

**CITY OF ALBANY  
ALAMEDA COUNTY  
ALBANY, CALIFORNIA**

**POLICE AND FIRE RELIEF OR PENSION FUND**

Audited Financial Statements &  
Independent Auditor's Report  
June 30, 2022



**Chavan & Associates, LLP**  
Certified Public Accountants  
15105 Concord Circle, Ste. 130  
Morgan Hill, CA 95037

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**For the Fiscal Year Ended June 30, 2022**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
City of Albany Police and Fire Relief or Pension Fund  
Albany, California

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Albany Police and Fire Relief or Pension Fund (the "Pension Fund") of the City of Albany (the "City"), as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Pension Fund of the City, as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### **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 and GAGAS, 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance in relation to the Pension Fund.

February 23, 2023  
Morgan Hill, California

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

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<b>Assets</b>	
Cash and equivalents	\$ 210,565
Investments, at fair value	
Local Agency Investment Fund	31,901
Cash and money market fund	73,295
Mutual funds	<u>2,823,278</u>
Total investments, at fair value	<u>2,928,474</u>
Total Assets	<u>\$ 3,139,039</u>
 <b>Liabilities</b>	
Accounts payable	\$ 67,879
Payroll related liabilities	<u>5,693</u>
Total Liabilities	<u>73,572</u>
 <b>Net Position</b>	
Restricted for pension benefits	<u>3,065,467</u>
Total Net Position	<u>3,065,467</u>
Total Liabilities and Net Position	<u>\$ 3,139,039</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2022**

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<b>Additions</b>	
Contributions:	
Employer contributions	\$ 500,000
Investment income:	
Net change in fair value of investments	(412,041)
Interest and dividends	<u>110,807</u>
Total investment income	<u>(301,234)</u>
Total Additions	<u>198,766</u>
 <b>Deductions</b>	
Benefit payments	1,184,209
Administrative expenses	<u>27,434</u>
Total Deductions	<u>1,211,643</u>
 Net Change in Net Position	 (1,012,877)
 <b>Net Position</b>	
Beginning of year	<u>4,078,344</u>
End of year	<u>\$ 3,065,467</u>

*The notes to the financial statements are an integral part of this statement.*



**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**NOTE 1 - POLICE AND FIRE RELIEF OR PENSION FUND**

The Police and Fire Relief or Pension Fund (the “Pension Fund”), governed by Section 9.01 of the Charter of the City of Albany (“City”), is used to account for contributions and investment income that are restricted to payment of benefits accruing to police and fire department employees hired before July 1, 1971.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The financial statements present only the accounts of the Pension Fund. These accounts are also included in the financial statements of the City of Albany as a pension trust fund, which is used to account for assets held in trust for the benefit of the Pension Fund’s participants. The Pension Fund is a fiduciary fund of the City pursuant to GASB Statement No. 61.

B. Fund Accounting

The Pension Fund uses a pension trust fund to report on its fiduciary net position and the changes in its fiduciary net position. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When pension plan assets are held under the terms of a formal trust agreement, a pension trust fund is used.

C. Basis of Accounting

The Fund is accounted for with a flow of economic resources measurement focus. With this measurement focus, all assets, deferred inflows, liabilities and deferred outflows associated with the operation of this fund are included on the statement of fiduciary net position. Pension trust fund operating statements present increases (e.g., additions) and decreases (e.g., deductions) in net position restricted for pensions.

Basis of accounting refers to when additions and deductions are recognized in the accounts and reported in the financial statements. The Pension Fund’s financial statements have been prepared using the accrual basis of accounting. Under accrual basis of accounting, additions are recognized when earned and deductions are recognized when incurred. Contributions are recognized as additions in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the Pension Fund and City Charter.

Investment management, asset custody and administration fees are expenses of the Pension Fund.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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D. Cash, Cash Equivalents, and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

E. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

F. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates include the determination of the fair value of investments and the actuarial value of the plan's funded status. Contributions to the Pension Fund and the actuarial information included in the RSI are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is reasonably possible that changes in these assumptions may occur in the near term and could be material to the financial statements.

