LAREDO FIREFIGHTERS RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF SEPTEMBER 30, 2012

MAY 14, 2013

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

May 14, 2013

Board of Trustees
Laredo Firefighters Retirement System
P.O. Box 3069
Laredo, Texas 78044

Members of the Board of Trustees:

At the request of the Board of Trustees of the Laredo Firefighters Retirement System, we have prepared this report of the results of an actuarial valuation of the system as of September 30, 2012. This valuation was prepared to determine whether the system has an adequate contribution arrangement. Section I of our report summarizes the valuation results and describes the data sources and assumptions used in the valuation. Section II shows the key results of the valuation and describes the reasons for the change in the amortization period from the previous valuation that we prepared. Section III explains special study considerations. The necessary information for the system's compliance with Governmental Accounting Standards Board (GASB) Statement No. 25 and the city's compliance with GASB Statement No. 27 is included as Exhibits 13 and 14.

We certify that we are members of the American Academy of Actuaries who meet Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

Sincerely,

Mark R. Fenlaw

Mark R. Fenlaw, F.S.A.

Rebecca B. Morris

Rebecca B. Morris, A.S.A.

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Section I

Laredo Firefighters Retirement System
Valuation Summary

An actuarial valuation of the assets and liabilities of the Laredo Firefighters Retirement System as of September 30, 2012 has been completed. The valuation was based on the Present Plan (plan effective February 9, 2012) and the provisions of the Texas Local Fire Fighters' Retirement Act (TLFFRA) which were in effect on September 30, 2012. Section II shows the summary of key results of the actuarial valuation as of September 30, 2012 and discusses the changes since the special study of the Present Plan that we prepared as of March 31, 2010.

This valuation is based on an actuarially assumed total contribution rate of 35.10%, comprised of 15.00% by the firefighters and 20.10% by the city. The total contribution rate of 35.10% exceeds the normal cost rate of 19.65%, leaving 15.45% available to amortize the unfunded actuarial accrued liability (UAAL) of $80,817,630. Assuming that the total payroll increases at the rate of 3.75% per year in the future, contributions in excess of the normal cost **will amortize the UAAL in 30 years.**

In order for a retirement plan to have an adequate contribution arrangement, contributions must be made that are sufficient to pay the plan's normal cost and to amortize the plan's UAAL over a reasonable period of time. Based on the Texas State Pension Review Board guidelines, our professional judgment, and the actuarial assumptions and methods used in making this valuation, we consider periods of 15 years to 25 years to be preferable and 40 years to be the maximum acceptable period. Since the total contributions are sufficient to pay the system's normal cost and to amortize the system's UAAL within the maximum acceptable period, we are of the opinion that the system, based on present levels of benefits and contributions, **has an adequate contribution arrangement. Section III presents considerations for special studies of benefit improvements.**

Projected Actuarial Valuation Results

In addition to completing this actuarial valuation, we estimated the amortization periods as of September 30, 2014 and as of September 30, 2016 by making projections from the September 30, 2012 actuarial valuation. These projections examine the effect on the amortization period in the next two actuarial valuations of the actuarial investment gains and losses that the system experienced in the four years prior to the valuation date (losses in 2009 and 2011 and gains in 2010 and 2012) that have been only partially recognized as of September 30, 2012. As shown in Exhibit 6, a smoothing method is used to determine the actuarial value of assets (AVA) for this valuation. This method phases in over a five-year period any investment gains or losses (net actual investment return greater or less than the actuarially assumed investment return) that the system has had. The AVA used in this current valuation is deferring recognition of various portions of the gains and losses in 2009-2012 that the fund experienced. The AVA used in this valuation is

$95,140,202. The market value of assets is $93,768,384. The $1,371,818 difference between the market value and the AVA is the net of the deferred gains and losses that will be recognized in the next two actuarial valuations.

For the purpose of projecting the amortization period through 2016, we used six scenarios of various assumed annual rates of investment return, net of expenses, over the 2013-2016 projection period. The projected amortization periods will not be the same as the actual amortization periods from completed future actuarial valuations but are the result of projected future actuarial valuation results based on the completed September 30, 2012 actuarial valuation. These projections show the expected effects over the next four years after the valuation date (1) of the recognition of the portions of the past investment gains and losses over the past four years that are deferred as of September 30, 2012, and (2) of investment returns over the next four years following September 30, 2012 different from the 8% assumption used in this valuation.

	Scenario					
	1	2	3	4	5	6
Assumed Investment Return for Fiscal Year						
2012-2013	8%	20%	10%	12%	12%	10%
2013-2014	8	20	10	12	4	3
2014-2015	8	8	10	12	4	10
2015-2016	8	8	10	12	4	3
2016-2017 and later	8	8	8	8	8	8
Amortization Period in Years as of September 30:						
2012 (actual)	29.8	29.8	29.8	29.8	29.8	29.8
2014 (projected)	28.3	21.7	27.5	26.7	27.7	28.9
2016 (projected)	26.3	16.5	23.6	21.2	27.6	27.5

The projected future September 30, 2014 valuation reveals in Scenario 1 that instead of decreasing by the expected two years from 29.8 years to 27.8 years, the amortization period is projected to decrease to 28.3 years primarily due to the significant loss from 2011 being more than the sum of the gains from 2010 and 2012. The primary conclusion from Scenario 1 is that the remaining deferred 2011 loss as of September 30, 2012 will prevent the amortization period from decreasing the expected two years as of September 30, 2014 without an investment gain in the two years between those two dates.

Is it realistic to expect that the market value rate of return could be high enough in 2013 and 2014 to lower the amortization period below 25 years? Scenario 2 in the table helps answer this question by showing the projected amortization periods in the next two valuations based on an annual assumed investment experience of 20% over the next two plan years, with the assumed 8% each year thereafter. Those are the minimum equal rates of return in the next two years required to get the amortization period enough under 25 years as of September 30, 2014 to consider a small benefit improvement.

Scenarios 3 and 4 illustrate the effects of four years of consistent investment returns above 8%. Comparing the amortization period of the projected 2016 valuation of Scenario 4 to that of Scenario 1 indicates about a five-year reduction from the 12% per year returns.

Scenario 5 illustrates the effects of an investment return above 8% in the current year combined with three years of returns below 8%. Similarly, Scenario 6 shows how an investment return above 8% in the current year would be more than offset by the pattern over the next three years of an investment loss (3% return), an investment gain (10% return), and another investment loss (3% return). In both scenarios, the projected 2016 amortization period would stay above that in Scenario 1.

We do not know what the investment experience will be for each of the next four plan years. However, these scenarios, except for Scenario 2, present a range of plausible investment experience scenarios for the next valuations assuming no changes in benefits. The key potential favorable experience, in addition to the investment experience, will be whether the number of firefighters will increase and whether the number of firefighters retiring will be less than expected.

Variations in experience from the underlying assumptions, other than investment return, will cause the actual amortization periods to be different from the periods shown above. In addition, the future investment experience in each of the next four years could be better or worse than the assumed rates shown. However, the primary conclusion from the scenarios is that it is unlikely the amortization period in the next two actuarial valuations will be enough below 25 years to consider any benefit improvements. Section III presents other considerations for benefit improvements.

Participant and Asset Data

We have relied on and based our valuation on the active firefighter data, pensioner data, and asset data provided on behalf of the board of trustees by the system's administrator, Mr. Jaime Jasso. We have not audited the data provided but have reviewed it for reasonableness and consistency relative to the data provided for the prior actuarial valuation. Exhibit 1 is a distribution of the active firefighters by age and service. The salaries used for projecting future contributions and benefits in the valuation were based on the actual pay for the 2012 plan year increased by 3.25% (or 2.00% for a few) to reflect the general pay increase in October 2012. For the cadets who started in October 2012, we used the annual pay scheduled for the city fiscal year that began October 1. The total of these salaries is our assumed annualized covered payroll for the plan year beginning October 1, 2012 and is used in the valuation to determine the UAAL amortization period. The averages of the assumed salaries for the 2013 plan year are shown in Exhibit 1.

