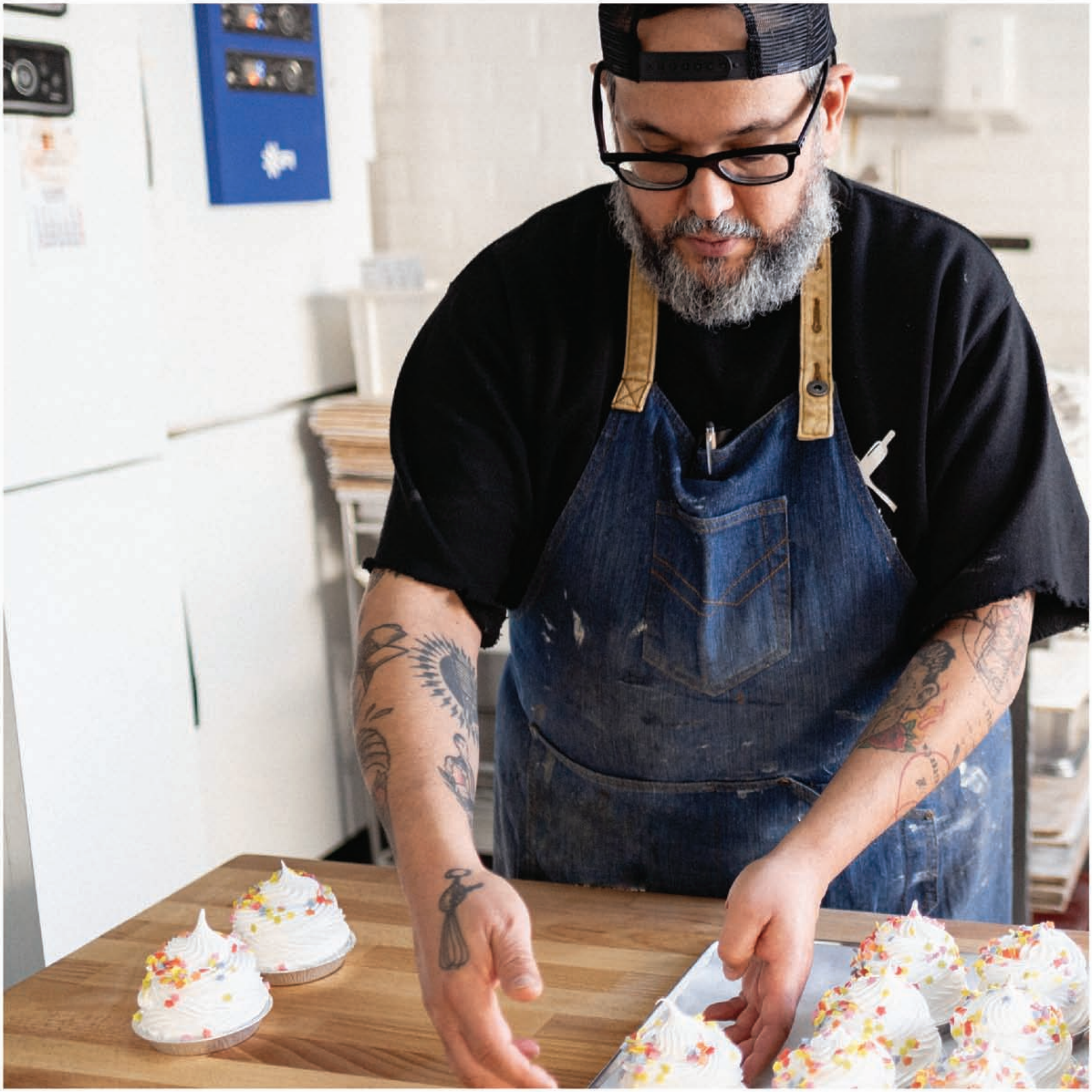
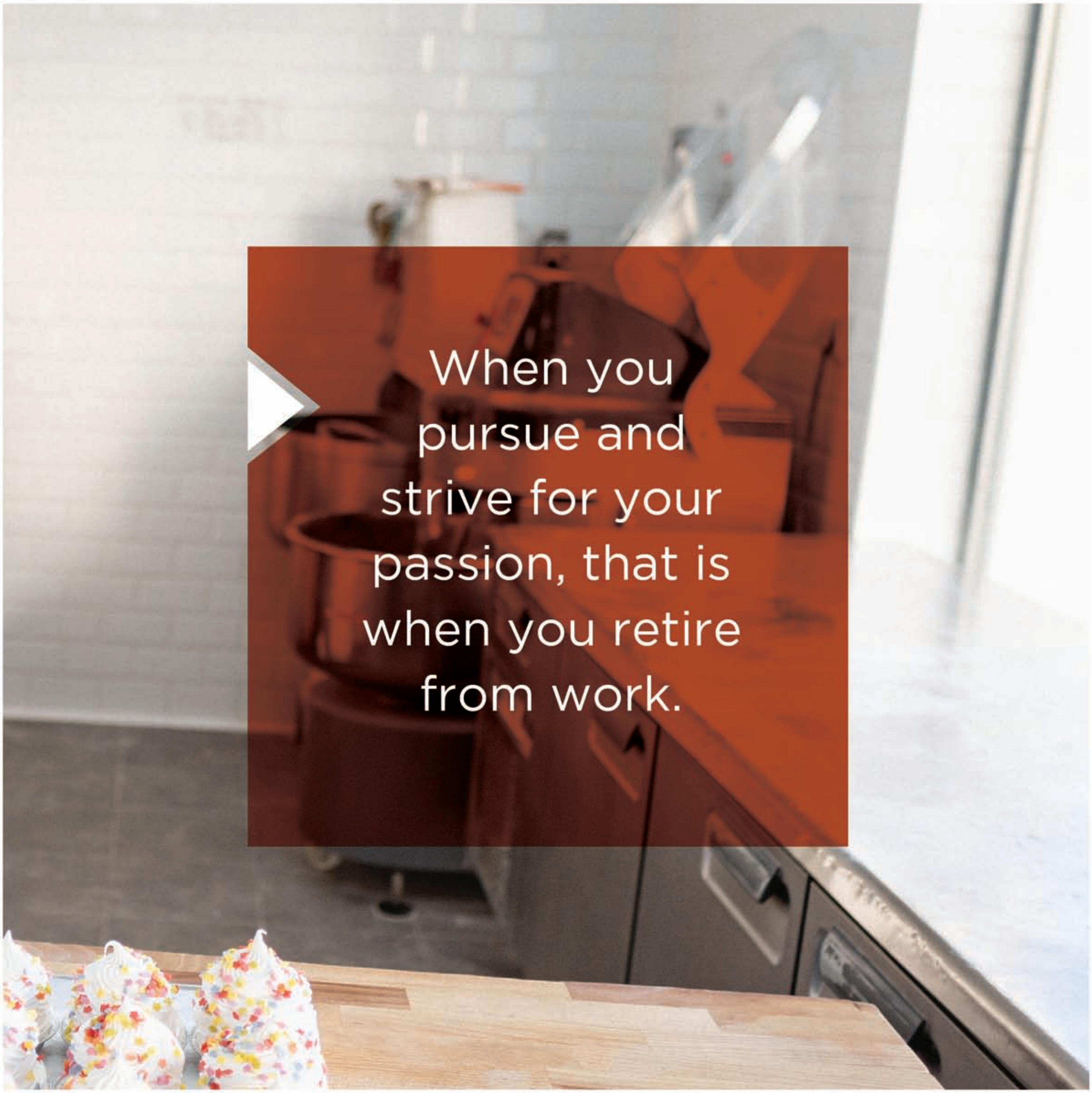
FINANCIAL

- SECTION 2 -





HMEPS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Houston Municipal Employees Pension System

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the financial statements of the pension plan and HMEPS OPEB trust of the Houston Municipal Employees Pension System (the System) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the pension plan and HMEPS OPEB trust of the Houston Municipal Employees Pension System as of June 30, 2024 and 2023, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

EMPHASIS OF MATTER

As discussed in Note 1, the financial statements of Houston Municipal Employees Pension System present the fiduciary net position and changes in fiduciary net position of the City of Houston that are attributable to the transactions of the System. The financial statements do not present fairly the financial position of the City of Houston as of June 30, 2024 and 2023, the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In performing an audit in accordance with GAAS, 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 System's internal control. Accordingly, no such opinion is expressed.**
- **Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.**

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

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of contributions – pension plan, schedule of investment returns – pension plan, notes to pension plan – required supplementary information, schedule of changes in net HMEPS OPEB (asset) liability and related ratios, schedule of contributions – HMEPS OPEB trust, and schedule of investment returns – HMEPS OPEB trust (collectively, the required supplementary information) 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Houston Municipal Employees Pension System's basic financial statements. The investment summary; investment expenses, professional services, and administration expenses; and summary of cost of investment and professional services (collectively, the supplementary information) 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

The introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

Houston, Texas
October 3, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOUSTON MUNICIPAL EMPLOYEES PENSION SYSTEM
(A Component Unit of City of Houston, Texas)
Management Discussion and Analysis

The Board of Trustees (the Board) of the Houston Municipal Employees Pension System (the System or HMEPS) is pleased to provide this overview and analysis of the financial performance and activities of the System's pension plan for the fiscal years ended June 30, 2024 and 2023. We encourage the readers to consider the information presented here in conjunction with the basic financial statements.

This report is prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). Investments are stated at fair value, and revenues include the recognition of unrealized gains and losses. The accrual basis of accounting is used to record assets, liabilities, revenues, and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's pension plan financial statements.

SYSTEM'S BASIC FINANCIAL STATEMENTS

There are two basic financial statements presented herewith. The Statements of Fiduciary Net Position as of June 30, 2024 and 2023 indicate the net position available to meet future payments and give a snapshot at a particular point in time. The Statements of Changes in Fiduciary Net Position for the fiscal years ended June 30, 2024 and 2023 provide a view of the fiscal year's additions to and deductions from the System.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes are an integral part of the basic financial statements and provide additional background information that is essential for a complete understanding of the data provided in the System's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

The required supplementary information (the RSI) consists of:

Schedule 1 – Schedule of Changes in Net Pension Liability and Related Ratios – Information about the components of the net pension liability and related ratios includes the System's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered payroll. It should be noted that actuarial information is based upon assumptions about future events, and therefore, the figures presented are estimates.

Schedule 2 – Schedule of Contributions – Pension Plan – Details the actuarially determined contribution calculated for employers, actual contributions, covered payroll, and actual contributions as a percentage of payroll.

Schedule 3 – Schedule of Investment Returns – Pension Plan – A comparative schedule presenting the annual money-weighted rate of return on System investments for each fiscal year.

Schedule 4 – Schedule of Changes in Total OPEB Liability and Related Ratios – These are calculations made by the System's actuary that provide actuarial information that contributes to the understanding of the changes in the actuarial funding of and the funded status of the other postemployment benefits (OPEB) over a number of years. It should be noted that actuarial information is based upon assumptions about future events, and therefore, the figures presented are estimates.

Schedule 5 – Schedule of Contributions – HMEPS OPEB Trust – Details the actuarially determined contribution calculated for employers, actual contributions, covered payroll, and actual contributions as a percentage of payroll.

Schedule 6 – Schedule of Investment Returns – HMEPS OPEB Trust – A comparative schedule presenting the annual money-weighted rate of return on OPEB trust investments for each fiscal year.

SUPPLEMENTARY INFORMATION

Supplementary information consists of:

Schedule 7 – Investment Summary – This lists the System's pension plan investments by type presented both at cost and fair value.

Schedule 8 – Investment Expenses, Professional Services and Administrative Expenses – This provides additional information for purposes of a more detailed analysis.

Schedule 9 – Details of Investment Expenses and Professional Services – This provides additional information for purposes of a more detailed analysis.