**NOTE 3 - CASH AND INVESTMENTS**

**Operating Cash**

At June 30, 2022, the Pension Fund's operating cash balance of \$210,565 was held in a financial institution. The Pension Fund's bank balance of \$31,901 which is fully insured by FDIC.

**Fair Value Measurements**

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The Pension Fund has the following recurring fair value measurements as of June 30, 2022:

	Fair Value	Fair Value Input Levels
Local Agency Investment Fund (LAIF)	\$ 31,901	n/a
Cash and bank sweep	73,295	n/a
Mutual funds:		
Bond funds	1,189,511	Level 1
Equity funds	1,633,767	Level 1
Total cash and investments	\$ 2,928,474	

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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*California Local Agency Investment Fund*

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the City to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of June 30, 2022, was approximately \$234 billion. Of that amount, 98.12% is invested in non-derivative financial products and 1.88% in structured notes and asset-backed securities. The balance in LAIF is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

As of June 30, 2022 California Local Agency Investment Fund (LAIF) of \$31,901; were invested in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account and are not required to be categorized using the levels above as deposits and withdrawals are made on the basis of \$1 and not fair value.

**Investment Management**

Fund investments are managed by an investment manager (Atlantic Trust) under an agreement which authorizes the Manager to purchase and sell securities, within the guidelines of the Pension Fund's governing board, which meets with the investment manager quarterly.

At June 30, 2022, the Pension Fund's assets were invested in the following:

- Dodge & Cox Income Fund (DODIX)
- PIMCO Investment Grade (PIGIX)
- Dodge & Cox Stock Fund (DODGX)
- Neuberger Berman Equity (NBHIX)

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Investment Policy**

The Pension Fund’s Investment Policy allows the Fund to invest in domestic equity, international equity, and debt securities. Each type of investment is subject to a target allocation and includes maximum and minimum general guidelines as a percentage of the overall portfolio as follows:

<u>Authorized Investment Type</u>	<u>Target Allocation</u>	<u>Minimum Percentage of Portfolio</u>	<u>Maximum Percentage of Portfolio</u>
Large Cap Equity	37%	25%	55%
International Equity	9%	5%	15%
Fixed Income	40%	40%	60%
Alternatives	9%	n/a	10%
Cash	5%	n/a	10%

As of June 30, 2022, the Pension Fund’s allocations reflected the general guidelines set by the Fund’s policy as described above.

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of fund investments. Unrealized gains and losses on investments that had been held for more than one year were included in net appreciation (depreciation) reported in prior years. The net depreciation in fair value of investments for the year ended June 30, 2022 was \$412,041.

**Risk Disclosures**

Limitations as they relate to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk are described below:

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Pension Fund manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Pension Fund monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio.

*Credit Risk*

Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City’s exposure to credit risks.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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*Custodial Credit Risk – Deposits*

The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City’s investments were subject to custodial credit risk.

*Concentration of Credit Risk*

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. City investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are, therefore, exempt.

**NOTE 4 – NET PENSION LIABILITY OF THE PLAN**

**Plan Description**

The Police and Fire Relief or Pension Fund (Pension Fund) is governed by Section 9.01 of the Charter of the City of Albany (the City) and is a sole employer defined benefit pension plan for the City’s police and fire department employees hired before July 1, 1971. The Pension Fund is closed to new participants. Benefit provisions and other requirements are established by the City Charter.

**Benefits Provided**

A summary of the plan benefits is presented below:

*Service Retirement*

Eligibility: Age 50 with 25 years of service, or 30 years of service regardless of age

Amount: Percentage (based on years of service) applied to average yearly salary:

Years of Service	Percentage of Average Yearly Salary
25	50.00%
26	53.33%
27	56.67%
28	60.00%
29	63.33%
30	66.67%

Average yearly salary means the average yearly salary for the rank in the three years prior to retirement.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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*Death Benefit*

Eligibility: Death after retirement

Amount: Percentage (based on marital status at retirement) of the member's retirement benefit to surviving spouse until death or remarriage.

Years Married at Retirement	Percentage of Average Yearly Salary
Less than five	16.67%
At least five	50.00%

Benefits are payable to eligible children if there is no spouse eligible for death benefits.

A member's pension for service retirement or duty-related disability increases during the member's lifetime in conjunction with increases in salary for the rank used in the benefit determination.