Exhibit 2 contains summary information on the pensioners. The monthly benefit payments are generally based on the amounts paid October 31, 2012. Exhibit 2A is a reconciliation of firefighters and pensioners from March 31, 2010 to September 30, 2012. Exhibit 3 shows a breakdown of the dollar level of the monthly benefits for retirees and surviving spouses. Exhibit 4 shows a historical comparison of the actuarial accrued liability and the actuarial value of assets.

The summary of assets contained in Exhibit 5 is based on the September 30, 2012 market value of assets contained in the 2012 Annual Report to the Texas Fire Fighters' Pension Commission. This exhibit also shows a comparison of the market values and actuarial values of assets as of March 31, 2010 and September 30, 2012. Exhibit 6 shows the development of the actuarial value of assets. Exhibit 7 shows a historical comparison between the market value and actuarial value of assets. A comparison of the market value asset allocation by asset class as of March 31, 2010 and September 30, 2012 is shown in Exhibit 8.

Assumptions

We selected actuarial assumptions we considered to be appropriate for the system with respect to future rates of investment return, withdrawal, death, disability, service retirement, salary increases of firefighters, and aggregate future firefighter payroll increases for this valuation. Significant actuarial assumptions used in the valuation are:

1. 8.00% annual investment return (interest rate) net of investment-related expenses;
2. 3.75% general annual pay (salary) increase plus an average of 1.89% per year for pay increases due to promotions and longevity over a 30-year career;
3. Retirement rates which result in an average expected age at retirement of 53.6; and
4. RP-2000 Mortality Tables projected to 2014.

The following actuarial assumption and method changes have been made and are compared to those used in the March 31, 2010 valuation:

1. We changed to a more common method for determining the actuarial value of assets (AVA). It adjusts the market value of assets (MVA) by uniformly spreading investment gains and losses over a five-year period, with corridor limits so that the AVA will not be less than 90% of MVA nor greater than 110% of MVA.
2. The prior valuation included a set of assumptions about military service purchase. We eliminated those assumptions and will recognize the very small effect of military service purchase after it actually occurs.
3. Prior valuations used mortality assumptions that assumed all active and retired firefighters were male and all spouses were female. We changed in this valuation to begin using the actual gender of each firefighter, retiree, spouse, and surviving child. This change had virtually no effect on the aggregate results.

A summary of all the assumptions and methods used in the valuation is shown in Exhibits 9 and 10. In our opinion, the assumptions used, both in the aggregate and individually, are reasonably related to the experience of the system and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the system over the long-term future, and their selection complies with the applicable actuarial standards of practice.

Supporting Exhibits

Exhibit 11 contains definitions of terms used in this actuarial valuation report. Exhibit 12 summarizes the plan provisions of the Present Plan. The disclosures in accordance with GASB Statement No. 25 are enclosed as Exhibit 13. This information will be needed for the system's financial statements. The disclosures in accordance with GASB Statement No. 27 are enclosed as Exhibit 14. The GASB 27 disclosures will be needed for the city's financial statements.

Variability in Future Actuarial Measurement

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the current economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements;
- Changes in economic or demographic assumptions; and
- Changes in plan provisions.

Analysis of the potential range of such future measurements resulting from the possible sources of measurement variability is typically outside the scope of an actuarial valuation. However, we provided projected amortization periods for the next two biennial actuarial valuations under six scenarios. Additional sensitivity analysis could be performed in a subsequent report if desired by the board of trustees.

Respectfully submitted,
RUDD AND WISDOM, INC.

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Section II

Laredo Firefighters Retirement System
Key Results of the Actuarial Valuation

	March 31, 2010[1]	September 30, 2012
1. Actuarial present value of future benefits		
a. Those now receiving benefits or former firefighters entitled to receive benefits	$ 43,844,487	$ 68,671,778
b. Active firefighters	153,873,349	181,893,359
c. Total	$ 197,717,836	$ 250,565,137
2. Actuarial present value of future normal cost contributions	$ 56,126,867	$ 74,607,305
3. Actuarial accrued liability (Item 1c – Item 2)	$ 141,590,969	$ 175,957,832
4. Actuarial value of assets	$ 84,625,644	$ 95,140,202
5. Unfunded actuarial accrued liability (UAAL) (Item 3 - Item 4)	$ 56,965,325	$ 80,817,630
6. Contributions (percent of payroll)		
a. Firefighters	15.00%	15.00%
b. City of Laredo	20.10%	20.10%
c. Total	35.10%	35.10%
7. Normal cost (percent of payroll)	19.41%	19.65%
8. Percent of payroll available to amortize the UAAL (Item 6c - Item 7)	15.69%	15.45%
9. Annualized covered payroll	$ 25,715,241	$ 30,993,969
10. Present annual amount available to amortize the UAAL (Item 8 x Item 9)	$ 4,034,721	$ 4,788,568
11. Years to amortize the UAAL	23.0 [2]	29.8 [3]
12. GASB 27 funded ratio (Item 4 ÷ Item 3)	59.8%	54.1%

[1] All items reflect the Present Plan and are from a special study as of March 31, 2010.

[2] Calculated reflecting (a) the increase in the city contribution rate from 17.65% to 20.10% in four steps beginning in June 2011 and finishing October 2013 and (b) the increase in the firefighter contribution rate from 14% to 15% in three steps beginning October 2011 and finishing October 2013.

[3] Calculated reflecting (a) the increase in the city contribution rate from 18.40% October 2012 to 20.10% October 2013 and (b) the increase in the firefighter contribution rate from 14.66% October 2012 to 15.00% October 2013.

Change in Amortization Period

The amortization period, based on the Present Plan provisions, was determined in the special study based on the actuarial valuation as of March 31, 2010 to be 23.0 years. Since two and a half years have passed since that valuation date, a 20.5-year amortization period would be expected if all actuarial assumptions had been exactly met, no changes had occurred (other than those expected) in the firefighter and pensioner data and no changes in assumptions had been made. The amortization period is now 29.8 years based on the same plan provisions. The actual experience occurring between March 31, 2010 and September 30, 2012 differed from the expected experience, and in combination with one change in an actuarial method and two minor changes in actuarial assumptions, the resulting amortization period was 29.8 years, which is 9.3 years more than the expected 20.5-year period for the following reasons:

1. The average annual rate of investment return, net of all expenses, on the market value of assets during the two and a half years from March 31, 2010 to September 30, 2012 was 6.1%. However, the actuarial value of assets (AVA) used in the valuation and the determination of the amortization period is based on an adjusted market value. The average annual rate of return on the AVA, net of all expenses, for the two and a half years from March 31, 2010 to September 30, 2012 was 5.2% compared to the assumed rate of return of 8.00%. This caused an **increase** in the amortization period of 3.8 years.

2. The aggregate payroll increased at an average rate of 7.75% per year instead of the assumed 3.75%, which **decreased** the amortization period by 3.5 years. Part of the payroll growth in excess of 3.75% was due to greater-than-expected increases in salaries, and part due to growth in number of firefighters.

3. The net result of all experience other than the investment experience and the aggregate payroll experience had the combined effect of **increasing** the amortization period by 5.5 years. This increase was primarily the result of some unfavorable experience, more retirees than expected, and greater-than-expected total salary increases.

4. The result of the change in the actuarial value of assets method and two minor changes in actuarial assumptions had the effect of **increasing** the amortization period by 3.5 years.

Contribution Rate for the Death Benefit Fund

The 2005 firefighter election and board approval established a Death Benefit Fund effective July 1, 2005. This fund is a separate account within the system used to pay lump sum death benefits. The Death Benefit Fund is funded by a portion of the city's total contribution rate. As a part of the March 31, 2010 actuarial valuation, the city contribution needed for the Death Benefit Fund was determined to be 0.23% of payroll. As a part of this September 30, 2012 actuarial valuation, the city contribution needed for the Death Benefit Fund has been determined to be 0.20% of payroll. We recommend this new rate be effective October 1, 2013, which is the beginning of the next plan year.

