lesser of 15 years and the average expected future service period for participants impacted by the plan amendment
- Inactive plan amendments over the lesser of 10 years and the average life expectancy for participants impacted by the plan amendment
- Early retirement incentives over 5 years or less
- Surplus, when reached, over 30 years (open)

Different amortization periods were utilized prior to 1/1/2014.

Amortization payments increase 3.0% per year.

Asset Method

Asset smoothing method which spreads the investment gains or losses in excess of the assumed return over a five-year period. The Actuarial Value of Assets can be no less than 50% of market value of assets and no more than 150% of market value of assets.

Discount Rate and Investment Rate of Return

7.00% compounded annually, net of investment expenses.

Inflation

3.0%, compounded annually.

Post-Retirement COLA Increases

Benefits accrued before Bill 88-96 are assumed to increase by 3.0% of the current benefit each year from retirement.

Benefits accrued after Bill 88-96 are assumed to increase by 1.8% of the current benefit each year from retirement.

Salary Increases

Samples rates are:

Years of Service	Rate
0	7.50%
5	7.00%
10	6.50%
15	6.00%
20	5.00%
>=25	3.75%

Payroll Growth

3.0%, compounded annually.

Mortality

Healthy Actives, Terminated Vested Participants, and Retirees

Pub-2010 Safety Employee and Healthy Retiree Amount-Weighted Mortality Tables, with 2010 base rates set forward 1 year, and projected generationally from the 2010 base year with improvement scale MP-2021.

Disabled Retirees

Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Tables, with 2010 base rates set forward 1 year, and projected generationally from the 2010 base year with improvement scale MP-2021.

Contingent/Beneficiaries

Pub-2010 Contingent Survivor Amount-Weighted Mortality Tables, with 2010 base rates set forward 1 year, and projected generationally from the 2010 base year with improvement scale MP-2021.

100% of pre-retirement deaths are assumed to be non-duty related.

The mortality improvement scale is the scale most recently published by the Society of Actuaries as of the valuation date and may change in future actuarial valuations.

Retirement (Reflects DROP Entry)

Age	Years of Service					
	5-19	20	21-24	25-28	29-33	34+
<50	N/A	30%	12%	20%	50%	100%
50-64	5%	30%	12%	20%	50%	100%
65+	100%	100%	100%	100%	100%	100%

Members Participating in DROP on the Valuation Date

Members are assumed to exit DROP upon the later of (1) five years from their DROP entry date and (2) the valuation date.

DROP Election Rate

80% of eligible participants are assumed to elect to enter DROP.

Termination of Employment

Service	Rate	Service	Rate
0	5.00%	8	1.50%
1	5.00%	9	1.50%
2	5.00%	10	0.50%
3	4.50%	11	0.50%
4	4.00%	12	0.50%
5	3.00%	13	0.50%
6	2.50%	14	0.50%
7	2.50%	15+	0.00%

Disability

Sample rates are:

Age	Rate
30	0.2203%
35	0.3259%
40	0.6725%
45	1.1245%
50	1.6548%
55	0.0000%

75% of disablements are assumed to be duty-related.

Marriage

It is assumed that 70% of employees and 70% of current retired and disabled members are married. Husbands are assumed to be 4 years older than wives.

Special service credit assumptions

Disability Leave

Active liabilities (which depend on credited service) are loaded by 1.75% to account for future crediting of disability service.

Military Service

Active liabilities (which depend on credited service) are loaded by 3.25% to account for future crediting of military service.

Transferred Service

Transferred service is included in the calculation of a participant's benefit starting at the time the service is originally transferred to the County.

Administrative Expenses

A load for estimated administrative expenses is included in the Actuarially Determined Contribution. Expenses are assumed to be the average of the administrative expenses for the prior two years increased with the assumed payroll growth, with the resulting average rounded to the nearest \$1,000.

CIGNA Benefit

The calculations and the data exhibits reflect that some benefits have already been purchased.

Rationale for Assumptions

The following assumptions are deemed to have a significant effect on the calculations and were selected by the County based on the most recent Experience Study dated November 14, 2022 covering plan experience from January 1, 2017 to January 1, 2022.

- Inflation
- Salary increases
- Payroll growth
- Mortality
- Retirement
- Disability
- Termination of employment
- Marriage

The discount rate/investment rate of return is reviewed at least once annually following the same procedures as outlined in the Experience Study.

Anything not specifically noted is deemed to be not significant.

The various actuarial assumptions and methods which have been used are, in our opinion, appropriate for the purposes of this report.

Changes Since Prior Valuation

None.