COMPARATIVE FINANCIAL STATEMENTS

Below is a condensed and comparative summary of the fiduciary net position restricted for benefits for the pension plan:

	JUNE 30,		
	2024	2023	2022
ASSETS			
Cash and cash equivalents	$ 34,749,513	$ 45,679,225	$ 12,718,204
Receivables	13,565,633	14,413,731	25,796,426
Investments	4,352,608,087	4,081,389,950	3,961,777,368
Net OPEB asset	5,562,291	5,088,212	4,239,681
Capital assets, net	1,655,450	1,636,074	2,056,778
Total assets	4,408,140,974	4,148,207,192	4,006,588,457
Deferred outflows of resources	141,200	569,267	766,507
LIABILITIES			
Investment purchases and foreign exchange payables	$ 3,014,558	$ 7,758,769	$ 12,413,039
Accrued and other liabilities	44,389,044	67,289,871	41,238,378
Total liabilities	47,403,602	75,048,640	53,651,417
Deferred inflows of resources	706,461	1,382,481	1,352,777
Fiduciary net position restricted for benefits	$ 4,360,172,111	$ 4,072,345,338	$ 3,952,350,770

Below is a comparative summary of changes in fiduciary net position restricted for benefits.

	YEAR ENDED JUNE 30,		
	2024	2023	2022
ADDITIONS			
Contributions	$ 247,604,167	$ 239,494,796	$ 229,995,123
Net investment income	403,867,102	221,363,659	189,389,666
Other income	656,594	619,545	465,948
Total additions	652,127,863	461,478,000	419,850,737
DEDUCTIONS			
Benefits paid and contributions refunded	358,255,435	335,848,888	328,905,705
Administrative expenses and professional fees	6,045,655	5,634,544	5,680,931
Total deductions	364,301,090	341,483,432	334,586,636
Net increase in net position	287,826,773	119,994,568	85,264,101
Fiduciary net position restricted for benefits **Beginning of year**	4,072,345,338	3,952,350,770	3,867,086,669
End of year	$ 4,360,172,111	$ 4,072,345,338	$ 3,952,350,770

FINANCIAL HIGHLIGHTS (IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE NOTED)

FINANCIAL ANALYSIS

Fiduciary net position may serve as a useful indicator of a plan's financial position. The System's pension plan fiduciary net position as of June 30, 2024 was $4.36 billion, an increase of $288 million or 7% over the prior fiscal year. The System's pension plan fiduciary net position as of June 30, 2023 was $4.07 billion, an increase of $120.00 million or 3% over the prior fiscal year.

The System received cash contributions from the City of Houston (the City) of $212.96 million, $204.90 million, and $197.34 million for fiscal years 2024, 2023, and 2022, respectively. Participant contributions were $34.64 million, $34.60 million, and $32.65 million for fiscal years 2024, 2023, and 2022, respectively.

Net investment income was $403.87 million for the year ended June 30, 2024, an increase of $182.50 million from the prior fiscal year for the pension plan. Net investment income was $221.36 million for the year ended June 30, 2023, an increase of $33.97 million from the prior fiscal year for the pension plan.

Total pension plan benefit payments were $356.91 million, $334.86 million, and $327.77 million for fiscal years 2024, 2023, and 2022, respectively. This represented increases in total benefit payments for these years of 6.6%, 2.2%, and 4.3%, respectively.

Total pension plan benefit payments exceeded total employee and employer contributions by $109.31 million in fiscal year 2024, $95.36 million in fiscal year 2023, and $97.78 million in fiscal year 2022.

Costs of administering the System's pension plan, including professional fees, were $6.06 million, $5.63 million, and $5.68 million for fiscal years 2024, 2023, and 2022, respectively. Administration fees for the 2024 fiscal year increased by 7%. Administration fees for the 2023 fiscal year were in line with the prior year, dropping by approximately 1%.

The funded ratio is a standard measure of a plan's funded status representing the ratio of the actuarial value of assets to the actuarial accrued liability. The funded ratio for the pension plan as of the last actuarial report, July 1, 2023, is 69.0% compared to 65.8% on July 1, 2022, and 62.8% on July 1, 2021. As of July 1, 2023, the System's unfunded actuarial accrued liability was $1.72 billion.

Capital assets, net of accumulated depreciation and amortization, at the end of fiscal years 2024, 2023, and 2022 were $1.66 million, $1.64 million, and $2.06 million, respectively.

CURRENTLY KNOWN FACTS, CONDITIONS, OR DECISIONS

The System's gross rate of return during fiscal year 2024 was 10.5% compared with the fiscal year 2023 rate of return of 6.2%. Volatility continued to affect financial markets in fiscal year 2024. In the first quarter of the fiscal year, global markets generally declined due to recession in continental Europe's developed nations and an additional Federal Reserve rate hike in the United States. The Federal Reserve raised the Federal Funds Rate in July 2023 from a target range of 5.00-5.25% to 5.25-5.50%. Because rate hikes in 2022-2023 were viewed as moderating the inflation rate, there were no additional rate hikes during fiscal year 2024. Equity markets responded well to stable interest rates over the final three quarters of the fiscal year.

- U.S. equity markets had a weak start to the fiscal year, with the benchmark Wilshire 5000 index declining 3.3% for the quarter ending September 30, 2023. As equity markets began responding to stable monetary policy, the trend reversed. For the fiscal year ending June 30, 2024, the Wilshire 5000 index had strong performance with a 23.2% return. Large cap stocks outperformed smaller cap stocks, and growth equities outperformed value equities, but all styles and capitalization sizes except the smallest micro-cap stocks posted positive returns.
- International equities followed a similar pattern to U.S. stocks with the MSCI ACWI ex-U.S. (net) Index struggling at the beginning of the fiscal year. International stocks were sensitive to a slow recovery from a recession in early 2023 in the developed economies of the Eurozone, with the MSCI ACWI ex-US (net) index declining 3.8% in the quarter ending September 30, 2023. International equities rebounded for the remainder of the year with the MSCI ACWI ex-US (net) index gaining 11.6% for fiscal year 2024.

- Investment grade fixed income securities posted moderate gains in fiscal year 2024 as interest rates trended higher. Investment grade bonds as represented by the Barclay's U.S. Aggregate Bond index posted a return of 2.6% for the fiscal year. High yield bonds as represented by the Merrill Lynch High Yield Master Trust II Index performed better, buoyed by higher coupons, and returned 10.5% for the fiscal year. HMEPS' Private Credit portfolio had a positive return of 7.9% for the fiscal year.

In alternative asset classes, Real Estate declined 0.3% and Private Equity gained 5.2% in FY 2024. The Inflation-linked asset class was the best performing asset class of the portfolio, increasing 22.3% as the energy sector, particularly publicly traded midstream assets, increased in value even though oil and gas prices were relatively stable during the fiscal year.

Through the efforts of the Board of Trustees, the System's investment portfolio is more broadly diversified than many other public pension plans and tends to perform well in most market environments. During the 10-year period ending June 30, 2024, the System's annualized return was 8.9%, a performance return that places the System in the top 5% of all public pension systems in the nationally recognized Wilshire TUCS database.

At June 30, 2024, the System's total pension liability was $5.81 billion. The System's Fiduciary Net Position was $4.36 billion, leaving a Net Pension Liability of $1.45 billion. The Plan's Fiduciary Net Position as a percentage of total pension liability was 75.01%. The Fiduciary Net Position of $4.36 billion increased by $287.83 million or 7.1% during fiscal year 2024. This compares to an increase of $120.30 million or 3% in the Fiduciary Net Position during fiscal year 2023.

INVESTMENT REVIEW

The System's investment portfolio closed its 2024 fiscal year at $4.36 billion, up from $4.09 billion at the beginning of the fiscal year. The gross rate of return during fiscal year 2024 was 10.5%, compared with 6.2% for fiscal year 2023. The portfolio's strong relative performance for the fiscal year was driven largely by the System's Inflation-Linked asset class and publicly traded Global Equity, which returned 22.3% and 14.1%, respectively, for the period. The strong returns in the Inflation-Linked asset class were the result of outstanding performance in excess of 30% in publicly traded midstream energy assets.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our participants, business partners, and other stakeholders with a general overview of the System's financial activities. Questions about this report should be directed to the Executive Director of the Houston Municipal Employees Pension System at 1201 Louisiana, Suite 900, Houston, Texas 77002.

FINANCIAL STATEMENTS

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2024 and 2023 (in whole dollars)

	JUNE 30, 2024			JUNE 30, 2023		
	PENSION PLAN	HMEPS OPEB TRUST	TOTAL	PENSION PLAN	HMEPS OPEB TRUST	TOTAL
ASSETS						
Cash and cash equivalents	$ 34,749,513	$ 371,067	$ 35,120,580	$ 45,679,225	$ 429,894	$ 46,109,119
Receivables						
Employer and employee contribution receivables	5,615,107	–	5,615,107	5,464,395	–	5,464,395
Investment sale proceeds and foreign exchange receivable	1,994,342	–	1,994,342	3,860,487	–	3,860,487
Dividend and interest receivables	5,956,184	3,728	5,959,912	5,088,849	6,913	5,095,762
Total receivables	13,565,633	3,728	13,569,361	14,413,731	6,913	14,420,644
Investments						
Short-term investment funds	109,519,042	–	109,519,042	115,072,237	–	115,072,237
Global equity	1,359,069,596	5,185,719	1,364,255,315	1,156,331,911	4,651,414	1,160,983,325
Fixed income	212,479,543	4,748,549	217,228,092	223,977,859	4,571,222	228,549,081
Absolute return	3,266,142	–	3,266,142	133,374,087	–	133,374,087
Inflation-Linked	881,591,464	–	881,591,464	681,144,478	–	681,144,478
Private credit	168,039,657	–	168,039,657	152,323,590	–	152,323,590
Private equity	1,161,588,716	–	1,161,588,716	1,151,362,803	–	1,151,362,803
Real estate	419,421,609	–	419,421,609	406,774,041	–	406,774,041
Securities lending collateral arrangements	37,632,318	–	37,632,318	61,028,944	–	61,028,944
Total investments	4,352,608,087	9,934,268	4,362,542,355	4,081,389,950	9,222,636	4,090,612,586
Net OPEB asset	5,562,291	–	5,562,291	5,088,212	–	5,088,212
Capital assets, net	1,655,450	–	1,655,450	1,636,074	–	1,636,074
Total assets	4,408,140,974	10,309,063	4,418,450,037	4,148,207,192	9,659,443	4,157,866,635
DEFERRED OUTFLOWS OF RESOURCES - HMEPS OPEB	141,200	–	141,200	569,267	–	569,267
LIABILITIES						
Investment purchases and foreign exchange payables	3,014,558	–	3,014,558	7,758,769	–	7,758,769
Accrued liabilities	6,756,726	265,332	7,022,058	6,260,927	259,861	6,520,788
Securities lending obligation arrangements	37,632,318	–	37,632,318	61,028,944	–	61,028,944
Total liabilities	47,403,602	265,332	47,668,934	75,048,640	259,861	75,308,501
DEFERRED INFLOWS OF RESOURCES - HMEPS OPEB	706,461	–	706,461	1,382,481	–	1,382,481
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	$4,360,172,111	$ 10,043,731	$4,370,215,842	$4,072,345,338	$ 9,399,582	$4,081,744,920

See accompanying notes to these financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

June 30, 2024 and 2023 (in whole dollars)