The remainder of the city's contribution will be used for the system's liabilities excluding the lump sum death benefits. The 0.20% city contribution rate is comprised of the normal cost percentage plus an additional amount to amortize the unfunded actuarial accrued liability (UAAL) for only the lump sum death benefits over 20 years as shown below. The amortization of this UAAL is determined as a level percentage of payroll assuming that the payroll will increase 3.75% per year.

Allocated City Contribution Effective October 1, 2013 for the Death Benefit Fund	
Normal cost	0.06%
20-year amortization of unfunded actuarial accrued liability	0.14
Total city contribution rate allocated to the Death Benefit Fund as of October 1, 2013	0.20%

The 0.20% city contribution rate was determined using the same funding method and actuarial assumptions used in the September 30, 2012 actuarial valuation for the system. In particular, the entry age actuarial cost method was used with the normal cost determined as a level percentage of payroll. The decrease in the contribution rate from 0.23% to 0.20% was due primarily to the facts that the benefits are fixed dollar amounts and the calculated contribution rate is a percent of payroll that increased more than expected. The following is a summary of the actuarial valuation results of the liabilities for the lump sum death benefits.

Actuarial Valuation Results of the Death Benefit Fund as of September 30, 2012	
1. Actuarial present value of future benefits	
a. Current retired members and spouses	$ 550,156
b. Current active members	402,072
c. Total	$ 952,228
2. Actuarial present value of future normal cost contributions	$ 197,745
3. Actuarial accrued liability (Item 1c – Item 2)	$ 754,483
4. Assets of fund	$ 178,574
5. Unfunded actuarial accrued liability (Item 3 – Item 4)	$ 575,909

Section III

Laredo Firefighters Retirement System
Special Studies

The results of this actuarial valuation as of September 30, 2012 reveal that the system, based on the Present Plan of benefits, has an adequate contribution arrangement. As disclosed in both Sections I and II, the amortization period of the UAAL is 30 years. With an amortization period of 30 years, we are not willing to give the actuarial approval required by the provisions of Section 7 of the Texas Local Fire Fighters' Retirement Act (TLFFRA), shown below, to increase benefits unless there is an adequate increase in the total contributions. In recent years, we have been willing to approve increases in benefits that would usually increase the amortization period to 25 years.

Benefit improvements may be made to the plan in accordance with Section 7 of TLFFRA, as amended June 15, 2007. Section 7(a), 7(b) and 7(c) are shown below.

> "(a) The board of trustees of a retirement system may change the benefits or eligibility requirements for benefits payable from the retirement system, may provide for reinstatement by a member of service credit previously forfeited, and may adopt or change other requirements for the payment of benefits, except as otherwise prohibited by this Act.
>
> (b) Before a board of trustees chooses to adopt or change a benefit or requirement for payment of benefits under this section, the proposed addition or change must be approved by:
>
> (1) an eligible actuary selected by the board; and
>
> (2) a majority of the participating members of the retirement system voting by secret ballot at an election held for that purpose at which at least 50 percent of all participating members of the retirement system vote.
>
> (c) To be eligible to approve an addition or change under this section, an actuary must be either a fellow of the Society of Actuaries or a member of the American Academy of Actuaries."

Two years ago the plan was amended so that the additional 1% of contributions by the firefighters being added in three steps may not be considered for future funding of any benefit improvements. In other words, the amortization period must be below 25 years assuming only a 14% contribution rate by the firefighters in future years. With the current level of benefits, assets, and contribution rates, the actual valuation reflecting future contributions of 15% would have to have an amortization period below 23 years in order for the 14% future contributions to result in an amortization period below 25 years.

We are not able to approve any increases in benefits at this time because the amortization period of the UAAL exceeds 25 years. The results of projections we made based on our September 30, 2012 actuarial valuation of the fund, shown on page 2, indicated that even without any increases in benefits, the adverse investment experience in 2011 is expected to keep the amortization period above 25 years for the next actuarial valuation.

In addition to favorable investment experience, there are several other things that would help to reduce the amortization period.

- An increase in the number of firefighters
- A decrease in the amount of overtime compensation
- Firefighters working to a higher age
- Plan provision amendment to use consecutive pay periods in determining final average compensation

Exhibit 1

Laredo Firefighters Retirement System
Distribution of Firefighters by Age and Service on September 30, 2012
with Average Annual Salary

Years of Service	Age: Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 or Over	Total	Average Salary
0	24	4	4	1	0	0	0	0	0	33	$ 45,803
1	14	20	5	0	0	0	0	0	0	39	46,989
2	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0	0	0
4	5	13	0	2	0	0	0	0	0	20	73,480
5	1	6	7	1	0	0	0	0	0	15	72,310
6	0	0	0	0	0	0	0	0	0	0	0
7	0	7	9	5	0	0	0	0	0	21	77,031
8	0	0	0	0	0	0	0	0	0	0	0
9	0	0	0	0	0	0	0	0	0	0	0
10	0	3	30	22	7	0	0	0	0	62	78,709
11	0	0	0	0	0	0	0	0	0	0	0
12	0	0	2	6	4	0	0	0	0	12	85,786
13	0	0	3	13	8	1	0	0	0	25	91,001
14	0	0	0	3	1	0	0	0	0	4	87,505
15	0	0	1	8	4	2	0	0	0	15	96,502
16	0	0	0	0	1	0	0	0	0	1	61,950
17	0	0	0	7	11	5	2	0	0	25	99,530
18	0	0	0	5	11	2	2	0	0	20	98,520
19	0	0	0	1	6	0	3	0	0	10	104,103
20-24	0	0	0	0	28	16	6	4	0	54	105,418
25-29	0	0	0	0	0	4	10	1	1	16	103,856
30-34	0	0	0	0	0	0	2	3	0	5	116,022
35-39	0	0	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0	0	0
Totals	44	53	61	74	81	30	25	8	1	377	$ 82,212
Average Salary	$49,899	$61,773	$74,453	$86,816	$97,618	$106,691	$98,813	$112,002	$84,278		

Average Age	36.4
Average Years of Service	11.9
Average Age at Hire	24.5

Exhibit 2

Laredo Firefighters Retirement System
Summary of Pensioners

Type of Pensioner	Pensioners in September 30, 2012 Valuation	
	Number of Recipients	Total Monthly Benefit Payments
Service Retirement*	93	$464,177
Disability Retirement	4	10,384
Vested Terminated	0	0
Surviving Spouse	32	66,554
Surviving Child	4	1,279
Total	133	$542,394

Type of Pensioner	Comparison of Number of Pensioners by Type as of the Prior and Current Actuarial Valuations			
	March 31, 2010	New	Ceased	Sept. 30, 2012
Service Retirement*	68	+32	-7	93
Disability Retirement	3	+1	0	4
Vested Terminated	0	0	0	0
Surviving Spouse	32	+4	-4	32
Surviving Child	6	0	-2	4
Total	109	+37	-13	133

* Alternate payees are not included in the number of recipients, but the total monthly payments reflect the total benefits including the payments made to alternate payees.