Appendix 1

Summary of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1) / (2)	Unfunded Actuarial Accrued Liability (2) - (1)	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
1/1/2016	\$503,389,792	\$574,775,821	87.6%	\$71,386,029	\$49,181,953	145.1%
1/1/2017	\$516,044,681	\$590,268,772	87.4%	\$74,224,091	\$50,412,257	147.2%
1/1/2018	\$534,987,850	\$609,789,729	87.7%	\$74,801,879	\$51,766,876	144.5%
1/1/2019	\$546,237,671	\$639,462,284	85.4%	\$93,224,613	\$54,769,258	170.2%
1/1/2020	\$568,443,867	\$672,356,792	84.5%	\$103,912,925	\$58,710,040	177.0%
1/1/2021	\$605,126,804	\$748,500,315	80.8%	\$143,373,511	\$63,461,220	225.9%
1/1/2022	\$652,769,215	\$799,890,892	81.6%	\$147,121,677	\$67,851,357	216.8%
1/1/2023	\$679,641,090	\$864,305,779	78.6%	\$184,664,689	\$71,480,282	258.3%
1/1/2024	\$713,457,437	\$929,818,889	76.7%	\$216,361,452	\$80,526,836	268.7%
1/1/2025	\$756,228,449	\$991,016,173	76.3%	\$234,787,724	\$86,339,365	271.9%
1/1/2026	\$817,400,545	\$1,052,510,237	77.7%	\$235,109,692	\$92,255,289	254.8%

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Anne Arundel County's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Appendix 2 – Glossary

Actuarial Accrued Liability (AAL)

The difference between the Present Value of Future Benefits and the Present Value of Future Normal Costs or the portion of the present value of future benefits allocated to service before the valuation date in accordance with the actuarial cost method. Represents the present value of benefits expected to be paid from the plan in the future allocated to service prior to the date of the measurement.

Actuarial Assumptions

Estimates of future plan experience such as investment return, expected lifetimes and the likelihood of receiving a pension from the pension plan. Demographic, or “people” assumptions include rates of mortality, retirement and separation. Economic, or “money” assumptions, include expected investment return, inflation and salary increases.

Actuarial Cost Method

A procedure for allocating the Present Value of Future Benefits into the Present Value of Future Normal Costs and the Actuarial Accrued Liability. Also known as the “funding method”.

Actuarial Value of Assets (AVA)

The value of the assets as of a given date, used by the actuary for valuation purposes. The AVA may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially determined contribution (ADC).

Actuarial or Experience Gain/Loss

A measure of the difference between actual experience and experience anticipated by a set of Actuarial Assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used. Such gains or losses are not actual economic gains or losses immediately incurred by a plan, as experience in future years could offset the effect of experience in a single year due to the typically long-term average nature of actuarial assumptions.

Actuarially Determined Contribution (ADC)

The employer’s periodic determined contribution to a pension plan, calculated in accordance with the assumptions and methods used by the plan actuary.

Amortization Method

A procedure for payment of the Unfunded Actuarial Accrued Liability (UAAL) by means of periodic contributions of interest and principal. The components of the amortization payment for the UAAL includes the amortization period length, amortization payment increase (level dollar or level percentage of pay), and amortization type (closed or open).

Funded Ratio

The actuarial value of assets expressed as a percentage of the plan’s actuarial accrued liability.

Low-Default-Risk Obligation Measure (LDROM)

The present value of benefits accrued at the valuation date using actuarial assumptions that are generally the same as those used in determining the plan's funding liability, with the discount rate changed to reflect the expected return on a low-default-risk investment portfolio. For plans using a funding method that does not quantify gains and losses annually (but rather spreads them over future years through the changes in the normal cost), the actuarial cost method is also changed to reflect a different pattern of allocating costs to historical periods than is used to determine the ADC.

Market Value of Assets (MVA)

The value of the assets as of a given date held in the trust available to pay for benefits of the pension plan.

Normal Cost

That portion of the Present Value of Future Benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Present Value of Future Benefits (PVFB)

The present value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Present Value of Future Normal Cost (PVFNC)

The portion of the Present Value of Future Benefits (PVFB) allocated to future service.

Unfunded Actuarial Accrued Liabilities (UAAL)

The difference between the Actuarial Accrued Liability (AAL) and the Actuarial Value of Assets (AVA).

Appendix 3 – Summary of Major Legislative Changes

County Council Bill No. 48-89

Effective 9/13/1989.

The previously combined Police and Fire plan was separated into distinct plans for each group.

The reduction for retirement prior to age 50 was changed to 0.2% per month from 0.3% per month.

County Council Bill No. 34-92

Effective 6/1/1992 through 8/31/1992.

Participants over age 50 or with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2.5% of final earnings for the first 20 years of service, plus 1/12 of 2% of final earnings for each additional year of service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.

State House Bill No. 687

Effective 7/1/1990.

County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).

County Council Bill 88-96

Effective 12/4/1996.

The previous method of calculating cost of living increases will only apply to benefits accrued as of 1/31/1997. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/1996 will be Tier Two employees and will have different benefits than current employees.

Recodification

Effective 2/25/2002.

Allows a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap. Normal Retirement was changed to the earlier of 20 years of service or age 50 with 5 years of service. Elimination of Tier 2 benefits implemented a Deferred Retirement Option Program (DROP), a voluntary program that provides an alternative way to earn and receive retirement benefits.

County Council Bill 74-09

Effective 12/11/2009.

For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the final average basic pay. For represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 5% for determining the final average basic pay.



County Council Bill 6-10

Effective 4/18/2010.

Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.

County Council Bill 41-10

Effective 7/1/2010.