	YEAR ENDED JUNE 30, 2024			YEAR ENDED JUNE 30, 2023		
	PENSION PLAN	HMEPS OPEB TRUST	TOTAL	PENSION PLAN	HMEPS OPEB TRUST	TOTAL
ADDITIONS						
Contributions						
Employer	$ 212,959,245	$ –	$ 212,959,245	$ 204,895,256	$ –	$ 204,895,256
Participant	34,644,922	–	34,644,922	34,599,540	–	34,599,540
Total contributions	247,604,167	–	247,604,167	239,494,796	–	239,494,796
Other income	656,594	–	656,594	619,545	–	619,545
Investment income						
Interest on bonds and deposits	16,676,658	18,429	16,695,087	14,844,970	15,799	14,860,769
Dividends	36,369,674	251,195	36,620,869	33,159,618	204,065	33,363,683
Earnings from limited partnerships and real estate trusts	179,098	–	179,098	10,238,593	–	10,238,593
Net appreciation on investments	360,555,241	692,746	361,247,987	172,912,847	391,040	173,303,887
Total investment income	413,780,671	962,370	414,743,041	231,156,028	610,904	231,766,932
Proceeds from lending securities	2,524,329	–	2,524,329	1,759,425	–	1,759,425
Less costs of securities lending	(2,319,534)	–	(2,319,534)	(1,579,643)	–	(1,579,643)
Net proceeds from lending securities	204,795	–	204,795	179,782	–	179,782
Less investment expenses	(10,118,364)	–	(10,118,364)	(9,972,151)	–	(9,972,151)
Net investment income	403,867,102	962,370	404,829,472	221,363,659	610,904	221,974,563
Total additions	652,127,863	962,370	653,090,233	461,478,000	610,904	462,088,904
DEDUCTIONS						
Benefits paid to participants	356,914,584	265,332	357,179,916	334,858,915	259,861	335,118,776
Contribution refunds to participants	1,340,851	–	1,340,851	989,973	–	989,973
Professional services	1,126,772	–	1,126,772	1,222,569	–	1,222,569
Administration expenses	4,918,883	52,889	4,971,772	4,411,975	50,202	4,462,177
Total deductions	364,301,090	318,221	364,619,311	341,483,432	310,063	341,793,495
NET INCREASE IN FIDUCIARY NET POSITION	287,826,773	644,149	288,470,922	119,994,568	300,841	120,295,409
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS						
Beginning of year	4,072,345,338	9,399,582	4,081,744,920	3,952,350,770	9,098,741	3,961,449,511
End of year	$ 4,360,172,111	$ 10,043,731	$ 4,370,215,842	$ 4,072,345,338	$ 9,399,582	$ 4,081,744,920

NOTE 1 – DESCRIPTION OF PLAN

The Houston Municipal Employees Pension System (the System) was created under Chapter 358, Acts of the 48th Texas Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas Civil Statutes) and reenacted and continued under HB1573, 77th Texas Legislature, Article 6243h, Vernon's Texas Civil Statutes (the Pension Statute), as amended. The System is a cost-sharing multiple-employer defined benefit pension plan with two participating employers covering all municipal employees, except police officers and firefighters (other than certain police officers in the System as authorized by the Pension Statute), employed full time by the City of Houston, Texas (the City), elected City Officials, and the full time employees of the System (collectively referred to as participants). The System includes three contributory groups (Groups A, B and D) and provides for service, disability and death benefits for eligible participants. The System's net position is used to pay benefits for eligible participants of Group A, Group B, and Group D.

The System is governed by a Board of Trustees (the Board) consisting of eleven trustees – four elected by the active plan members, two elected by the retired plan members, one appointed by the mayor of the City, one appointed by the controller of the City, one appointed by the elected trustees, and two appointed by the governing body of the City. The appointed trustees must have expertise in at least one of the following areas: accounting, finance, pension, investment or actuarial science. The System can only be terminated or amended by an act of the Legislature of the State of Texas or by an agreement between the City and the Board pursuant to the Pension Statute.

PARTICIPATION

Participants newly hired on or after January 1, 2008 automatically become members of Group D. Participants hired before September 1, 1981 participate in Group A, unless they elected before December 1, 1981 or after May 1, 1996 to transfer to Group B. Participants hired or rehired after September 1, 1981 but before September 1, 1999, may make a one-time irrevocable election to participate in Group A; otherwise, they participate in Group B. Participants hired or rehired on or after September 1, 1999 and before January 1, 2008 participate in Group A; except that Executive Officials of the City and the Executive Director of the System (Executive Officials) participated in Group C. Effective January 1, 2005, the Executive Officials of the City and the Executive Director of the System automatically became Group A members pursuant to the First Amendment to Meet and Confer Agreement, dated December 21, 2004.

The most recent actuarial report shows the following System participants as of June 30, 2024 and 2023:

	2024	2023
Retirees and beneficiaries currently receiving benefits	11,972	11,776
Former employees - vested but not yet receiving benefits	4,007	3,953
Former employees - non-vested	4,883	4,348
Vested active participants	7,167	7,420
Non-vested active participants	4,411	3,982
TOTAL PARTICIPANTS	32,440	31,479

RETIREMENT ELIGIBILITY

Effective January 1, 2008, new employees participate in Group D with:

- Normal retirement eligibility at age 62 with five years of credited service; and
- Option to elect an early reduced retirement benefit.

A former employee who is rehired as an employee by the City or by the System on or after January 1, 2008 is a member of the group in which the employee participated at the time of the employee's immediately preceding separation from service.

For those participants in Group A and Group B employed effective January 1, 2005, a participant who terminates employment with the City or the System is eligible for a normal retirement pension beginning on the member's effective retirement date after the date the member completes at least five years of credited service and attains:

- 62 years of age, or
- A combination of years of age and years of credited service, including parts of years, the sum of which equals the number 75, provided the participant is at least 50 years of age, or
- Any combination of age and credited service that when added together equal 70 or more, provided that the member, prior to January 1, 2005 completed at least five years of credited service and attained a combination of age and credited service that when added together equal 68 or more.

PENSION BENEFITS

Pension benefits are based on a participant's average monthly salary and years of credited service, as defined in the Pension Statute. The maximum normal retirement pension is 90.0% of the participant's average monthly salary.

Pension benefits are increased annually by a Cost-of-Living Adjustment (COLA) equal to a calculated percentage of the original benefit amount, not compounded, for all persons receiving a pension or survivor benefit as of January 1 of the year in which the increase is made (except for Group D members who terminated employment prior to July 1, 2017 who do not receive COLAs). The amount of the COLA is the rolling five-year net investment return minus 5.0%, and then multiplied by 50.0%, but not less than 0% or more than 2.0%.

A participant who is eligible to receive a deferred benefit may elect to receive his or her pension benefit in an early lump sum distribution if the actuarial present value of the participant's benefit is less than $20,000 on the date of termination. Early lump-sum distributions are subject to approval by the Board.

DISABILITY BENEFITS

Service-connected disability benefits for covered participants are based on the participant's normal accrued benefit but are not less than 20.0% of the participant's average monthly salary. There is no minimum credited service requirement to qualify for service-connected disability benefits.

Participants with at least five years of credited service who become disabled may qualify for a non-service connected disability allowance equal to the participant's normal accrued pension benefit.

SURVIVOR BENEFITS

Survivor benefits are provided for a participant's surviving spouse and/or dependent children. A deceased participant must have had at least five years of credited service at the time of his or her death to qualify for survivor benefits unless death was caused by a service-connected incident as defined by the Pension Statute. For a Group D member, eligibility for survivor benefits for a death that occurs while actively employed is determined in the same manner as for Group A and Group B. For a death that occurs after the Group D participant's termination of employment, the payment of a death benefit depends on whether the participant elected an optional annuity.

A Group D participant with at least five years of credited service has the option to elect an actuarially equivalent amount under one of three joint and survivor (J&S) annuity options in lieu of a normal benefit with no survivor benefit. If a Group D participant with at least five years of credited service elects a normal benefit, no death or survivor benefit is payable. If a Group D participant with at least five years of credited service makes no optional annuity election and dies prior to retirement, the surviving spouse is eligible to receive an amount equal to the amount that would have been paid if the participant had elected a 50.0% joint and survivor annuity and named the surviving spouse as the designated beneficiary.

Effective July 1, 2011, eligible unmarried Group A and Group B members who terminate service on or after June 30, 2011 have the option to select an annuity option in lieu of a normal benefit.

The optional annuity election, which was already available to vested Group D members and vested Group B members who separated from service prior to September 1997, allows eligible participants to elect to take a reduced pension and provide an annuity (50.0% J&S, 100.0% J&S, or 10-year guarantee) to a designated annuitant.

In order to qualify for survivor benefits other than under an annuity option, a surviving spouse must have been married to the deceased participant at the time the participant's employment with the City or System was terminated and at the time of the participant's death. To qualify for benefits, a child must be the unmarried natural or legally adopted dependent child of the deceased participant at the time of the participant's death and (a) must be under age 21 or (b) have been totally and permanently disabled before age 18 and before the participant's termination of employment. Dependent benefits are payable to the legal guardian of the dependent(s) unless the dependent is at least 18 years of age.

DEFERRED RETIREMENT OPTION PLAN (DROP)

A Group A or Group B participant who is eligible to retire, except that he or she has not retired and remains a full-time employee of the City, or the System, or has been separated from service for not more than 30 calendar days, may elect to participate in the Deferred Retirement Option Plan (DROP). The DROP provides that a monthly amount (monthly DROP credit) will be credited to a notional account (DROP Account). Beginning January 1, 2018, interest is credited to the DROP Account at a rate equal to half of the System's rolling five-year net investment return, but not less than 2.5% or more than 7.5%. Interest is compounded at an interval approved by the Board. The first day of DROP participation is the DROP Entry Date. The eligible date on a participant's fully executed DROP election that is accepted by the System is the DROP Election Date.

DROP participants who are active employees receive the COLA if the employee is at least age 62 on January 1 of that year. Effective January 1, 2005, a participant's election to participate in DROP cannot establish a DROP entry date that occurs prior to the date of the System's receipt of the member's request to participate in DROP. The monthly DROP credit is based on the participant's years of credited service and average monthly salary as of DROP Entry Date, and benefit accrual rates in effect on DROP Election Date.

DROP participation terminates when a DROP participant's employment with the City, or the System, terminates. The balance of the participant's notional DROP account (DROP Benefit) at the time of such termination is an amount equal to the sum of a participant's monthly DROP credits and interest accrued on such amount up to the time the participant's employment terminates. A DROP Benefit is subject to approval by the Board. A DROP participant eligible to receive a DROP Benefit distribution may elect to receive the distribution in a lump-sum, partial distribution, in substantially equal periodic payments over a period of time approved by the Board, or in a combination of a lump-sum followed by substantially equal periodic payments over a period of time approved by the Board until the balance of the DROP Benefit is depleted. The DROP Benefit is not available to a DROP participant until such participant's employment with the City or the System has terminated and the participant has made a DROP distribution election.

Group D participants do not participate in DROP.

DROP balances for all active and inactive participants totaled $820.0 million in fiscal year 2024 and $781.8 million in fiscal year 2023.

GROUP D CASH BALANCE COMPONENT

In addition to the required Group D member contributions, Group D members contribute an additional 1% of salary to a notional cash balance account beginning in calendar year 2018. On separation from service, if a Group D participant has less than one year of service while contributing to the account, the participant is eligible to receive only a distribution of the contributions credited to the account, without interest. If the participant has at least one year of contributions to the account, the participant is eligible to receive a distribution of contributions credited to the account, including interest.

The Group D Cash Balance interest rate is credited bi-weekly and is equal to half of the System's rolling five-year net investment return, with a minimum of 2.5% and maximum of 7.5%, divided by 26.

REFUNDS OF PARTICIPANT CONTRIBUTIONS (BESIDES THE GROUP D CASH BALANCE COMPONENT)

All participants who terminate employment prior to being approved for retirement may request a refund of their accumulated employee contributions, if any, without interest, in lieu of a pension or in the event the participant has fewer than five years of credited service.

CONTRIBUTIONS AND FUNDING POLICY

All active participants are required to contribute to the System. Effective July 2018, Group A participants contribute 8% of salary, Group B participants contribute 4% of salary, and Group D participants contribute 2% of salary. Group D participants also contribute an additional 1% of salary for the Group D Cash Balance component.