**Employees Covered**

At June 30, 2022, the following employees were covered by the benefit terms for the Plans:

Inactive employees receiving benefits	16
Total Employees Covered	16

**Contributions**

The City Charter requires an annual contribution to the Pension Fund equal to 18 percent of the gross wages of active members; however, there are no active members and the Pension Fund is closed to new participants. The funding policy of the Board of Trustees is to make a minimum contribution upon completion of the actuarial valuation, as required to amortize any unfunded liability over the expected life of the Pension Fund. The unfunded Actuarial Liability is funded as a level dollar amount over a 15-year period from July 1, 2017.

For the year ended June 30, 2022, the following contributions were made:

Contributions - employer	\$ 500,000
Total contributions	\$ 500,000

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Pension Liabilities and Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021 using an annual actuarial valuation as of June 30, 2022. The following summarizes the changes in the net pension liability:

Total Pension Liability (TPL)	\$11,043,324
Fiduciary Net Position (FNP)	<u>(3,065,468)</u>
Net Pension Liability (NPL)	<u>\$ 7,977,856</u>
FNP as a percentage of TPL	27.76%

For the year ended June 30, 2022, the City recognized pension expense of \$(1,184,209).

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ 549,362	395,362
Total	<u>\$ 549,362</u>	<u>\$ 395,362</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Recognized to Pension Expense
2023	\$ 52,266
2024	38,482
2025	(34,267)
2026	97,519
Total	<u>\$ 154,000</u>



**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Actuarial Assumptions**

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	3.76%
Inflation	2.50%
Projected Salary Increase	3.00%
Investment Rate of Return	5.00%
Mortality	Dec. 2017 CalPERS Study

**Discount Rate**

The discount rate used to measure the total pension liability was 3.76%. The projection of cash flows used to determine the discount rate assumed that contributions would continue to follow the current funding policy. Based on those assumptions, the Pension Fund's fiduciary net position was projected to be available to make projected future benefit payments of current members through 2039.

The discount rate was determined by blending the expected return on assets (5%) with the weighted average yield of Fidelity 20-year Municipal Bond AA Index as of June 30, 2022 (2.45%).

Best estimates of arithmetic long-term expected rates of return for each major asset class included in the Pension Fund's target asset allocation are summarized in the following table (note that the rates shown below include the inflation component):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity Large Cap	37%	6.6%
International Equity	9%	6.6%
Fixed Income	40%	2.2%
Alternatives	14%	1.6%
Total	<u>100%</u>	

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**Sensitivity of the Prop. Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		2.76%
Net Pension Liability	\$	8,800,823
Current Discount Rate		3.76%
Net Pension Liability	\$	7,977,856
1% Increase		4.76%
Net Pension Liability	\$	7,252,725

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports available from the City of Albany.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**For the Fiscal Year Ended June 30, 2022**

