

2019-2020 BUDGET QUESTION
Response to Request for Information

DEPARTMENT(S): Financial Services - Budget

REQUEST NO.: 52

REQUESTED BY: Harper-Madison

DATE REQUESTED: 8/28/19

DATE POSTED: 9/3/19

REQUEST: Please answer the following regarding the Austin Police Departments (APD) Retirement System:

- Per a City-commissioned audit released in July 2019, "The City's current contribution rate of 21.313% is not expected to amortize the unfunded liability over any amortization period." How will the addition of 30 Austin Police Department (APD) new staff positions impact the solvency of the Police pension fund?
 - Please provide information on the financial status of the Police Retirement System based on the most recent actuarial report.
-

RESPONSE:

Per a City-commissioned audit released in July 2019, "The City's current contribution rate of 21.313% is not expected to amortize the unfunded liability over any amortization period." How will the addition of 30 Austin Police Department (APD) new staff positions impact the solvency of the Police pension fund?

- Assuming all actuarial assumptions are met in future years, the addition of new members to the Police Retirement System has a favorable financial impact. However, given the small magnitude of 30 new positions compared to the approximate 1,900 active members, the effect would be negligible.

Please provide information on the financial status of the Police Retirement System based on the most recent actuarial report.

- The report attached will detail the financial status of the Police Retirement System.



City of Austin Police Retirement System

ACTUARIAL REPORT JULY 17, 2019

As part of its fiduciary responsibility, your Board orders an annual valuation to ensure our fund is using the best information possible to make its decisions. Today, the Board of Trustees of the Austin Police Retirement System (APRS) received the annual actuarial valuation for data as of December 31, 2018. Our System's actuary is Gabriel, Roeder, Smith & Co. (GRS) from Irving, Texas.

VALUATION REPORT

Item	Amount	Explanation
Total Actuarial Assets	\$807,978,988	Actuarial smoothed value of our pension plan investments
Total Actuarial Liability	\$1,389,660,616	Liability of creditable service earned by members
Unfunded Actuarial Accrued Liability (UAAL)	\$581,681,628	Assets minus liability
Funded Ratio	58.1%	The ratio of a plan's current assets to the present value of earned pensions
Funding Period	Infinite	The estimated timeframe to amortize the unfunded liability
Current Contribution Rates (% of pay)	21.313% <u>13.000%</u> 34.313%	City portion Member portion Total
TOTAL Contributions Needed:	City & Members	To pay for future benefits and retire the UAAL
20-year funding period	50.302%	Increase of 15.989%
30-year funding period	44.965%	Increase of 10.652%
40-year funding period	42.500%	Increase of 8.187%

ACTUARIAL REPORT

JULY 17, 2019

TAKEAWAYS FOR ACTIVE AND RETIRED OFFICERS AND THEIR FAMILIES

- APRS's current valuation scores our funding period as "Infinite." The State Pension Review Board's guideline prescribing a funding period to amortize unfunded liabilities is "preferably under 25 years."
- This is the first valuation where APRS has exceeded a 40-year funding period. State law requires, that if a public retirement fund exceeds a funding period of 40 years or more for three consecutive valuations, the fund and its sponsor (i.e., City of Austin) must adopt a "Restoration Plan" and present it to the Texas Pension Review Board. The Restoration Plan must identify options to improve funding to no more than a 40-year period to amortize UAAL within a 10-year timeframe after the Plan is adopted.
- The current actuarial funding condition did not change overnight. A number of factors over almost two decades contributed to the current valuation.
- The System is working diligently with the City of Austin (our plan sponsor) to consider options for improving our actuarial funding status.

IMPORTANT NOTE TO MEMBERS

- **CURRENT BENEFIT PAYMENTS ARE NOT CHANGED OR DISRUPTED**
- **NO BENEFIT CHANGES ARE UNDER CONSIDERATION AT THIS TIME**
- **NO CONTRIBUTION INCREASES ARE UNDER CONSIDERATION AT THIS TIME**

Your System Board is committed to addressing our fund's valuation transparently with all stakeholders, especially members. No changes to the way the fund operates today will be made without thoughtful discussion and expert-generated options and recommendations. As always, members are invited to attend System Board meetings or to send questions to the Executive Director.

##