The City is required to contribute the "Total City Contribution" to the System, which consists of the sum of (a) an actuarially determined percentage of payroll (City Contribution Rate) multiplied by actual payroll and (b) a fixed dollar amount (City Contribution Amount) which is based on the Unfunded Actuarial Accrued Liability (UAAL) as of July 1, 2016 (Legacy Liability). The Legacy Liability payment is amortized over 30 years, beginning on July 1, 2017 and grows at 2.75% per year regardless of the actual payroll growth rate.

For the year ended June 30, 2024, the City Contribution Rate was 8.48% of payroll and the City Contribution Amount was $145,955,000. In fiscal year 2023, City Contribution Rate was 8.44% of payroll and the City Contribution Amount was $142,048,661.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The System is a component unit of the City. Therefore, its basic financial statements and required supplemental information are included in the City's Annual Comprehensive Financial Report.

BASIS OF ACCOUNTING

The accompanying basic financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (GAAP). Participant and employer contributions are recognized as revenues in the period in which they are due pursuant to the Pension Statute and formal recommitments. Investment income is recognized as additions when earned. The net appreciation/(depreciation) in the fair value of investments is recorded as an increase/(decrease) to investment income based upon investment valuations, which includes both realized and unrealized gains and losses on investments. Benefits and refunds are recognized when due and payable in accordance with the terms of the Pension Statute. Expenses are recognized when the liability is incurred.

INVESTMENT VALUATION AND INVESTMENTS TRANSACTIONS

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of limited partnerships and real estate trusts are based on the System's valuation of estimates and assumptions from information and representations provided by the respective general partners. As the information provided by the general partners is less timely than public market information, estimates of fair value of limited partnerships and other alternative investment holdings are generally based on information that is quarter-lagged and cash-adjusted using cash flows subsequent to the latest report available. Therefore, there could be differences between the valuation of the limited partnerships and real estate trusts reported by the respective general partners and the valuation included in the financial statements for these investments.

Sales of investments and foreign exchange contracts are recorded on the trade date. Receivables are recorded when the sale has occurred but are pending final settlement. Purchases of investments and foreign exchange contracts are recorded on the trade date. Payables are recorded when the sale has occurred but are pending final settlement.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the related assets ranging from three to ten years. Any gain or loss on the retirement of assets is recognized currently. Maintenance and repairs are charged to expense while expenditures for improvements greater than or equal to $5,000 are capitalized.

Included in capital assets are the right-to-use assets from lease contracts entered into by the System. The System implemented GASB No. 87 Leases (GASB 87) as of July 1, 2021.

The System recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed $100,000 that meet the definition of an other than short-term lease. The System uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the System's incremental borrowing rate at the start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets presented on the statement of fiduciary net position, the System reports a separate section for deferred outflows of resources. These represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (deductions) until then. The System's deferred outflows of resources are related to the HMEPS OPEB Trust.

The System reports a separate section for deferred inflows of resources representing an acquisition of net assets that applies to future periods. These will not be recognized as an inflow of resources (additions) until then. The System's deferred inflows of resources are related to the HMEPS OPEB Trust.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of additions and deductions during the reporting period. Accordingly, actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101, ***Compensated Absences.*** This statement requires that liabilities be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences should be considered. This statement is effective for the year ending June 30, 2025 for the System. Management does not expect a significant impact to their reporting of compensated absences.

GASB Statement No. 102, ***Certain Risk Disclosures.*** This statement is to provide users of the financial statements with information about risks related to vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This statement is effective for the year ending June 30, 2025 for the System. Management does not expect a significant impact to their reporting of risk disclosures contained in the current reporting model.

GASB Statement No. 103, ***Financial Reporting Model Improvements.*** The objective of this statement is to improve the financial reporting model for certain key components. The statement enhances the effectiveness in providing information essential for decision making and the government's accountability including certain application issues. Management's discussion and analysis is a key component of financial reporting that will be enhanced to include better discussion about the changes in financial amounts. Unusual or infrequent items, proprietary fund presentation of statement of revenues, expenses, and changes in fund net position, major component unit information and budgetary comparison information will also be enhanced with the model improvements. This statement is effective for the year ending June 30, 2026 for the System. Management does anticipate enhancements to management discussion and analysis but minimal impact from the other elements of this statement.

NOTE 3 – NET PENSION LIABILITY

The components of the net pension liability of the City are as follows:

		JUNE 30, 2024		JUNE 30, 2023
Total pension liability	$	5,812,827,769	$	5,698,777,055
Fiduciary net position		4,360,172,112		4,072,345,338
City's net pension liability	$	1,452,655,657	$	1,626,431,717
Plan fiduciary net position as a percentage of the total pension liability		75.01%		71.46%

The total pension liability as of June 30, 2024, was determined by an actuarial valuation as of July 1, 2023, and rolled-forward using generally accepted actuarial principles. Actuarial valuation of the System involves estimates and assumptions about events in the future. Amounts determined regarding the net pension liability are subject to revision as actual results are compared with past expectations and new estimates are made regarding the future. As of the end of fiscal year 2023, the last experience study was performed in 2021 based on the 5-year period ending June 30, 2020. The following are the actuarial assumptions used to determine the total pension liability:

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method	Entry age normal
Asset Valuation Method	5-year smoothed market, direct offset of deferred gains or losses
Inflation	2.25%
Salary Increases	3.25% to 5.50% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2015 – 2020.
Mortality	PUB-2010 Mortality Table, Amount weighted, Below-Median Income, with a 2-year set forward. The rates are then projected on a fully generational basis by the long-term rates of improvement of scale MP-2020.
Note	The actuarially determined contribution includes the Legacy Liability payment as specified by the July 1, 2016 Risk Sharing Valuation Study and a calculated employer rate equal to the normal cost and the amortization of any new unfunded liabilities over a closed 30 year period from the valuation date the liability base was created.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on the actuarial assumptions applied, the System's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.0%. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payments to determine the total pension liability. The table below illustrates the sensitivity of the City's net pension liability to changes in the discount rate if it were calculated using a single discount rate that is one percentage-point lower or one percentage point higher than the single discount rate.

JUNE 30	1% DECREASE 6.0%	CURRENT DISCOUNT RATE 7.0%	1% INCREASE 8.0%
2024	$ 2,032,435,979	$ 1,452,665,657	$ 964,646,463
2023	$ 2,202,978,779	$ 1,626,431,717	$ 1,141,454,667

NOTE 4 – CASH AND CASH EQUIVALENTS

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System's deposits are held by State Street Bank and Trust Company and U.S. Bank. As of June 30, 2024 and 2023, the System had fair value cash balances of $35,348,415 and $46,102,552, respectively. Management believes that the System's credit risk exposure is mitigated by the financial strength of the banking institutions in which the deposits are held.

NOTE 5 – INVESTMENTS

The System invests in global equities and fixed income securities. A security is a transferable financial instrument that evidences ownership or creditorship. Decisions as to individual equity security selection, security size and quality, number of industries and holdings, current income levels, turnover, and other tools employed by active managers are left to the managers' discretion, subject to the standards of fiduciary prudence, as set out in the respective manager's Investment Management Agreement. Additionally, the System invests in commingled funds, limited partnerships, real estate trusts, and loans and mortgages that are evidenced by contracts rather than securities and classified as absolute return, inflation linked, private credit, private equity and real estate on the Statement of Net Position. The general investment objective is to obtain a reasonable long-term total return consistent with the degree of risk assumed while emphasizing the preservation of capital.

This objective is accomplished through the System's asset allocation policy, as follows, at June 30, 2024:

ASSETS	TARGET ALLOCATION	ACTUAL ALLOCATION
Global equity	28.0%	32.2%
Private equity	17.0%	26.4%
Fixed income	10.0%	5.3%
Real estate	12.5%	10.0%
Absolute return	0.0%	0.1%
Inflation linked	20.0%	20.5%
Private credit	12.5%	3.8%
Cash	0.0%	1.7%
TOTAL	100.0%	100.0%

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the System. The quality ratings of investments in fixed income securities are set forth in the Investment Policy Statement. All issues purchased by investment grade fixed income managers must be of investment grade quality, unless expressly authorized by the Board. Fixed income investments should emphasize high-quality and reasonable diversification.

The quality ratings of investment in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2024 and 2023, are as follows:

QUALITY RATING	2024			2023		
		FAIR VALUE	PERCENTAGE		FAIR VALUE	PERCENTAGE
AAA	$	895,736	0.41%	$	2,308,782	1.01%
AA		2,670,652	1.23%		2,046,073	0.90%
A		5,812,250	2.68%		6,583,136	2.88%
BBB		23,886,879	11.00%		19,620,466	8.58%
BB		14,465,448	6.66%		10,005,596	4.38%
B		34,003,587	15.65%		24,090,586	10.54%
CCC		24,275,605	11.18%		24,694,363	10.80%
Commingled funds		21,049,509	9.69%		33,723,957	14.76%
Not available		90,168,426	41.51%		105,476,122	46.15%
TOTAL	$	217,228,092	100.00%	$	228,549,081	100.00%

CUSTODIAL CREDIT RISK

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System 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 risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

CONCENTRATION OF CREDIT RISK

The allocation of assets among various asset classes is set by the Board. For major asset classes (e.g., Global equity, Fixed income, Real estate, Private equity, Inflation-Linked, Absolute return, and Private credit), the System will further diversify by employing managers with demonstrated skills in complementary areas of expertise. The managers retained will utilize varied investment approaches, but, when combined will exhibit characteristics that are similar, but not identical, to the asset class proxy utilized in the strategic asset allocation plan. The investment portfolio as of June 30, 2024 and 2023, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio, excluding passive index funds.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice versa. Duration is the measure of a bond price's sensitivity to a 100-basis point change in interest rates. The duration of the System's debt securities is managed by the active managers.

At June 30, 2024, the following table shows the System's investments by type, fair value and the effective duration rate.

	DOMESTIC	INTERNATIONAL	TOTAL	EFFECTIVE DURATION
Collateralized mortgage obligations	$ 3,343,985	$ –	$ 3,343,985	3.4
Corporate bonds	101,391,781	–	101,391,781	5.7
GNMA/FNMA/FHLMC	23,285,804	–	23,285,804	5.6
Government issues	21,909,265	2,125,328	24,034,593	8.2
Misc. receivable (auto/credit card)	6,001,580	–	6,001,580	1.2
Other asset backed securities	799,653	–	799,653	N/A
Bank loan	37,321,187	–	37,321,187	N/A
Commingled funds	21,049,509	–	21,049,509	N/A
TOTAL	$ 215,102,764	$ 2,125,328	$ 217,228,092	

At June 30, 2023, the following table shows the System's investments by type, fair value and the effective duration rate.