Exhibit 2A

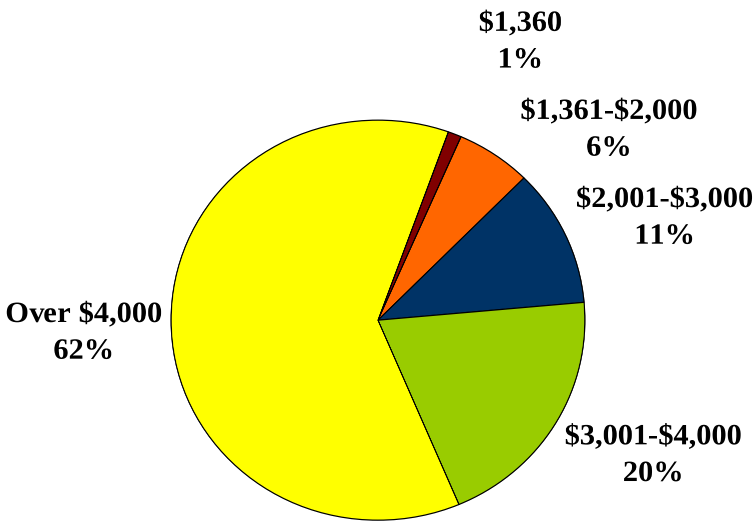
Laredo Firefighters Retirement System
Firefighter and Pensioner Reconciliation

	Firefighters	Current Payment Status	Vested Terminated Firefighters	Total
1. As of March 31, 2010	342	109	0	451
2. Change of status				
a. retirement	(32)	32	0	0
b. disability	(1)	1	0	0
c. death	0	(7)	0	(7)
d. withdrawal	(4)	0	0	(4)
e. vested termination	0	0	0	0
f. completion of payment	0	(2)	0	(2)
g. data correction	0	0	0	0
h. QDRO handling	0	0	0	0
i. net changes	(37)	24	0	(13)
3. New firefighters	72	0	0	72
4. As of September 30, 2012	377	133	0	510

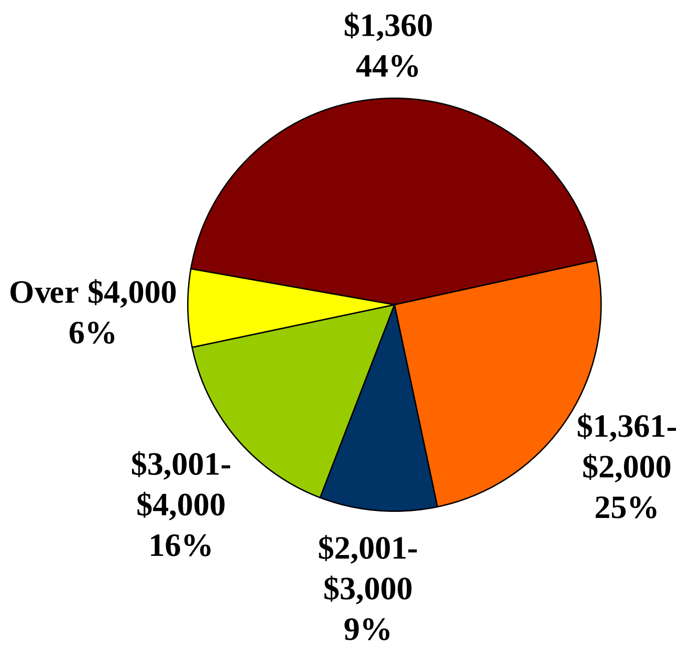
Exhibit 3

Laredo Firefighters Retirement System
Breakdown of Pensioners by Monthly Benefit Amounts as of September 30, 2012

Retirees



Surviving Spouses



$1,360 | $1,361-$2,000 | $2,001-$3,000 | $3,001-$4,000 | Over $4,000

Exhibit 4

Laredo Firefighters Retirement System
Historical Comparison of Actuarial Accrued Liability and Actuarial Value of Assets
(Valuations as of March 31 through 2010; as of September 30, 2012)

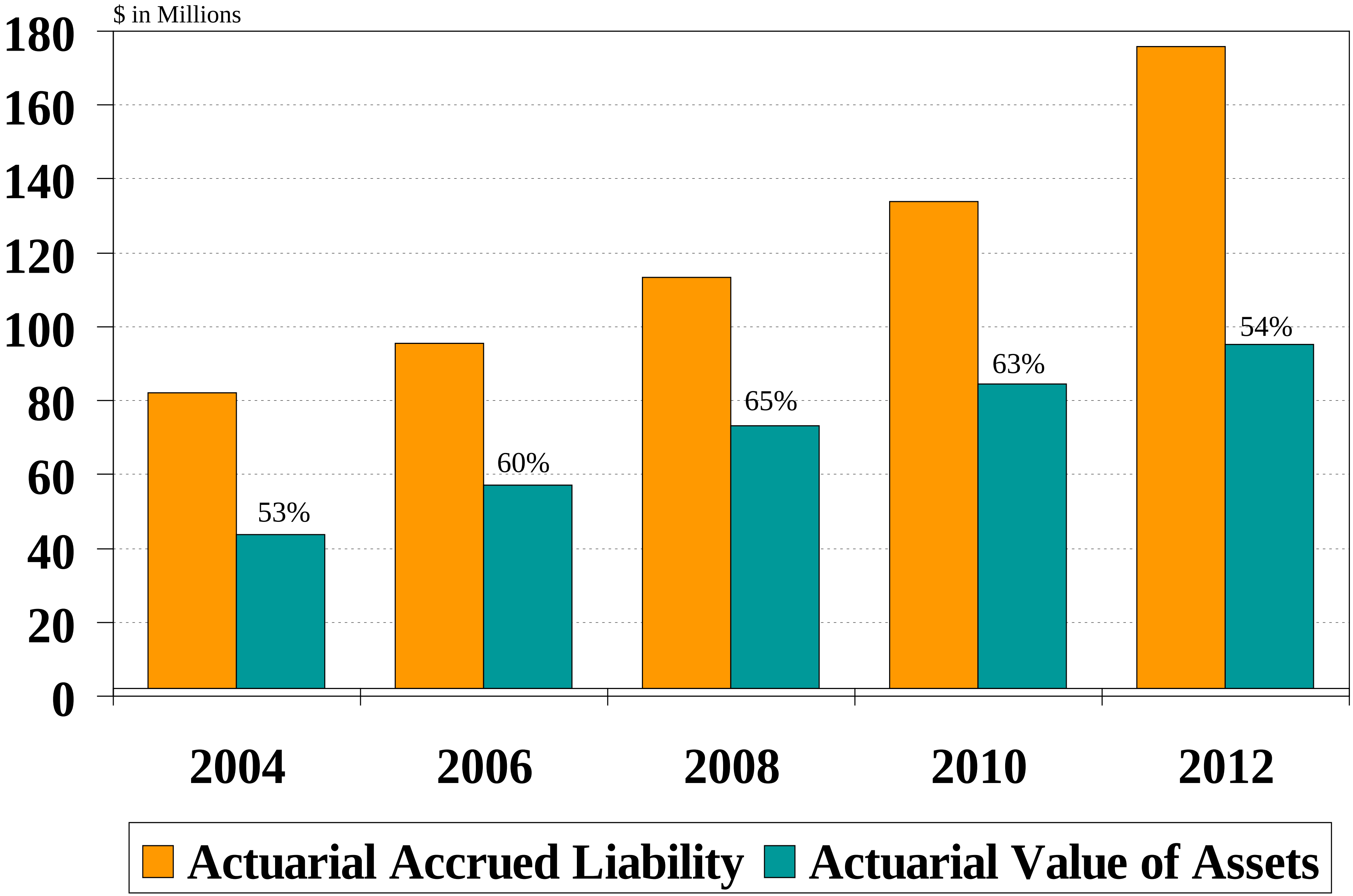


Exhibit 5

Laredo Firefighters Retirement System
Summary of Asset Data

Asset Type	Market Value of Assets as of September 30, 2012	Allocation as a Percent of Grand Total
Equities		
Large Cap	$15,000,000	16.0%
Mid Cap	9,100,000	9.7
Small Cap	11,300,000	12.1
International Developed	11,300,000	12.0
International Emerging	9,100,000	9.7
Total	55,800,000	59.5
Fixed Income	18,900,000	20.2
Hedge Funds	13,700,000	14.6
Real Estate (REIT)	4,900,000	5.2
Cash and Equivalents	468,384	0.5
Grand Total	$93,768,384	100.0%

Comparison of Asset Values as of the Prior and Current Actuarial Valuation Dates		
	March 31, 2010	September 30, 2012
Market Value	$76,932,404	$93,768,384
Actuarial Value	$84,625,644	$95,140,202
Actuarial Value as a Percent of Market Value	110.0%	101.5%