Reduced the DROP interest rate from 8% to 4.25%. Increased the contribution rate for all but Battalion Chief, Division Chief, Deputy Chief and Fire Chief to 7.25%.

County Council Bill No. 98-12

Effective 5/13/2013.

Changed the definition of “final average basic pay” from highest 3 out of the last 5 years basic pays to highest 3 of all basic pays.

County Council Bill No. 30-12

Effective 2/1/2013.

All participants shall contribute 7.25% of his or her annual basic pay in each calendar year or portion of a calendar year while an active participant is in the plan.

County Council Bill No. 66-18

Effective 7/1/2016.

Except for Battalion Chiefs, allows for interest to be credited to a DROP member’s account in the sixth year of DROP participation, for members entering their sixth year in DROP after July 1, 2018.

County Council Bill No. 55-20

Effective 11/09/2020.

The legislation permits Battalion Chiefs to now earn interest in the 6th year of DROP for Members entering the 6th year of DROP after July 1, 2020.

County Council Bill No. 70-20

Effective 11/22/2020.

Each of the pension plans provide pension benefits for an employee who is or becomes totally and permanently disabled and meets certain criteria. To be eligible for a disability pension, the plan requires that the disability prevent the participant from performing the duties of the participant’s regular duties. The purpose of the bill is to eliminate the participant’s ability to perform any other assignment within their Department as a disqualifying factor for a service connected disability.

County Council Bill No. 79-21

Effective 12/04/2021.

This bill allows Battalion Chiefs to extend their DROP participation period to the sixth year without approval of the Fire Chief.

County Council Bill No. 100-21

Effective 02/05/2022.

Clarified that the exception to the reduction in pension benefit for rehired classified employees who are reemployed in a contractual position pursuant to § 802(a)(14) of the County Charter is limited to the first 1500 hours per calendar year.

County Council Bill No. 27-22

Effective 05/29/2022.

Allows modification of an election of contingent annuitant for participants who designated same sex partner prior to 01/01/2013 and subsequently married the contingent annuitant after change to Maryland law on same sex marriage.

County Council Bill No. 61-22

Effective 08/28/2022.

Allowed Fire Division Chief, Fire Deputy Chief, Fire Assistant Chief, or Fire Chief to participate in the sixth year of DROP with appointing authority approval.

County Council Bill No. 58-23

Effective 09/11/2023.

Allows DROP participants who exit DROP prior to their initial DROP term to pay contributions missed during their DROP participation period (i) through an offset to their monthly pension benefit until the full amount of missed contributions is paid; (ii) through payroll deductions for a period of up to three years; or (iii) in a lump sum at the time of DROP exit or retirement, whichever is later. Participants who receive disability retirement during their DROP participation period will have the option to pay missed contributions (i) through an offset to their monthly pension benefit until the full amount of missed contributions is paid; or (ii) in a lump sum at the time of retirement.

County Council Bill No. 93-23

Effective 04/13/2024

Adds new classifications to list of eligible participants. After effective date of the bill, allows participants who terminate service and are rehired within 12 months later to be reinstated in the plan with their prior years of service -- if they redeposit the amount of accumulated contributions (contributions plus 3% credited interest) that they were paid upon their termination. Payment must be made in a lump sum within 30 days of reemployment. For Participants who terminated and were rehired within the following 12 months before the effective date of the bill, allows repayment of the actuarially equivalent amount of the refunded contributions (including 6% interest) in a lump sum, payroll deductions for up to 3 years, or combination of both.



County Council Bill No. 31-24

Effective 08/08/2024

Established an exception to the reduction in pension benefit for rehired retirees who are retired from the classified system and are reemployed in a classified position at least 90 days after their date of retirement that is a different job classification than that which the retiree held prior to retirement, and, if the retiree was a uniformed officer, is reemployed as a non-uniformed officer or in a different department from which the retiree retired.

County Council Bill No. 50-24

Effective 08/08/2024

Extends the total DROP participation period to seven years. Requires appointing authority approval for seventh year for classifications of Fire Fighter, Fire Lieutenant, Fire Captain, or Fire Battalion Chief.

County Council Bill No. 85-24

Effective 01/11/2025

Allows new hires in Police and Fire plans to purchase up to five years of service credit from immediately prior public safety agency employer in Maryland at rate of two times the contribution rate for applicable County Police or Fire plan, multiplied by annual basic pay at hire, multiplied by number of years of service credit purchased. Payment may be made in lump sum, payroll deductions, or combination of both.

County Council Bill No 59-25

Effective 09/07/2025

Specifies that a participant is not required to make pension contributions on or after the earlier of their date of disability, date of termination of employment, date of retirement, or date of death.

Increases the number of IAFF employees who may begin participation in DROP to 20 per calendar quarter up to a limit of 72 in each fiscal year.

Increases the interest compounded on the DROP account balance to 5.0% effective annual yield for IAFF employees who began participating in DROP on or after July 1, 2025.

Increases the interest compounded on the DROP account balance to 4.75% effective annual yield for Fire Management employees and Battalion Chiefs who began participating in DROP on or after July 1, 2025.

Increases the annual payroll pension contributions to 8.00% of the participant's annual basic pay for active IAFF employees, effective January 1, 2026.