	DOMESTIC	INTERNATIONAL	TOTAL	EFFECTIVE DURATION
Collateralized mortgage obligations	$ 2,787,863	$ –	$ 2,787,863	3.2
Convertible bonds	487,103	–	487,103	0
Corporate bonds	74,820,337	10,364,333	85,184,670	5.8
GNMA/FNMA/FHLMC	24,683,436	–	24,683,436	5.4
Municipal	200,771	–	200,771	8.7
Government issues	23,672,814	2,435,740	26,108,554	8.2
Misc. receivable (auto/credit card)	3,118,737	–	3,118,737	1.2
Other asset backed securities	614,281	–	614,281	N/A
Bank loan	46,775,588	292,900	47,068,488	N/A
Commingled funds	38,295,178	–	38,295,178	N/A
TOTAL	$ 215,456,108	$ 13,092,973	$ 228,549,081	

FOREIGN CURRENCY RISK

International securities investment managers are expected to maintain diversified portfolios by sector and by issuer in accordance with the System's Investment Policy Statement.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System has an indirect exposure to foreign currency fluctuation at June 30, 2024 and 2023, as follows:

		2024 FAIR VALUE		2023 FAIR VALUE
Australian dollar	$	7,754,682	$	8,879,414
Brazilian real		5,515,182		5,407,565
Canadian dollar		44,659,595		30,362,845
Czech koruna		–		190,969
Danish krone		9,310,813		7,287,771
Euro currency		136,372,874		143,100,540
Hong Kong dollar		12,114,592		14,512,679
Hungarian forint		407,863		334,870
Indonesian rupiah		2,280,062		2,347,099
Japanese yen		42,544,388		43,373,598
Mexican peso		1,830,815		2,156,895
New Israeli shekel		–		315,167
New Taiwan dollar		9,987,703		5,881,684
New Zealand dollar		–		138,718
Norwegian krone		259,170		545,732
Philippine peso		888,764		814,434
Pound sterling		53,844,059		46,792,186
Singapore dollar		3,414,433		2,760,463
South African rand		439,441		995,166
South Korean won		4,305,711		3,095,258
Swedish krona		17,989,239		13,437,540
Swiss franc		14,644,737		17,602,205
Thailand baht		218,925		–
Turkish lira		1,022,187		794,942
TOTAL	$	369,805,235	$	351,127,740

SECURITIES LENDING

The System is authorized under its Investment Policy Statement to participate in a securities lending program through its agent and custodian. Under this program, for an agreed upon fee, System-owned investments are loaned to a borrowing financial institution. During the years ended June 30, 2024, the custodian lent the System's securities and received cash and securities issued or guaranteed by the United States government as collateral. The cash collateral received on each loan is invested together with the cash collateral of other lenders, in a collective investment pool comprised of a liquidity pool and a duration pool. As of June 30, 2024 and 2023, the liquidity pool had an average duration for United States dollar (USD) collateral of 24.96 and 11.84 days and an average weighted final maturity of 135.83 and 145.67 days, respectively. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

Borrowers are required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in USD or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in USD or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities. The custodian does not have the ability to pledge or sell securities delivered for collateral, absent a borrower's default. The Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The System's securities lending program utilization level (on-loan balance as a percentage of lendable assets) is 5.2%.

In the event of a default by a borrower, at that time the custodian shall indemnify the System against the failure of the borrower to return the loaned securities by purchasing a number of replacement securities equal to the number of such unreturned loaned securities, to the extent that such replacement securities are available on the open market. To the extent that such proceeds are insufficient or the collateral is unavailable, the purchase of replacement securities shall be made at the custodian's expense. If replacement securities are unavailable, the custodian will credit to the System's account an amount equal to the market value of the unreturned loaned securities for which replacement securities are not purchased. The following tables show the fair value measurements of the securities lent, cash collateral received, and the reinvested cash collateral at June 30, 2024 and 2023.

	2024		
	FAIR VALUE OF UNDERLYING SECURITIES LENT	CASH COLLATERAL RECEIVED	COLLATERAL REINVESTMENT VALUE
Domestic bond and equities	$ 36,963,423	$ 37,632,318	$ 37,632,318
International equities	-	-	-
TOTAL	$ 36,963,423	$ 37,632,318	$ 37,632,318

	2023		
	FAIR VALUE OF UNDERLYING SECURITIES LENT	CASH COLLATERAL RECEIVED	COLLATERAL REINVESTMENT VALUE
Domestic bond and equities	$ 59,772,612	$ 60,705,974	$ 60,705,974
International equities	323,453	322,970	322,970
TOTAL	$ 60,096,065	$ 61,028,944	$ 61,028,944

The System also held securities collateral that cannot be pledged or sold absent a borrower's default totaling $13,673,509 and $8,756,589 at June 30, 2024 and 2023, respectively. The securities collateral consists of US Treasury Bills and US Agency Bonds. The custodian does not have the ability to pledge or sell securities delivered for collateral, absent a borrower's default. The securities collateral received are not shown on the Statements of Net Position.

NOTE 6 – FAIR VALUE MEASUREMENT

GASB Statement No. 72, ***Fair Value Measurement and Application***, specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in three broad levels listed below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the System has the ability to access.

Level 2 – The System uses the following to determine the fair value of level 2 investments: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value-drivers are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value-drivers are unobservable are disclosed as level 3 investments if they don't meet the definition of NAV practical expedient.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the System defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments.

The following table presents fair value measurements as of June 30, 2024:

	FAIR VALUE AT JUNE 30, 2024	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Global equity and inflation linked				
Energy	$ 542,817,391	$ 542,817,391	$ –	$ –
Consumer spending	129,011,175	128,632,945	–	378,230
Information technology	128,107,492	128,107,492	–	–
Industrials	168,222,350	168,222,350	–	–
Health care	68,911,804	68,911,804	–	–
Financials	94,464,753	94,464,753	–	–
Materials and utilities	30,061,877	30,061,877	–	–
Real estate	8,366,032	8,366,032	–	–
Other	15,760,300	11,100,711	–	4,659,589
TOTAL GLOBAL EQUITY AND INFLATION LINKED	1,185,723,174	1,180,685,355	–	5,037,819
Fixed income				
Corporate bonds	101,391,781	100,565,491	–	826,290
U.S. agencies	24,034,593	24,034,593	–	–
Asset backed securities	25,304,114	25,304,114	–	–
Bank loans	37,321,187	33,914,774	–	3,406,413
International	2,125,328	2,125,328	–	–
Municipal bonds	–	–	–	–
Other	6,001,580	6,001,580	–	–
TOTAL FIXED INCOME	196,178,583	191,945,880	–	4,232,703
Short-term investment funds	109,519,042	–	109,519,042	–
Securities lending collateral arrangements	37,632,318	37,632,318	–	–
	$ 1,529,053,117	$ 1,410,263,553	$ 109,519,042	$ 9,270,522
Investments measured at NAV practical expedient				
Global equity collective trusts	699,006,583			
Inflation-Linked collective trusts	109,239,562			
Fixed income collective trusts	21,049,509			
Absolute return hedge funds	3,266,142			
Real estate collective trust	143,982,582			
Inflation-Linked limited partnerships	251,877,460			
Private equity limited partnerships	1,161,588,716			
Private credit limited partnerships	168,039,657			
Real estate limited partnerships	275,439,027			
TOTAL INVESTMENTS MEASURED AT NAV	2,833,489,238			
TOTAL INVESTMENTS, AT FAIR VALUE	$ 4,362,542,355			

The following table presents fair value measurements as of June 30, 2023:

	FAIR VALUE AT JUNE 30, 2023	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Global equity and inflation linked				
Energy	$ 348,532,390	$ 348,532,390	$ –	$ –
Consumer spending	135,666,721	134,188,327	–	1,478,394
Information technology	104,424,309	104,424,309	–	–
Industrials	133,198,909	133,198,909	–	–
Health care	76,496,691	76,496,691	–	–
Financials	69,983,524	69,983,524	–	–
Materials and utilities	36,389,293	36,389,293	–	–
Real estate	8,687,123	8,687,123	–	–
Other	13,158,004	8,949,179	–	4,208,825
TOTAL GLOBAL EQUITY AND INFLATION LINKED	926,536,964	920,849,745	–	5,687,219
Fixed income				
Corporate bonds	76,924,223	–	76,924,223	–
U.S. agencies	30,938,683	–	30,938,683	–
Asset backed securities	31,204,317	–	31,204,317	–
Bank loans	47,068,488	–	43,371,280	3,697,208
International	2,435,740	–	2,435,740	–
Municipal bonds	200,771	–	200,771	–
Other	1,481,681	–	599,931	881,750
TOTAL FIXED INCOME	190,253,903	–	185,674,945	4,578,958
Short-term investment funds	115,072,237	–	115,072,237	–
Securities lending collateral arrangements	61,028,944	61,028,944	–	–
	$ 1,292,892,048	$ 981,878,689	$ 300,747,182	$ 10,266,177
Investments measured at NAV practical expedient				
Global equity collective trusts	579,078,666			
Inflation linked collective trusts	89,018,308			
Fixed income collective trusts	38,295,179			
Absolute return hedge funds	133,374,087			
Real estate collective trust	134,399,439			
Inflation linked limited partnerships	247,493,864			
Private equity limited partnerships	1,151,362,803			
Private credit limited partnerships	152,323,590			
Real estate limited partnerships	272,374,602			
TOTAL INVESTMENTS MEASURED AT NAV	2,797,720,538			
TOTAL INVESTMENTS, AT FAIR VALUE	$ 4,090,612,586			

The following table presents investments measured at NAV practical expedient as of June 30, 2024:

	NAV	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Global equity collective trusts	$ 699,006,583	$ –	Typically daily	Less than 1 month
Inflation linked collective trusts	109,239,562	–	Typically daily	Less than 1 month
Fixed income collective trusts	21,049,509	–	Typically daily	Less than 1 month
Absolute return hedge funds	3,266,142	–	In liquidation	Not applicable
Real estate collective trust	143,982,582	–	Typically daily	Less than 1 month
Inflation linked limited partnerships	251,877,460	229,631,000	Not applicable	Not applicable
Private equity limited partnerships	1,161,588,716	317,076,000	Not applicable	Not applicable
Private credit limited partnerships	168,039,657	279,263,000	Not applicable	Not applicable
Real estate limited partnerships	275,439,027	183,116,000	Not applicable	Not applicable
TOTAL	$ 2,833,489,238	$ 1,009,086,000		

The following table presents investments measured at NAV practical expedient as of June 30, 2023:

	NAV	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Global equity collective trusts	$ 579,078,666	$ –	Typically daily	Less than 1 month
Inflation linked collective trusts	89,018,308	–	Typically daily	Less than 1 month
Fixed income collective trusts	38,295,179	–	Typically daily	Less than 1 month
Absolute return hedge funds	133,374,087	–	Monthly, Quarterly, Semiannually or Annually	30-90 days
Real estate collective trust	134,399,439	–	Typically daily	Less than 1 month
Inflation linked limited partnerships	247,493,864	145,629,000	Not applicable	Not applicable
Private equity limited partnerships	1,151,362,803	331,904,000	Not applicable	Not applicable
Private credit limited partnerships	152,323,590	238,216,000	Not applicable	Not applicable
Real estate limited partnerships	272,374,602	172,048,000	Not applicable	Not applicable
TOTAL	$ 2,797,720,538	$ 887,797,000		

GLOBAL EQUITY COLLECTIVE TRUSTS

This category includes investments in collective trusts whose strategy is focused on emerging markets, international developed markets and domestic index funds. The administrators report the fair values of these trusts using the NAV provided by the administrator of the common collective trust. The System can redeem these funds on a daily basis with redemption frequency of usually one month.

INFLATION LINKED COLLECTIVE TRUSTS

The inflation linked collective trust manager focuses on natural resources. The fund reports its fair value based on NAV and the shares can be redeemed on a daily basis with a notice period of less than one month.

FIXED INCOME COLLECTIVE TRUSTS

Fixed income collective trusts strategies focus on active or passive fixed income securities. The fair values of funds in this category are determined using the NAV. Redemption frequency is daily with notices of less than one month.

ABSOLUTE RETURN HEDGE FUNDS

This category consists of several different strategies: event driven, global macro, equity long and short, credit focused and multi-strategies. The event driven funds seek to add value by exploiting pricing inefficiencies that may occur before or after a corporate event such as a bankruptcy, merger, acquisition or spinoff. Global macro funds seek to add value by accurately anticipating overall macroeconomic trends in various countries. Equity long and short funds employ a strategy that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Credit focused hedge fund managers look for relative value between senior and junior securities of the same issuer. They will also trade securities of equivalent credit quality from different corporate issues, or different tranches in complex capital structures such as mortgage-backed securities or collateralized loan obligations. The fair values of these hedge fund investments have been determined using the NAV provided by the administrator of the hedge fund. During 2023, the System submitted redemption requests for the remaining investment amount in this category. Redemptions generally are subject to the funds' available cash and redemption queues. The System anticipates receiving its investment balance in fiscal year 2025.

REAL ESTATE COLLECTIVE TRUST

This category includes investments in one collective trust with a real estate focus. The manager deploys active or passive strategies in real estate focused assets. The fair value of this category is determined using the NAV provided by the administrator and has unrestricted liquidity.