Fiscal Year Ended	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>								
Interest	\$ 281,291	\$ 358,560	\$ 595,964	\$ 542,063	\$ 563,799	\$ 556,000	\$ 689,200	\$ 667,736
Differences between expected and actual experience	9,206	-	611,422	-	(627,406)	-	-	1,348,531
Changes of assumptions	(1,923,515)	557,381	2,635,181	(1,012,401)	1,667,884	(377,454)	1,228,156	499,219
Benefit payments	(1,184,209)	(1,274,381)	(1,279,094)	(1,257,130)	(1,279,564)	(1,283,577)	(1,351,708)	(1,411,164)
Net change in total pension liability	(2,817,227)	(358,440)	2,563,473	(1,727,468)	324,713	(1,105,031)	565,648	1,104,322
Total pension liability - beginning	13,860,551	14,218,991	11,655,518	13,382,986	13,058,273	14,163,304	13,597,656	12,493,334
Total pension liability - ending	<u>\$ 11,043,324</u>	<u>\$ 13,860,551</u>	<u>\$ 14,218,991</u>	<u>\$ 11,655,518</u>	<u>\$ 13,382,986</u>	<u>\$ 13,058,273</u>	<u>\$ 14,163,304</u>	<u>\$ 13,597,656</u>
<b>Plan fiduciary net position</b>								
Employer contributions	\$ 500,000	\$ 847,799	\$ 218,723	\$ 218,723	\$ 218,723	\$ 218,723	\$ -	\$ -
Net investment income	(301,233)	833,000	(102,606)	242,600	442,115	800,235	(116,093)	131,946
Benefit payments	(1,184,209)	(1,274,381)	(1,279,094)	(1,257,130)	(1,279,564)	(1,283,577)	(1,351,708)	(1,411,164)
Other	-	(8,032)	-	284	(120,231)	-	-	-
Administrative expense	(27,434)	(23,054)	(20,921)	(42,623)	(101,709)	-	-	-
Net change in plan fiduciary net position	(1,012,876)	375,332	(1,183,898)	(838,146)	(840,666)	(264,619)	(1,467,801)	(1,279,218)
Plan fiduciary net position - beginning	4,078,344	3,703,012	4,886,910	5,725,056	6,565,722	6,830,341	8,298,142	9,577,360
Plan fiduciary net position - ending	<u>\$ 3,065,468</u>	<u>\$ 4,078,344</u>	<u>\$ 3,703,012</u>	<u>\$ 4,886,910</u>	<u>\$ 5,725,056</u>	<u>\$ 6,565,722</u>	<u>\$ 6,830,341</u>	<u>\$ 8,298,142</u>
Net pension liability	\$ 7,977,856	\$ 9,782,207	\$ 10,515,979	\$ 6,768,608	\$ 7,657,930	\$ 6,492,551	\$ 7,332,963	\$ 5,299,514
Plan fiduciary net position as a percentage of the total pension liability	27.76%	29.42%	26.04%	41.93%	42.78%	50.28%	48.23%	61.03%

*Notes to Schedule:*

The plan is closed to new members and currently has no active members, hence covered payroll for the plan is zero for all years presented.

There were no changes in benefit terms.

There were no changes in trend rates.

The discount rate changed from 5.66% to 5.33% in FY 2016; 4.11% in FY 2017, 4.54% in FY 2018; 4.25% in FY 2019, 2.64% in FY 2020, 2.12% in FY 2021 and 3.76% in FY 2022.

Change in mortality assumptions from RP-2000, projected seven years from the valuation date on a static basis to RP-2000, projected ten years from the valuation date on a static basis.

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Employer Contributions and Investment Returns**  
**For the Fiscal Year Ended June 30, 2022**

<b>Fiscal Year Ended</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contributions (Actuarially Determined)	\$ 1,038,051	\$ 844,500	\$ 844,500	\$ 218,723	\$ 218,723	\$ 218,731	\$ 82,401	\$ 82,401
Contributions in Relation to Actuarially Determined Contributions	(500,000)	(847,799)	(218,723)	(218,723)	(218,723)	-	-	(82,401)
<b>Contribution Deficiency (Excess)</b>	<b>\$ 538,051</b>	<b>\$ (3,299)</b>	<b>\$ 625,777</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 218,731</b>	<b>\$ 82,401</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Investment Returns</b>								
Annual Money-Weighted Rate of Return, Net of Investment Expenses	-8.08%	23.93%	-2.36%	4.67%	5.15%	14.32%	-1.35%	2.22%

**Notes to Schedule:**

Valuation Date: June 30, 2022  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll (Closed) Used Amortization Method  
Discount Rate 3.76%  
Cost of Living Increase 3%  
Inflation Assumed at 2.50%  
Investment Rate of Returns set at 5%  
Mortality based on assumption for Public Safety members published in Dec. 2017 CalPERS Study

\*\* Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**OTHER INDEPENDENT AUDITOR'S  
REPORTS**



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

To the Board of Trustees of the  
City of Albany Police and Fire Relief or Pension Fund  
City of Albany, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Albany Police and Fire Relief or Pension Fund (the "Pension Fund") of the City of Albany (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pension Fund's financial statements, and have issued our report thereon dated February 23, 2023.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Albany's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an



opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

February 23, 2023  
Morgan Hill, California



**SCHEDULE OF FINDINGS  
AND  
RESPONSES**

**CITY OF ALBANY**  
**Police and Fire Relief or Pension Fund**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2022**

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No findings noted.