Exhibit 6

Laredo Firefighters Retirement System
Development of Actuarial Value of Assets

Calculation of Actuarial Investment Gain/(Loss) Based on Market Value for Fund Years	Fund Year Ending September 30 2012	2011	2010	2009
1. Market Value of Assets as of beginning of year	$ 84,080,924	$ 80,726,168	$ 70,073,434	$ 65,366,441
2. Firefighter Contributions	4,182,811	3,667,573	3,661,872	3,548,704
3. City Contributions	5,311,893	4,644,823	4,616,573	4,392,773
4. Benefit Payments and Contribution Refunds	(8,812,627)	(6,696,642)	(4,895,080)	(4,035,255)
5. Expected Investment Return*	6,753,232	6,521,480	5,738,606	5,382,558
6. Expected Market Value of Assets as of end of year	$ 91,516,233	$ 88,863,402	$ 79,195,405	$ 74,655,221
7. Actual Market Value of Assets as of end of year	93,768,384	84,080,924	80,726,168	70,073,434
8. Actuarial Investment Gain/(Loss)	$ 2,252,151	$ (4,782,478)	$ 1,530,763	$ (4,581,787)
9. Market Value Rate of Return Net of Expenses	10.7%	2.1%	10.1%	1.2%
10. Rate of Actuarial Investment Gain/(Loss)	2.7%	(5.9)%	2.1%	(6.8)%

* Assuming (1) uniform distribution of contributions and payments during the plan years and (2) expected rate of return of 8% net of expenses.

Deferred Actuarial Investment Gains/(Losses) to be Recognized in Future Years

Fund Year	Investment Gain/(Loss)	Deferral Percentage	Deferred Gain/(Loss) as of 9/30/2012
2012	$ 2,252,151	80%	$ 1,801,721
2011	(4,782,478)	60%	(2,869,487)
2010	1,530,763	40%	612,305
2009	(4,581,787)	20%	(916,357)
Total			$ (1,371,818)

Actuarial Value of Assets as of September 30, 2012

11. Market Value of Assets as of September 30, 2012	$ 93,768,384
12. Deferred Gain/(Loss) to be recognized in future	(1,371,818)
13. Preliminary Value (Item 11 – Item 12)	$ 95,140,202
14. Corridor for Actuarial Value of Assets	
a. 90% of Market Value as of Sept. 30, 2012 (minimum)	$ 84,391,546
b. 110% of Market Value as of Sept. 30, 2012 (maximum)	$ 103,145,222
15. Actuarial Value as of September 30, 2012	$ 95,140,202
16. Write up/(down) of assets (Item 15 – Item 11)	$ 1,371,818

Exhibit 7

Laredo Firefighters Retirement System
Historical Comparison of Market and Actuarial Value of Assets
(Valuation as of March 31 through 2010; as of September 30, 2012)

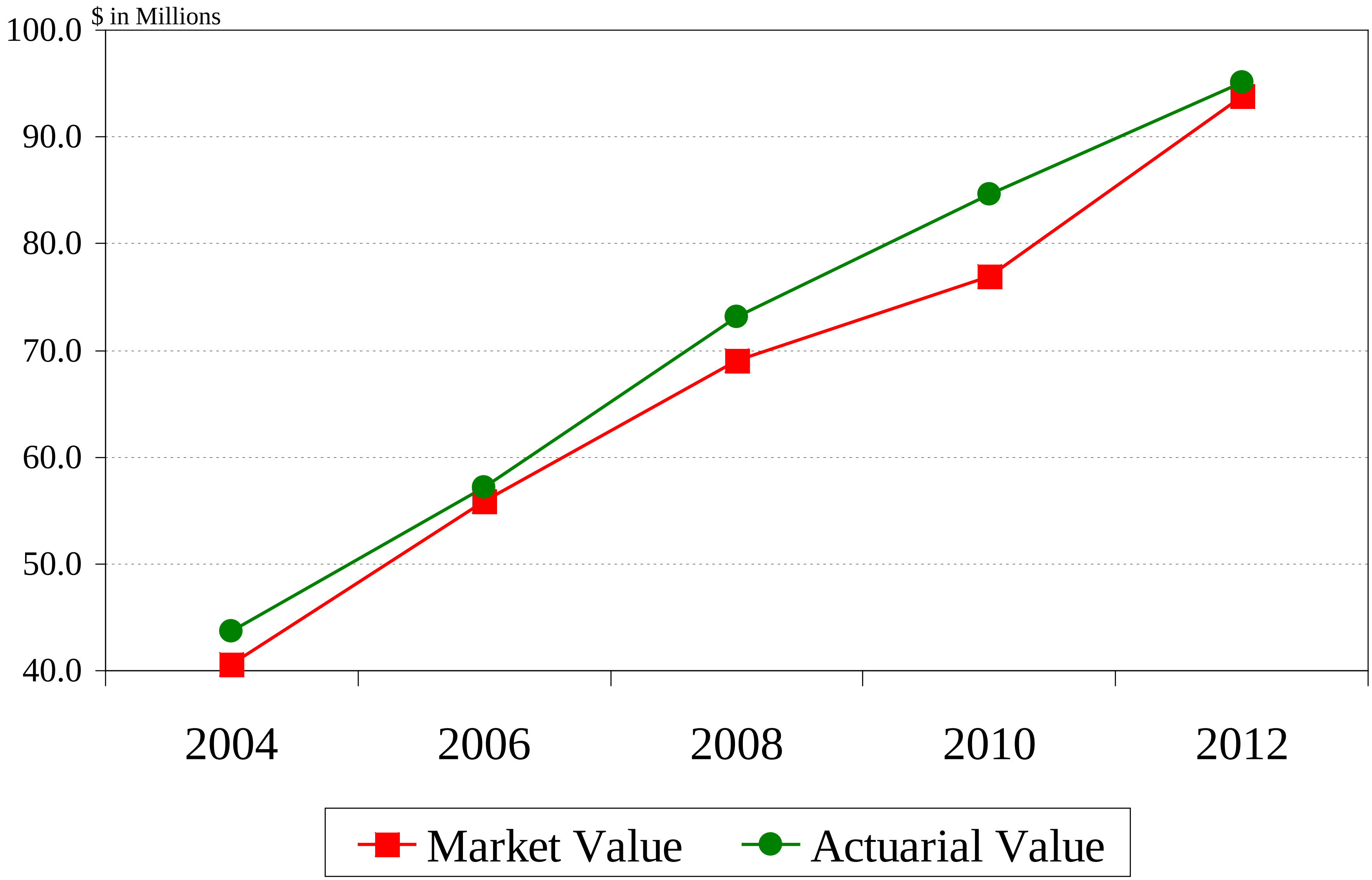
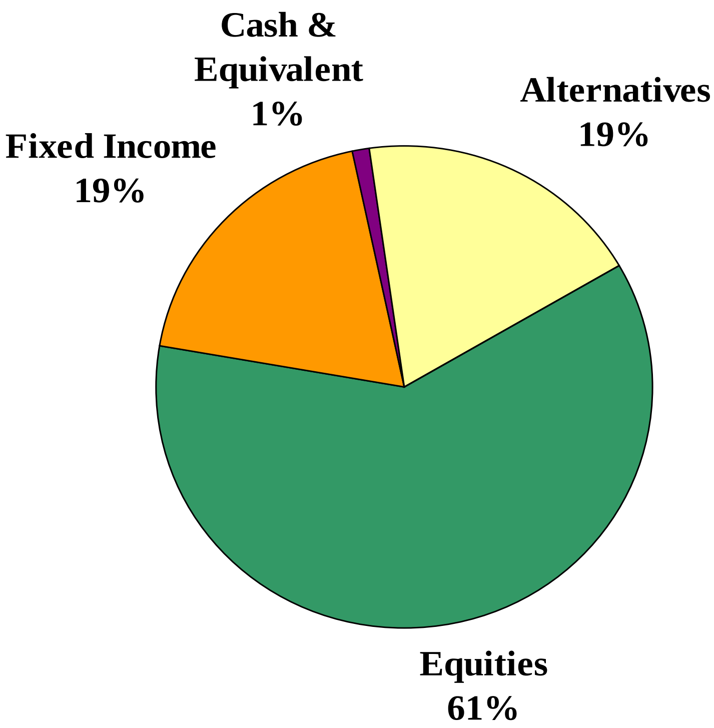