INFLATION LINKED LIMITED PARTNERSHIPS

Inflation linked limited partnerships consist of investments in limited partnerships that invest in private companies focused in energy and commodities. The fair values of these investments have been determined using the NAV of the System's interest in the partnership provided by the General Partner. These funds cannot be redeemed because they are private market investments and distributions are determined by the General Partner. Inflation linked limited partnerships typically have at least 10-year terms.

PRIVATE EQUITY LIMITED PARTNERSHIPS

This category includes investments in limited partnerships that own equity in privately held companies. Investments in private equity are diversified by industry sector, geographic location, and capital structure. The fair values of these investments have been determined using the NAV of the System's interest in the partnership provided by the General Partner. Private equity funds cannot be redeemed because they are private market investments. Distributions from private equities are determined by the General Partner. Private equity limited partnerships typically have at least 10-year terms.

PRIVATE CREDIT LIMITED PARTNERSHIPS

The System invests in private credit limited partnerships. These investments are diversified by industry sector and geographic location but focused on debt instruments made to privately held companies. Fair value is determined using the NAV of the System's interest in the partnership as provided by the General Partner. Distributions from private credit limited partnerships are determined by the General Partner. These limited partnership funds have up to a 10-year term.

REAL ESTATE LIMITED PARTNERSHIPS

This category includes investments in limited partnerships that own direct real estate and real estate related debt instruments. Investments in Real Estate Limited Partnerships are diversified by property type, geographic location, and capital structure. The fair values of Real Estate Limited Partnership investments have been determined using the NAV of the System's interest in the partnership provided by the General Partner. Real Estate Limited Partnerships cannot be redeemed because they are private market investments. Distributions from Real Estate Limited Partnerships are determined by the General Partner. Real Estate Limited Partnerships typically have 10-year terms.

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

The System uses derivative financial instruments primarily to manage portfolio risk. Forward contracts and rights are marked to market and reported at fair value. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions. The System did not hold any derivatives as of June 30, 2024 and 2023.

For the year ended June 30, 2024 and 2023, the System recognized a loss of $7,720 and $2,934, respectively, related to derivatives as follows:

Investment Derivatives	CHANGES IN FAIR VALUE Classification	2024	2023
FX forwards	Investment revenue	$ (6,343)	$ (2,406)
Rights	Investment revenue	(1,377)	(529)
Warrants	Investment revenue	–	1
TOTAL		$ (7,720)	$ (2,934)

In addition to the above, the System has exposure to derivatives through its investments in hedge funds, reported in absolute return investments in the financial statements.

MORTGAGE-BACKED SECURITIES

A mortgage-backed security depends on the underlying pool of mortgage loans to provide the cash flow to make principal and interest payments on the security. A decline in interest rates can result in prepayments, called contraction risk. This risk occurs as mortgages are pre-paid or refinanced which reduces the expected return of the security. If interest rates rise, the likelihood of prepayments decreases, resulting in extension risk. Since loans in a pool underlying a security are being prepaid at a slower rate, investors are unable to capitalize on higher interest rates because their investments are locked in at a lower rate for a longer period of time. A collateralized mortgage obligation (CMO) is a type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

The System may invest in mortgage-backed securities to enhance fixed-income returns. The mortgage-backed securities are subject to credit risk, in that the borrower may be unable to meet its obligations.

NOTE 8 – CAPITAL ASSETS

Capital asset balances and activity as of and for the year ended June 30, 2024 is as follows:

	June 30, 2023	Additions	Deletions	June 30, 2024
Right-to-use office space	$ 2,432,651	$ –	$ –	$ 2,432,651
Computer equipment	1,005,835	525,887	–	1,531,722
Leasehold improvements	163,234	–	–	163,234
Office furniture and equipment	74,392	–	–	74,392
	3,676,112	525,887	–	4,201,999
Less: Accumulated depreciation and amortization	(2,040,038)	(506,511)	–	(2,546,549)
TOTAL	$ 1,636,074	$ 19,376	$ –	$ 1,655,450

The System is a lessee for a noncancellable lease of office space with lease terms through October 31, 2026.

There are no residual value guarantees included in the measurement of the System's lease liability nor recognized as an expense for the year ended June 30, 2024. The System does not have any commitments that were incurred at the commencement of the leases. The System is not subject to variable equipment usage payments. No termination penalties were incurred during the fiscal year as the System did not terminate any leases.

The future principal and interest lease payments for the office space as of June 30, 2024, were as follows:

YEAR ENDING JUNE 30,	PRINCIPAL		INTEREST		TOTAL	
2025	$	476,854	$	37,641	$	514,495
2026		505,869		18,038		523,907
2027		174,227		1,454		175,681
	$	1,156,950	$	57,133	$	1,214,083

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GENERAL INFORMATION ABOUT THE POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS TRUST

The Post-Employment Benefits Other Than Pensions Trust (HMEPS OPEB Trust) is a single employer plan and is administered by the System. It was established in 2019. Sec. 3(f) of the Pension Statute authorizes the pension board to establish and amend employee benefit terms and financing requirements. HMEPS OPEB Trust assets are held separate from the Pension Plan.

The long-term expected rate of return on HMEPS OPEB Trust investments was determined using a building-block method in which best-estimate ranges of future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Domestic equity – large cap	27.7%	2.8%
Domestic equity – small/mid cap	11.3%	3.0%
Non–US equity – developed	5.5%	3.8%
Non–US equity – emerging	3.3%	4.0%
US corporate bonds – core	35.8%	2.5%
US corporate bonds – high yield	2.2%	3.7%
US corporate bonds – short term	8.1%	2.0%
Real estate	2.5%	3.4%
Cash	3.6%	1.6%
TOTAL	100.00%	

BENEFITS PROVIDED

Retired employees of the System are eligible to receive retiree health care benefits, which include medical, prescription, dental and life insurance. An eligible retired employee is a person who has at least five (5) years of full-time service with the System and meets at least one of the conditions:

- Has retired due to disability.
- Age 62 or greater.
- Years of full-time service plus age is greater than or equal to 70.
- Employee is eligible to begin receiving a retirement pension within five years after the employee's termination of employment.

Spouses of retired employees are eligible to receive retiree health care benefits. HMEPS-paid coverage continues for surviving spouses of deceased retired members as provided under the health benefit plan until age 65.

Eligible children of retired System employees may receive retiree health care benefits. Eligible children include a natural child, a stepchild, an adopted child, a foster child or a child recognized under a medical child support order. The child must be under age 26 (except in the case of a disabled child). For the Preferred Provider Organization plan (PPO), the eligible retiree pays 25% of the retiree health insurance premium and the System pays the remaining 75% of retiree health care coverage. For the High Deductible Health Plan (HDHP), the retiree pays the lesser of: (1) the HDHP premium minus the net cost to the System of the PPO premium (PPO premium – PPO retiree contribution); or (2) 12.5% of the HDHP premium. Medicare retirees can elect coverage through a Medicare Supplemental plan that is fully-subsidized by HMEPS.

If an employee does not enter retirement directly after termination, the employee must be eligible to begin receiving a retirement pension within five (5) years of termination of System employment in order to be eligible for retiree health insurance. If the employee elects to continue coverage as a retiree within the 5-year window prior to receiving a retirement pension, the employee must pay 100% of the total premium owed until the earlier of the date the retiree reaches normal retirement eligibility or the date the retiree discontinues coverage.

Retired System employees and dependents are eligible for dental benefits.

Retired employees are insured for up to $5,000 of Life Insurance. All other insurance under the policy, including Dependent Life Insurance, if any, ends on the last day of active employment. Retirees can continue coverage under the System's Plan until covered by Medicare, when the System's Plan becomes secondary. The premium for coverage continues at the same level as pre-Medicare.

SUMMARY OF MEMBERSHIP INFORMATION

As of June 30, 2024 and 2023, there were 15 retirees or beneficiaries receiving OPEB benefits, respectively. Active plan members were 22 as of June 30, 2024 and 2023, respectively.

CONTRIBUTIONS

The employer contributions are established by the System. The System's current intention is to contribute the plan's normal cost plus, as recommended by the System's actuary, an amount necessary to amortize any unfunded actuarial accrued liability (UAAL) over a period of 10 years. Employees are not required to contribute to the plan.

NET OPEB ASSET

The System's net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2024.

ACTUARIAL ASSUMPTIONS AND METHODS

Valuation Date	June 30, 2024
Methods and Assumptions Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	5.50%
Inflation	2.25%
Salary Increases	3.25% to 5.50%, including inflation
Demographic Assumptions	Based on the 2021 HMEPS experience study conducted for the pension plan.
Mortality	For healthy retirees, the gender-distinct Pub-2010 Amount-Weighted, Below-Median Income, General Employee, Healthy Retiree mortality tables with a 2-year set-forward are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2020 to account for future mortality improvements.
Health Care Trend Rates	Pre-65: Initial rate of 7.00% declining to an ultimate rate of 4.00% after 15 years; Post-65: Initial rate of 6.00% declining to an ultimate rate of 4.00% after 11 years.
Participation Rate	It was assumed that 100% of eligible retirees would choose to maintain their retiree health care benefits through HMEPS. Furthermore, 70% were assumed to elect two-person coverage.
Other Information	The pre-65 health care trend rates were updated to better reflect the plan's anticipated experience.

DISCOUNT RATE

Projected benefit payments are required to be discounted to their actuarial present values using a discount rate that reflects (1) a long-term expected rate of return on HMEPS OPEB Trust investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For purposes of this valuation, the expected rate of return on OPEB Trust investments is 5.50%; the municipal bond rate is 3.86% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting single discount rate is 5.50%.

The schedule of changes in the net OPEB asset for the year ended June 30, 2024 is as follows:

	Total OPEB Liability	HMEPS OPEB Trust Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning balance	$ 4,311,370	$ 9,399,582	$ (5,088,212)
Changes for the year			
Service cost	139,882	–	139,882
Interest on the total OPEB liability	233,675	–	233,675
Difference between expected and actual experience	61,845	–	61,845
Net investment income	–	962,370	(962,370)
Benefit payments	(265,332)	(265,332)	–
Administrative expense	–	(52,889)	52,889
Net changes	170,070	644,149	(474,079)
Ending balance	$ 4,481,440	$ 10,043,731	$ (5,562,291)

SENSITIVITY OF NET OPEB ASSET TO THE SINGLE DISCOUNT RATE ASSUMPTION

Regarding the sensitivity of the net OPEB asset to changes in the discount rate, the following presents the HMEPS OPEB Trust's net OPEB asset calculated using a discount rate of 5.50% in 2024 and 5.50% in 2023, as well as what the trust's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

YEARS ENDED JUNE 30,	1% DECREASE 4.50%	CURRENT SINGLE RATE ASSUMPTION 5.50%	1% INCREASE 6.50%
2024	$ 5,021,576	$ 5,562,291	$ 6,016,968
2023	$ 4,562,835	$ 5,088,212	$ 5,529,956

SENSITIVITY OF NET OPEB ASSET TO THE HEALTHCARE COST TREND RATE ASSUMPTION

Regarding the sensitivity of the net OPEB asset to changes in the healthcare cost trend rates, the following presents the trust's net OPEB asset, calculated using the assumed trend rates as well as what the trust's net OPEB asset would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

YEARS ENDED JUNE 30,	1% DECREASE	HEALTHCARE COST TREND RATE ASSUMPTION	1% INCREASE
2024	$ 6,112,643	$ 5,562,291	$ 4,891,874
2023	$ 5,589,003	$ 5,088,212	$ 4,479,900

OPEB INCOME AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES RELATED TO OPEB

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For the year ended June 30, 2024, the System recognized OPEB income of $722,032. At June 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to the HMEPS OPEB Trust from the following sources:

	DEFERRED OUTFLOWS	DEFERRED INFLOWS
Changes in assumptions	$ 89,415	$ 134,468
Differences between expected and actual experiences	51,785	571,990
TOTAL	$ 141,200	$ 706,458

At June 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to the HMEPS OPEB Trust from the following sources:

	DEFERRED OUTFLOWS	DEFERRED INFLOWS
Changes in assumptions	$ 127,276	$ 602,132
Differences between expected and actual experiences	441,991	780,349
TOTAL	$ 569,267	$ 1,382,481

Amounts reported as deferred outflows and inflows of resources related to the Trust will be recognized in OPEB income as follows:

YEARS ENDING JUNE 30,	NET DEFERRED OUTFLOWS (INFLOWS)
2025	$ (365,457)
2026	141,136
2027	(230,413)
2028	(113,617)
2029	3,090
TOTAL	$ (565,261)

NOTE 10 – DEFERRED COMPENSATION PLAN

The System offers its employees a deferred compensation plan (DCP) created in accordance with Internal Revenue Code Section 457. The DCP, available to all full-time employees of the System, permits employees to defer a portion of their salary until future years. Distributions from the DCP are not available to employees until termination, retirement, death or unforeseeable emergency. The DCP has a third-party administrator, Empower Retirement, and the cost of administration and funding is borne by the DCP participants. Amounts deferred are held in trust by Empower Retirement and, since the System has no fiduciary responsibility for the DCP, these amounts are not reflected in the accompanying financial statements in accordance with GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

NOTE 11 – COMMITMENTS

As described in Note 1, DROP participants eligible to receive a DROP benefit distribution may elect to receive the distribution in a lump-sum, partial distribution, in substantially equal periodic payments over a period of time approved by the Board, or in a combination of a lump-sum followed by substantially equal periodic payments over a period of time approved by the Board until the balance of the DROP Benefit is depleted. The DROP benefit is not available to a DROP participant until such participant's employment with the City or the System has terminated and the participant has made a DROP distribution election. As of June 30, 2024 and 2023, the balances of the DROP accounts subject to distribution were $410,785,503 and $443,149,881 respectively. In addition, terminated Group D members who have contributed to the Group D Cash Balance account are eligible to receive, upon request, their balance. The Cash Balance account distribution includes interest if the member has paid into the Cash Balance account for at least one year.

NOTE 12 – RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, foreign currency, liquidity and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts in the System's financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1: SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	YEARS ENDED JUNE 30, 2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY					
Service cost	$ 88,999,168	$ 85,184,373	$ 82,080,381	$ 78,564,476	$ 77,819,448
Interest on the total pension liability	389,085,900	381,016,497	371,952,435	363,611,089	356,429,609
Benefit changes	–	–	–	–	–
Difference between expected and actual experience	(5,778,919)	6,279,089	26,472,897	(20,427,373)	(28,865,542)
Assumption changes	–	–	(29,515,658)	–	–
Benefit payments	(356,914,583)	(334,858,915)	(327,772,924)	(314,149,632)	(308,002,053)
Refunds	(1,340,852)	(989,973)	(1,132,782)	(402,017)	(649,551)
NET CHANGE IN TOTAL PENSION LIABILITY	114,050,714	136,631,071	122,084,349	107,196,543	96,731,911
TOTAL PENSION LIABILITY, beginning	5,698,777,055	5,562,145,984	5,440,061,635	5,332,865,092	5,236,133,181
TOTAL PENSION LIABILITY, ending (a)	$ 5,812,827,769	$ 5,698,777,055	$ 5,562,145,984	$ 5,440,061,635	$ 5,332,865,092
PLAN FIDUCIARY NET POSITION					
Employer contributions	$ 212,959,245	$ 204,895,256	$ 197,340,533	$ 184,762,098	$ 176,430,316
Employee contributions	34,644,922	34,599,540	32,654,590	33,324,738	32,581,955
Net investment income (loss)	403,867,103	221,363,659	189,389,667	1,084,387,848	(115,165,538)
Benefit payments	(356,914,583)	(334,858,915)	(327,772,924)	(314,149,632)	(308,002,053)
Refunds	(1,340,852)	(989,973)	(1,132,782)	(402,017)	(649,551)
Administrative expenses	(6,045,655)	(5,634,544)	(5,680,931)	(3,110,719)	(4,891,025)
Other	656,594	619,545	465,948	486,833	484,351
NET CHANGE IN PLAN FIDUCIARY NET POSITION	287,826,774	119,994,568	85,264,101	985,299,149	(219,211,545)
PLAN FIDUCIARY NET POSITION, beginning	4,072,345,338	3,952,350,770	3,867,086,669	2,881,787,520	3,100,999,065
PLAN FIDUCIARY NET POSITION, ending (b)	$ 4,360,172,112	$ 4,072,345,338	$ 3,952,350,770	$ 3,867,086,669	$ 2,881,787,520
CITY'S NET PENSION LIABILITY, ending (a) - (b)	$ 1,452,655,657	$ 1,626,431,717	$ 1,609,795,214	$ 1,572,974,966	$ 2,451,077,572
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	75.01%	71.46%	71.06%	71.09%	54.04%
COVERED PAYROLL	$ 748,521,180	$ 710,461,828	$ 678,350,255	$ 642,917,152	$ 625,055,807
CITY'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	194.07%	228.93%	237.31%	244.66%	392.14%

2022 – The assumption changes consist of changes in the mortality tables used in the most recent actuarial valuation.

2017 – The assumption changes consist of changes in the investment rate of return from 8.00% in 2016 to 7.00% in 2017, and changes to the inflation rate and salary increases assumptions. Benefit changes consisted of spousal survivor benefits, adjustment to the cost-of-living calculation, DROP interest rates, and employee contribution rates.

2016 – The assumption changes consist of changes in the investment rate of return from 8.50% in 2015 to 8.00% in 2016, and changes to the inflation rate and salary increase assumptions.

SCHEDULE 1: SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)

	YEARS ENDED JUNE 30,				
	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service cost	$ 77,175,080	$ 78,148,819	$ 75,960,564	$ 68,968,481	$ 59,465,512
Interest on the total pension liability	349,592,612	341,276,247	331,166,519	379,781,300	363,639,884
Benefit changes	–	–	(724,683,000)	–	–
Difference between expected and actual experience	(11,538,432)	19,157,801	(38,387,084)	(16,194,133)	(22,057,834)
Assumption changes	–	–	562,237,000	324,938,905	–
Benefit payments	(291,060,500)	(283,928,131)	(280,455,603)	(253,178,363)	(234,954,625)
Refunds	(1,393,772)	(806,722)	(718,176)	(1,105,306)	(1,549,404)
NET CHANGE IN TOTAL PENSION LIABILITY	122,774,988	153,848,014	(74,879,780)	503,210,884	164,543,533
TOTAL PENSION LIABILITY, beginning	5,113,358,193	4,959,510,179	5,034,389,959	4,531,179,075	4,366,635,542
TOTAL PENSION LIABILITY, ending (a)	$ 5,236,133,181	$ 5,113,358,193	$ 4,959,510,179	$ 5,034,389,959	$ 4,531,179,075
PLAN FIDUCIARY NET POSITION					
Employer contributions	$ 176,261,043	$ 421,561,725	$ 182,557,829	$ 159,958,607	$ 145,007,059
Employee contributions	32,536,529	27,904,931	15,901,600	15,873,664	16,198,216
Net investment income	200,444,575	231,815,128	290,910,717	27,639,567	73,370,310
Benefit payments	(291,060,500)	(283,928,131)	(280,455,603)	(253,178,363)	(234,954,625)
Refunds	(1,393,772)	(806,722)	(718,176)	(1,105,306)	(1,549,404)
Administrative expenses	(5,362,929)	(6,441,960)	(6,826,559)	(7,360,139)	(7,007,422)
Other	709,841	(3,905,411)	1,271,670	1,651,651	1,040,548
NET CHANGE IN PLAN FIDUCIARY NET POSITION	112,134,787	386,199,560	202,641,478	(56,520,319)	(7,895,318)
PLAN FIDUCIARY NET POSITION, beginning	2,988,864,278	2,602,664,718	2,400,023,240	2,456,543,559	2,464,438,877
PLAN FIDUCIARY NET POSITION, ending (b)	$ 3,100,999,065	$ 2,988,864,278	$ 2,602,664,718	$ 2,400,023,240	$ 2,456,543,559
CITY'S NET PENSION LIABILITY, ending (a) - (b)	$ 2,135,134,116	$ 2,124,493,915	$ 2,356,845,461	$ 2,634,366,719	$ 2,074,635,516
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	59.22%	58.45%	52.48%	47.67%	54.21%
COVERED PAYROLL	$ 614,451,273	$ 611,493,104	$ 604,895,264	$ 640,528,652	$ 624,205,549
CITY'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	347.49%	347.43%	389.63%	411.28%	332.36%

SCHEDULE 2: SCHEDULE OF CONTRIBUTIONS – PENSION PLAN

Years Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2024	$ 209,429,596	$ 212,959,245	$ (3,529,649)	$ 748,521,180	28.45%
2023	202,011,640	204,895,256	(2,883,616)	710,461,828	28.84%
2022	195,296,129	197,340,533	(2,044,404)	678,350,255	29.09%
2021	188,294,708	184,762,098	3,532,610	642,917,152	28.74%
2020	182,950,467	176,430,316	6,520,151	625,055,807	28.23%
2019	178,256,312	176,261,043	1,995,269	614,451,273	28.69%
2018	423,989,344*	421,561,725*	2,427,619	611,493,104	68.94%
2017	184,732,840	182,557,829	2,175,011	604,895,264	30.18%
2016	162,229,984	159,958,607	2,271,377	640,528,652	24.97%
2015	155,299,296	145,007,059	10,292,237	224,205,549	23.23%

* The Actuarially Determined Contribution and the Actual Contribution includes the Pension Obligation Bond proceeds of $250 million.

SCHEDULE 3: SCHEDULE OF INVESTMENT RETURNS – PENSION PLAN

Years Ended June 30,	Annual Return
2024	9.75%
2023	6.06%
2022	5.03%
2021	38.61%
2020	-3.72%
2019	6.20%
2018	8.72%
2017	12.18%
2016	0.90%
2015	3.47%

The annual money-weighted rate of return is presented net of investment expenses.

NOTES TO PENSION PLAN: REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2024

The required employer contributions and percent of those contributions actually made are presented in Schedule 2. Additional information as of the latest actuarial valuation is presented in the table below.

Valuation Date: July 1, 2023

NOTES: Actuarially determined contribution rates are calculated as of July 1, which is 12 months prior to the beginning of the fiscal year in which they are contributed. The assumptions shown below apply to the Actuarially Determined Employer Contribution for fiscal year 2024 which was determined by the July 1, 2023 actuarial valuation. These assumptions are not the same as those used to determine the Net Pension Liability as of June 30, 2024.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open (see notes)
Remaining Amortization Period	24 Years
Asset Valuation Method	5-year smoothed market, direct offset of deferred gains and losses
Inflation	2.25%
Salary Increases	3.25% to 5.50% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2015 – 2020.
Mortality	PUB-2010 Mortality Table, Amount weighted, Below-Median Income, with a 2-year set forward. The rates are then projected on a fully generational basis by the long-term rates of improvement of MP-2020.
Other Information	The actuarially determined contribution includes the Legacy Liability payment as specified by the July 1, 2016 Risk Sharing Valuation Study and a calculated employer rate equal to the normal cost and the amortization of any new unfunded liabilities over a closed 30 year period from the valuation date the liability base was created.