Exhibit 8

Laredo Firefighters Retirement System
Comparison of Market Value Asset Allocation as of the Prior and Current Actuarial Valuation Dates

March 31, 2010



September 30, 2012

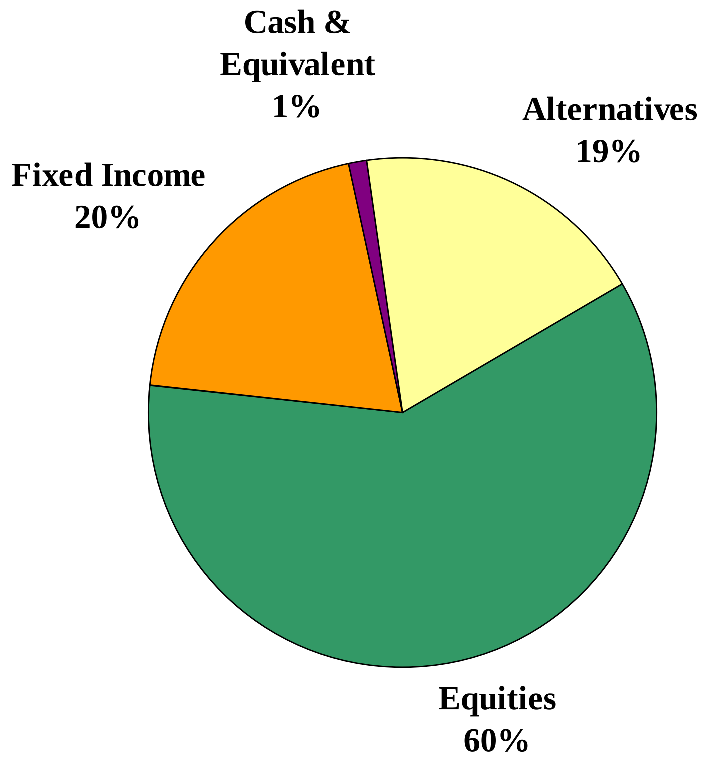


Exhibit 9

Laredo Firefighters Retirement System
Actuarial Methods and Assumptions

1. Actuarial Cost Method	Entry Age Actuarial Cost Method*
2. Amortization of Unfunded Actuarial Accrued Liability	The unfunded actuarial accrued liability is assumed to be amortized with level percentage of payroll contributions (total contribution rate less normal cost contribution rate) based on payroll growth of 3.75% per year.
3. Actuarial Value of Assets Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial gains or losses (as measured by actual market value investment return vs. expected market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value will not be less than 90% or more than 110% of the market value of assets. See Exhibit 6.
4. Investment Return Assumption Net of Expenses	8.00% per year
5. Inflation	3.75% per year
6. Mortality Rates (a) Pre-retirement (b) Post-retirement (c) Post-disability	RP-2000 Combined Healthy Mortality Table projected to 2014 for males and for females (sex distinct) for all three categories
7. Pay (Salary) Increase Assumption	Annual rates from 3.75% to 11.01% (3.75% per year in addition to approximately 1.89% per year average pay increases due to promotion and longevity over a 30-year career). See Exhibit 10.
8. Retirement Rates	15% per year of firefighters eligible to retire at ages 50-52, 25% at age 53, 35% at ages 54-57, and 31% per year at ages 58-59, with a rate of 100% at age 60, resulting in an average retirement age of 53.6.
9. RETRO DROP	Firefighters eligible to retire with at least a 12-month lump sum will elect the most valuable benefit for which they are eligible between the standard benefit and the RETRO DROP benefit with either a 12-month lump sum or a 24-month lump sum. Value will be measured by the present value of benefits.

* Under this method the actuarial present value of projected benefits for each firefighter included in the valuation is allocated as a level percentage of the earnings of the firefighter between age at hire and termination. Service is assumed to be continuous.

Exhibit 9 (continued)

Laredo Firefighters Retirement System
Actuarial Methods and Assumptions

10. Withdrawal Rates	See Exhibit 10.
11. Disability Rates	See Exhibit 10; 50% of rates are assumed on-duty, 50% of rates are assumed off-duty.
12. Reduction in Benefit after 2½ Years of Disability Retirement	No reduction in benefit 25% 25% reduction in benefit 20 50% reduction in benefit 20 75% reduction in benefit 20 Benefit terminated 15 100%
13. Percent Married	85% of the firefighters are assumed to be married at retirement, disability, or death while employed and have a spouse two years younger
14. Payment Form for Retirement Benefits Due to Service Retirement, Disability Retirement, or Vested Termination	• Joint and 2/3 to surviving spouse for the 85% assumed to be married • Life annuity for the 15% assumed to be single To the extent optional forms of payment are elected and the amounts are determined under an actuarial basis which differs from the basis used in the valuation, actuarial gains or losses will occur. These gains or losses are expected to be very small and will be recognized through the valuation process for those retiring since the prior valuation who made an optional election.
15. Surviving Child's Death Benefit	None are assumed as a result of future deaths.
16. Firefighter's Assumed Contribution Rate (percent of covered pay)	15.00% October 2013, 14.66% for year before
17. City's Assumed Contribution Rate (percent of covered payroll)	20.10% October 2013, 18.40% for year before
18. Increase in Future Pay-Related Benefits Due to Definition of Average Salary and Compensation Practices	0.70% for RETRO DROP benefits 1.95% for all other benefits
19. Covered Payroll for First Year Following Valuation Date	Annualized actual pay for fiscal year 2011-2012 for the active firefighters as of September 30, 2012, increased to reflect the pay schedule increase that was effective in October 2012 (3.25% for most, 2.00% for a few). Added in scheduled cadet annual pay for cadets who started in Oct. 2012.

Exhibit 10

Laredo Firefighters Retirement System
Disability, Mortality and Withdrawal Rates per 1,000 Active Members
Salary Rate of Increase from Year t-1 to Year t

	Disability and Mortality Rates			Withdrawal Rates		Salary Increase	
		Male Mortality					
Attained Age	Disability*	On-Duty	Off-Duty	Years of Service	Rate	Years of Service	Rate
20	0.14	0.125	0.139	0	18	1	11.01%
21	0.15	0.130	0.147	1	16	2	11.01
22	0.16	0.134	0.154	2	14	3	11.01
23	0.17	0.139	0.163	3	13	4	11.01
24	0.18	0.143	0.170	4	11	5	11.01
25	0.19	0.147	0.180	5	9	6	6.86
26	0.21	0.153	0.194	6	8	7	6.86
27	0.23	0.153	0.203	7	7	8	6.86
28	0.25	0.154	0.212	8	6	9	6.86
29	0.28	0.153	0.231	9	6	10	6.86
30	0.31	0.159	0.255	10	5	11	5.31
31	0.35	0.172	0.293	11	4	12	5.31
32	0.40	0.186	0.338	12	4	13	5.31
33	0.45	0.200	0.388	13	3	14	5.31
34	0.49	0.216	0.438	14	3	15	5.31
35	0.52	0.227	0.494	15	3	16	3.75
36	0.54	0.226	0.548	16	3	17	3.75
37	0.57	0.237	0.606	17	2	18	3.75
38	0.62	0.237	0.649	18	2	19	3.75
39	0.73	0.231	0.694	19	2	20	3.75
40	0.92	0.218	0.746	20 & Over	0	21	3.75
41	1.14	0.211	0.795			22	3.75
42	1.32	0.203	0.853			23	3.75
43	1.48	0.200	0.913			24	3.75
44	1.73	0.195	0.985			25	3.75
45	2.09	0.186	1.070			26	3.75
46	2.55	0.185	1.142			27	3.75
47	2.98	0.179	1.224			28	3.75
48	3.34	0.171	1.313			29	3.75
49	3.62	0.169	1.400			30	3.75
50	3.79	0.162	1.496			31	3.75
51	3.92	0.170	1.702			32	3.75
52	4.04	0.168	1.843			33	3.75
53	4.24	0.171	2.027			34	3.75
54	4.56	0.174	2.235			35	3.75
55	0.00	0.186	2.584			36	3.75
56	0.00	0.208	3.049			37	3.75
57	0.00	0.227	3.464			38	3.75
58	0.00	0.248	3.959			39	3.75
59	0.00	0.261	4.482			40	3.75

*Applicable when not eligible for service retirement. The on-duty and off-duty rates are 50% of the total.