SCHEDULE 4: SCHEDULE OF CHANGES IN NET OPEB (ASSET) LIABILITY AND RELATED RATIOS

	FISCAL YEARS ENDED JUNE 30,					
	2024	2023	2022	2021	2020	2019
TOTAL OPEB LIABILITY						
Service cost	$ 139,882	$ 139,240	$ 127,908	$ 171,320	$ 169,765	$ 300,656
Interest on the total OPEB liability	233,675	263,931	269,280	379,793	397,308	301,552
Changes of benefit terms	–	–	–	(1,696,364)	–	–
Difference between expected and actual experience	61,845	(732,521)	1,144	(444,806)	(4,597)	117,646
Changes of assumptions	–	41,521	153,588	–	(639,768)	(2,162,853)
Benefit payments	(265,332)	(259,861)	(233,825)	(226,418)	(204,375)	(195,451)
NET CHANGE IN TOTAL OPEB LIABILITY	170,070	(547,690)	318,095	(1,816,475)	(281,667)	(1,638,450)
TOTAL OPEB LIABILITY, beginning	4,311,370	4,859,060	4,540,965	6,357,440	6,639,107	8,277,557
TOTAL OPEB LIABILITY, ending (a)	$ 4,481,440	$ 4,311,370	$ 4,859,060	$ 4,540,965	$ 6,357,440	$ 6,639,107
PLAN FIDUCIARY NET POSITION						
Employer contributions	$ –	$ –	$ –	$ 174,900	$ 169,765	$ 8,473,008
Net investment income (loss)	962,370	610,904	(1,186,966)	2,063,029	262,978	113,972
Benefit payments	(265,332)	(259,861)	(233,825)	(226,418)	(204,375)	(195,451)
Administrative expenses	(52,889)	(50,202)	(56,363)	(50,330)	–	–
Other	–	–	–	(89)	(5,094)	–
NET CHANGE IN PLAN FIDUCIARY NET POSITION	644,149	300,841	(1,477,154)	1,961,092	223,274	8,391,529
PLAN FIDUCIARY NET POSITION, beginning	9,399,582	9,098,741	10,575,895	8,614,803	8,391,529	–
PLAN FIDUCIARY NET POSITION, ending (b)	$ 10,043,731	$ 9,399,582	$ 9,098,741	$ 10,575,895	$ 8,614,803	$ 8,391,529
SYSTEM'S NET OPEB (ASSET) LIABILITY, ending (a) - (b)	$ (5,562,291)	$ (5,088,212)	$ (4,239,681)	$ (6,034,930)	$ (2,257,363)	$ (1,752,422)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	224.12%	218.02%	187.25%	232.90%	135.51%	126.40%
COVERED EMPLOYEE PAYROLL	$ 2,522,535	$ 2,404,645	$ 2,324,574	$ 2,230,751	$ 2,195,389	$ 1,968,659
SYSTEM'S NET OPEB (ASSET) LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	-220.50%	-211.60%	-182.39%	-270.53%	-102.82%	-89.02%

NOTES TO SCHEDULE:

2023 – The pre-65 health care trend rates were updated to better reflect the plan’s anticipated experience.

2022 – Changes of assumptions reflect the discount rate change from 6.00% as of June 30, 2021 to 5.50% as of June 30, 2022. Additionally, the demographic and salary increase assumptions were updated to reflect the 2021 HMEPS experience study.

2021 – Changes of benefit terms reflect offering a fully-subsidized Medicare Supplemental plan to eligible retirees.

2020 – Changes of assumptions reflect the removal of the liability associated with the “Cadillac Tax.”

2019 – Changes of assumptions reflect the change in the discount rate from 3.62% to 6.00% and a slightly updated healthcare trend assumption.

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

SCHEDULE 5: SCHEDULE OF CONTRIBUTIONS – HMEPS OPEB TRUST

Years Ended June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Payroll
2024	$ –	–	$ –	$ 2,522,535	0.00%
2023	–	–	–	2,404,645	0.00%
2022	–	–	–	2,324,574	0.00%
2021	–	174,900	(174,900)	2,230,751	7.84%
2020	–	169,765	(169,765)	2,195,389	7.73%
2019	–	–	–	–	0.00%

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

*Due to the size of the asset surplus on the measurement dates of the 2021 and 2023 valuations, the Actuarially Determined Contribution (ADC) for fiscal years 2020 – 2024 was $0. The OPEB trust was established in fiscal year ending June 30, 2019. Therefore, no formal (ADC) was developed for 2019.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.25%
Investment Rate of Return	6.00%, net of investment expenses, including inflation of 2.25%
Salary Increases	3.25% to 5.50% including inflation.
Demographic Assumptions	Based on the experience study covering the five-year period ending June 30, 2014 as conducted for the pension plan.
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment. Male rates are multiplied by 125% and female rates multiplied by 112%. The rates are projected on a fully generational basis by Scale BB to account for future mortality improvements.
Healthcare Cost Trend Rates	Pre-65: Initial rate of 6.80% declining to an ultimate rate of 4.00% after 13 years; Post-65: Initial rate of 6.20% declining to an ultimate rate of 4.00% after 13 years.
Participation Rates	It was assumed that 100% of eligible retirees would choose to maintain their retiree health care benefits through HMEPS. Furthermore, 70% were assumed to elect two-person coverage.
Other Information:	None
Notes	The investment rate of return was lowered to 5.50%, for funding purposes, effective June 30, 2022. However, that will not impact the actuarially determined contribution until fiscal year 2025.

The actuarial assumptions which are specific to the OPEB valuation are reviewed during each valuation and adjusted when deemed necessary. There were no assumption changes for this valuation.

SCHEDULE 6: SCHEDULE OF INVESTMENT RETURNS – HMEPS OPEB TRUST

Years Ended June 30,	Annual Money-Weighted Rate of Return
2024	10.14%
2023	6.68%
2022	-11.22%
2021	23.96%
2020	3.62%

The annual money-weighted rate of return is presented net of investment fees.

***Because the initial trust deposit was made in June 2019, no annual rate of return was calculated. Annualizing the returns for a partial month would not provide a reasonable representation of the annual return associated with the investment policy.

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

SUPPLEMENTARY INFORMATION

SCHEDULE 7: INVESTMENT SUMMARY

	JUNE 30,2024		
	COST	FAIR VALUE	UNREALIZED APPRECIATION (DEPRECIATION)
Absolute return	$ 9,345,107	$ 3,266,142	$ (6,078,965)
Fixed income	218,904,379	212,479,543	(6,424,836)
Global equity	915,969,941	1,359,069,596	443,099,655
Inflation-Linked	583,288,917	881,591,464	298,302,547
Private credit	111,618,962	168,039,657	56,420,695
Private equity	466,750,833	1,161,588,716	694,837,883
Real estate	296,872,406	419,421,609	122,549,203
Securities lending collateral arrangements	37,632,318	37,632,318	–
Short-term investments	109,519,042	109,519,042	–
TOTAL INVESTMENTS	$ 2,749,901,905	$ 4,352,608,087	$ 1,602,706,182

	JUNE 30,2023		
	COST	FAIR VALUE	UNREALIZED APPRECIATION (DEPRECIATION)
Absolute return	$ 79,625,917	$ 133,374,087	$ 53,748,170
Fixed income	233,604,602	223,977,859	(9,626,743)
Global equity	856,481,249	1,156,331,911	299,850,662
Inflation-Linked	477,857,376	681,144,478	203,287,102
Private credit	104,406,447	152,323,590	47,917,143
Private equity	471,235,419	1,151,362,803	680,127,384
Real estate	281,697,050	406,774,041	125,076,991
Securities lending collateral arrangements	61,028,944	61,028,944	–
Short-term investments	115,072,237	115,072,237	–
TOTAL INVESTMENTS	$ 2,681,009,241	$ 4,081,389,950	$ 1,400,380,709

Space and cost restrictions make it impractical to print the entire investment portfolio in this report. A portfolio listing is available for review at the System's office by appointment, upon request.

SCHEDULE 8: INVESTMENT EXPENSES, PROFESSIONAL SERVICES, AND ADMINISTRATIVE EXPENSES

	Year ended June 30,	
	2024	2023
INVESTMENT EXPENSE		
Custodial services*	$ 339,637	$ 812,467
Investment management services*	7,635,209	6,947,718
Consulting services*	834,000	879,833
Legal services*	38,940	44,143
Office and other operating costs	132,557	97,660
Other investment expenses	1,138,020	1,190,330
TOTAL INVESTMENT EXPENSES	$ 10,118,363	$ 9,972,151
PROFESSIONAL SERVICES		
Actuarial services*	$ 78,395	$ 87,419
Auditing*	40,500	59,000
Legal services*	27,507	82,518
Information technology consulting services*	600,270	595,602
Government representation*	366,310	360,560
Other professional services*	13,790	37,470
TOTAL PROFESSIONAL SERVICES	$ 1,126,772	$ 1,222,569
ADMINISTRATION EXPENSES		
Office and other operating costs	$ 1,939,470	$ 890,168
Insurance costs	307,758	305,503
Cost of staff and benefits	3,393,688	3,837,891
OPEB income	(722,032)	(621,587)
TOTAL ADMINISTRATION EXPENSES	$ 4,918,884	$ 4,411,975

*See details on next page.

SCHEDULE 9: SUMMARY OF COSTS OF INVESTMENT AND PROFESSIONAL SERVICES

INVESTMENT EXPENSES	YEAR ENDED JUNE 30, 2024	2023
INVESTMENT MANAGER FEES		
Baillie Gifford International LLC	$ 199,113	$ 184,330
Baillie Gifford Overseas Ltd.	448,083	528,578
BlackRock	233,889	210,017
Cohen & Steers Capital Management, Inc.	407,538	376,711
DePrince, Race and Zollo, Inc.	542,924	478,043
Globeflex Capital, LP	328,568	294,693
Invesco	516,327	574,631
Loomis, Sayles and Company, LP	–	35,917
Loop Capital LLC (formerly Smith Graham & Company)	221,829	256,876
Neumeier Investment Counsel, LLC	977,400	893,333
Polen Capital Credit, LLC	667,680	519,728
Pugh Capital Management	172,104	170,294
Salient Capital Advisors, LLC	–	311,082
Schroder Investment Management	262,476	211,888
State Street Global Advisors	350,405	388,412
T. Rowe Price Associates, Inc.	516,667	368,526
Tortoise Capital Advisors	996,797	798,259
Westwood Management Corp.	784,645	346,400
UBS Global Asset	8,764	–
TOTAL	$ 7,635,209	$6,947,718
CUSTODIAL SERVICES		
State Street Bank and Trust Company	$ 339,637	$ 812,467
INVESTMENT CONSULTING FEES		
Wilshire Associates, Incorporated	$ 284,000	$ 284,000
Cliffwater LLC	550,000	595,833
TOTAL	$ 834,000	$ 879,833
LEGAL SERVICES (INVESTMENT)		
DLA Piper LLP	$ 13,132	$ 369
Locke Lord LLP	25,807	43,774
TOTAL	$ 38,939	$ 44,143

PROFESSIONAL SERVICES	YEAR ENDED JUNE 30, 2024	2023
ACTUARY		
Gabriel, Roeder, Smith & Co.	$ 78,395	$ 87,419
AUDITING		
Moss Adams LLP	$ 40,500	$ 59,000
LEGAL SERVICES		
Baker Botts, LLP	$ 11,172	$ 59,227
Ice Miller, LLP	11,060	–
Jackson Walker, LLP	5,275	17,531
Locke Lord LLP	–	5,760
TOTAL	$ 27,507	$ 82,518
INFORMATION TECHNOLOGY SERVICES		
Segal Consulting	$ 600,000	$ 595,602
Centre Technologies, Inc.	270	–
TOTAL	$ 600,270	$ 595,602
GOVERNMENTAL REPRESENTATION		
HillCo Partners, LLC	$ 102,000	102,000
Locke Lord LLP	$ 222,310	234,060
Harris Law Firm	42,000	24,500
TOTAL	$ 366,310	$ 360,560
OTHER PROFESSIONAL SERVICES		
Edge Accountants and Advisors, LC	$ –	$ 4,125
Exam Coordinators Network	1,790	845
KLM Public Affairs, LLC	12,000	32,500
TOTAL	$ 13,790	$ 37,470

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