Exhibit 11

Laredo Firefighters Retirement System
Definitions

1. Actuarial Accrued Liability	That portion, as determined by the particular actuarial cost method used, of the Actuarial Present Value of future pension plan benefits as of the Valuation Date that is not provided for by the Actuarial Present Value of future Normal Costs.
2. Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, termination, disablement and retirement; changes in compensation; rates of investment earnings and asset appreciation; and other relevant items.
3. Actuarially Equivalent	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
4. Actuarial Gain (Loss)	A measure of the difference between actual experience and that expected based on the Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with the particular actuarial cost method used.
5. Actuarial Present Value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date (the Valuation Date) by the application of the Actuarial Assumptions.
6. Actuarial Valuation	The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values for a pension plan.
7. Actuarial Value of Assets	The value of cash, investments and other property belonging to a pension plan, as determined by a method and used by the actuary for the purpose of an Actuarial Valuation.
8. Entry Age Actuarial Cost Method	An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated as a level percentage of earnings between entry age and assumed termination. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.

Exhibit 11 (continued)

Laredo Firefighters Retirement System
Definitions

	The portion of this Actuarial Present Value not provided for at a Valuation Date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability. Under this method, Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.
9. Plan Year	A 12-month period beginning October 1 and ending September 30.
10. Normal Cost	That portion of the Actuarial Present Value of pension plan benefits that is allocated to a valuation year by the actuarial cost method.
11. Projected Benefits	Those pension plan benefit amounts that are expected to be paid at various future times according to the Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future qualified service.
12. Overfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Value of Assets over the Actuarial Accrued Liability.
13. Unfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
14. Valuation Date	The date upon which the Normal Cost, Actuarial Accrued Liability and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year, but it does not have to coincide.
15. Years to Amortize the Unfunded Actuarial Accrued Liability	The period is determined in each Actuarial Valuation as the number of years, beginning with the Valuation Date, to amortize the Unfunded Actuarial Accrued Liability with a level percent of payroll that is the difference between the expected total contribution rate and the Normal Cost contribution rate.

Exhibit 12

Laredo Firefighters Retirement System
Summary of Present Plan

1.	Service Retirement and Duty-Related Disability Retirement Monthly Benefit as a Percentage of Final Average Monthly Salary for Each Year of Service (20 year minimum for disability retirements)	3.03%

2. Off-Duty Disability Retirement Benefit is equal to the Duty-Related Disability Retirement Benefit multiplied by 8% for each year of service as of the date of employment termination (100% maximum). If the disability arose out of service with another employer, no monthly benefit will be payable.

3.	Normal Service Retirement Eligibility	
	(a) Minimum age	Age 50
	(b) Minimum service	20 Years
4.	RETRO DROP Eligibility	
	(a) Earliest RETRO DROP benefit calculation date	Age 51 and 21 Years
	(b) Maximum RETRO DROP Benefit Accumulation Period	24 Months
	(c) Earliest employment termination date with maximum RETRO DROP accumulation period	Age 53 and 23 Years
5.	Early Service Retirement Eligibility	
	(a) Minimum age	Age 45
	(b) Minimum service	20 Years
6.	Early Service Retirement Benefit	
	(a) Equal to a percentage of the normal service retirement benefit	
	(b) Percentage based on age and calculated to make the early retirement benefit actuarially equivalent to unreduced benefit starting at age 50	
7.	Vested Terminated Benefit Eligibility (Benefit Deferred to Age 50)	20 Years
8.	Surviving Spouse's Monthly Death Benefit for a Firefighter Not Eligible for Service Retirement	
	(a) Portion of monthly retirement benefit for other active firefighters following an on-duty death or an off-duty death with 10 or more years of service (benefit calculated with a minimum of 20 years of service)	Two-Thirds
	(b) Monthly off-duty death benefit for active firefighters with less than 10 years of service:	
	(i) 5 to 9 years	$175
	(ii) Less than 5 years	$150

Exhibit 12 (continued)

Laredo Firefighters Retirement System
Summary of Present Plan

9. Surviving Spouse's Monthly Death Benefit for a Firefighter Eligible for Service Retirement: The monthly benefit the firefighter could have received on the date of death if the firefighter had elected the Joint and 100% Surviving Spouse optional form of payment (96% option factor). The 2-year RETRO DROP option is also available to surviving spouses of firefighters who were eligible for the RETRO DROP at the time of death

10.	Surviving Children's Death Benefit	
	(a) Monthly benefit per unmarried child	$300
	(b) Maximum monthly amount payable for all children	$900
11.	Lump Sum Death Benefits	
	(a) Payable in five equal annual installments upon the death of an active firefighter	$35,000
	(b) Payable upon the death of a retired firefighter or the surviving spouse	$ 8,750
12.	Contributions as a Percent of Pay by:	
	(a) Firefighters (14.66% October 2012 – September 2013)	15.00%
	(b) City of Laredo (18.40% October 2012 – September 2013)	20.10%

13. The normal form of benefit payment at retirement is a Joint and Two-Thirds to Surviving Spouse, and payment is the last day of each month. A Joint and 50% to Surviving Spouse Option and a Joint and 100% to Surviving Spouse Option are available to firefighters as optional forms of a service retirement benefit. Retirement benefit options are also available with a reduced initial monthly benefit that provide an automatic annual percentage increase in the monthly retirement benefit.

14. Salary used to determine the Final (three-year) Average Monthly Salary includes all elements of pay except for lump sum distributions for unused sick leave or vacation upon termination. The average is based on the highest 78 biweekly pay periods out of the last 208 biweekly pay periods.

15. Refund of firefighters' accumulated contributions without interest will be paid to firefighters who terminate employment and either are not eligible for any other benefit from the system or request a refund from the system.

16. An option to purchase military service prior to employment with the city as service credit under the plan is available.

Exhibit 13

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statement for Fiscal Year Ending September 30, 2013

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Annual Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
03/31/2006[3]	$57,228,050	$ 95,649,924	$38,421,874	59.8%	$21,831,766	176.0%
03/31/2008[2,4]	73,106,502	113,301,606	40,195,104	64.5	22,931,569	175.3
03/31/2010[4]	84,625,644	133,976,600	49,350,956	63.2	25,715,241	191.9
09/30/2012[2,5]	95,140,202	175,957,832	80,817,630	54.1	30,993,969	260.8

[1] The covered payroll is based on estimated annualized salaries for the year following the valuation date.
[2] Economic and demographic assumptions were revised.
[3] Reflects plan benefit provisions effective July 1, 2005.
[4] Reflects plan benefit provisions effective August 1, 2007.
[5] Reflects plan benefit provisions effective February 9, 2012.

II. Schedule of Employer Contributions

Plan Year Ended September 30	Annual Required Contribution (ARC)	Actual Contribution	Percentage of Required Contribution Contributed
2008	$4,136,418 [1]	$4,136,418 [1]	100%
2009	4,392,773 [2]	4,392,773 [2]	100
2010	4,616,573 [3]	4,616,573 [3]	100
2011	4,644,823 [4]	4,644,823 [4]	100
2012	5,311,893 [5]	5,311,893 [5]	100
2013	________ [6]	________ [6]	___ [7]
2014	________ [8]	________ [8]	___ [7]

[1] Effective October 1, 2007, the city's contribution increased from 16.56% to 16.92% of pay for firefighters hired on or after January 1, 1988. The contribution rate remained 17.65% of pay for those hired before 1988.
[2] Effective October 1, 2008, the city's contribution increased from 16.92% to 17.28% of pay for firefighters hired on or after January 1, 1988. The contribution rate remained 17.65% of pay for those hired before 1988.
[3] Effective October 1, 2009, the city's contribution increased from 17.28% to 17.65% of pay for firefighters hired on or after January 1, 1988. The contribution rate remained 17.65% of pay for those hired before 1988.
[4] Effective May 29, 2011, the city's contribution rate increased from 17.65% to 17.90% of pay for all firefighters.
[5] Effective October 1, 2011, the city's contribution rate increased from 17.90% to 18.15% of pay.
[6] The ARC for this plan year is 20.27% of payroll, and the actual contribution is to be 18.40% of payroll.
[7] The percentage of the ARC contributed should be determined by dividing the actual contribution by the ARC.
[8] The ARC for this plan year is 19.93% of payroll, and the actual contribution is to be 20.10% of payroll.

Exhibit 13 (continued)

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statement for Fiscal Year Ending September 30, 2013

III. Notes to Required Supplementary Information

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

Valuation date	September 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, open
Amortization period	30 years
Asset valuation method	The actuarial value of assets is the market value smoothed by a 5-year deferred recognition method, but the actuarial value will not be more than 110% or less than 90% of the market value.
Actuarial assumptions:	
- Investment rate of return, net of expenses, compounded annually	8.00% per year
- Inflation	3.75% per year
- Projected salary increases	
- general salary increases	3.75% per year
- promotion and longevity increase	0% to 7% per year
- total increase	3.75% to 11.01% per year
- Payroll growth rate	3.75% per year
- Postretirement cost-of-living adjustments	None

IV. Actuarial Information for Notes to the Financial Statement as Required by Paragraph 32 of GASB 25

A. Plan Description

The Board of Trustees of the Laredo Firefighters Retirement System is the administrator of a single-employer defined benefit pension plan. Firefighters in the Laredo Fire Department are covered by the Laredo Firefighters Retirement System. The table below summarizes the membership of the System reflected in the actuarial valuation as of September 30, 2012.

Exhibit 13 (continued)

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statement for Fiscal Year Ending September 30, 2013

		Sept. 30, 2012
1.	Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	133
2.	Current employees	
	a. Vested	75
	b. Nonvested	302
3.	Total	510

The Laredo Firefighters Retirement System provides service retirement, death, disability and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 50 with 20 years of service. As of the September 30, 2012 valuation date, the plan effective February 9, 2012 provided a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit is equal to 3.03% of Final Average Monthly Salary for each year of service.

There is no provision for automatic postretirement benefit increases. The system has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

B. Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

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

Exhibit 13 (continued)

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statement for Fiscal Year Ending September 30, 2013

The costs of administering the plan are financed from the system.

Effective October 1, 2012, the funding policy of the Laredo Firefighters Retirement System requires contributions equal to 14.66% of pay by the firefighters and is scheduled to increase to 15.00% effective October 1, 2013. The city contribution rate became 18.40% of pay for all firefighters effective October 1, 2012 and is scheduled to increase to 20.10% effective October 1, 2013.

Exhibit 14

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Laredo
for the Fiscal Year Ending September 30, 2013

I. Annual Pension Cost

For the fiscal year ending September 30, 2013, the City of Laredo's Annual Pension Cost (APC) was $_________ for the Laredo Firefighters Retirement System, as described below in footnote 5 of Trend Information. Based on the results of the September 30, 2012 actuarial valuation of the plan effective February 9, 2012, the board's actuary found that the system has an adequate contribution arrangement based on the current level of the firefighter and City of Laredo contribution rates. The funding policy of the system requires the firefighters to contribute 14.66% of pay for the year ending September 30, 2013 and 15.00% of pay thereafter. The city contribution rate was 18.40% of pay for all firefighters for the year ending September 30, 2013 and is scheduled to increase to 20.10% effective October 1, 2013.

The annual required contributions (ARC) for the city for the fiscal year ending September 30, 2013 were based on the results of the September 30, 2012 actuarial valuation, and were determined in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 27 parameters. The actuarial methods and assumptions used for the two most recent valuations are shown below:

Valuation date	3/31/2010	9/30/2012
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	24 years	30 years
Asset valuation method	adjusted expected actuarial value	5-year adjusted market value
Actuarial assumptions (per year)		
– Investment rate of return, net of expenses	8.00%	8.00%
– Inflation	3.75%	3.75 %
– Projected salary increases		
– general salary increase	4.25%	3.75%
– promotion and longevity increase	0% to 7%	0% to 7%
– total increase	4.25% to 11.55%	3.75% to 11.01%
– Payroll growth rate	4.25%	3.75%
– Postretirement cost-of-living adjustments	None	None
ARC as percent of payroll	actual contributions	20.27% and 19.93%
Fiscal years ending in	2011 and 2012	2013 and 2014

Exhibit 14 (continued)

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Laredo
for the Fiscal Year Ending September 30, 2013

II. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual City Contributions	Percentage of APC Contributed	Net Pension Obligation (NPO)
09/30/11	$4,644,823[1]	$4,644,823[2]	100%[3]	$ 0[4]
09/30/12	$5,311,893[1]	$5,311,893[2]	100[3]	0[4]
09/30/13	$________[5]	$________[2]	___[3]	______[6]

[1] The APC is equal to the annual required contributions (ARC). The actual city contributions are equal to both the ARC and the APC.
[2] The city should disclose the actual city contributions made to the fund during each fiscal year.
[3] The percentage of APC contributed should be determined by dividing the actual city contributions by the APC.
[4] The Net Pension Obligation (NPO) as of the end of the fiscal year reflects the cumulative effect of actual contributions being less than the APC.
[5] The city should disclose the contributions the city would have made if it had contributed 20.27% of payroll for the fiscal year, the ARC and the APC for the year ending 9/30/2013.
[6]. Since this would be the first year the city would have made contributions less than the APC, the net pension obligation would be the APC minus the actual contributions.

III. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Annual Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b – a)/c)
03/31/2006[3]	$57,228,050	$ 95,649,924	$38,421,874	59.8%	$21,831,766	176.0%
03/31/2008[2,4]	73,106,502	113,301,606	40,195,104	64.5	22,931,569	175.3
03/31/2010[4]	84,625,644	133,976,600	49,350,956	63.2	25,715,241	191.9
09/30/2012[2,5]	95,140,202	175,957,832	80,817,630	54.1	30,993,969	260.8

[1] The covered payroll is based on estimated annualized salaries for the year following the valuation date.
[2] Economic and demographic assumptions were revised.
[3] Reflects plan benefit provisions effective July 1, 2005.
[4] Reflects plan benefit provisions effective August 1, 2007.
[5] Reflects plan benefit provisions effective February 9, 2012.

IV. Actuarial Information for Notes to the Financial Statement as Required by Paragraph 20 of GASB 27

A. Plan Description

The Board of Trustees of the Laredo Firefighters Retirement System is the administrator of a single-employer defined benefit pension plan. Firefighters in the Laredo Fire Department are covered by the Laredo Firefighters Retirement System.

Laredo Firefighters Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Laredo
for the Fiscal Year Ending September 30, 2013

The Laredo Firefighters Retirement System provides service retirement, death, disability and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 50 with 20 years of service. As of the September 30, 2012 valuation date, the plan effective February 9, 2012 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit is equal to 3.03% of Final Average Monthly Salary for each year of service.

There is no provision for automatic postretirement benefit increases. The system has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

B. Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

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

The costs of administering the plan are financed from the system.

Effective October 1, 2012, the funding policy of the Laredo Firefighters Retirement System requires contributions equal to 14.66% of pay by the firefighters and is scheduled to increase to 15.00% effective October 1, 2013. The city contribution rate became 18.40% of pay for all firefighters effective October 1, 2012 and is scheduled to increase to 20.10% effective October 1, 2013.