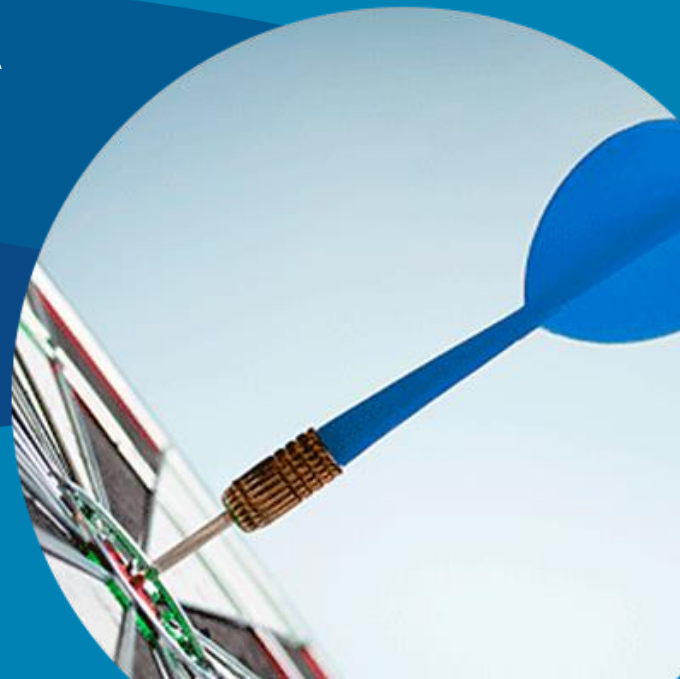


Actuarial Audit of Fire and Police Pension Fund

R. Ryan Falls, FSA, EA, MAAA
April 16, 2019



Requirement

- State law [802.1012 Government Code] requires an actuarial audit of public retirement systems with total assets of at least \$100 million
 - Every five years, the actuarial valuations, studies, and reports of a public retirement system must be audited (Type I or Type II) by an independent actuary
 - City selected GRS to conduct at Type I actuarial audit
 - Segal Consulting is the retained actuary for SAFPPF
- Actuary submits the final audit report to the governmental entity to post on the agenda for presentation
- Governmental entity submits a copy of the final audit report to the public retirement system [SAFPPF] and State Pension Review Board (PRB)

Type I Audit

- Replicated January 1, 2018 actuarial valuation of SAFPPF
 - Based on same assumptions, methods and census data
- Reviewed all aspects of actuarial valuation
 - Appropriateness and application of actuarial assumptions and methods
 - Determination of actuarial valuation results
 - Adherence with Actuarial Standards of Practice and Texas PRB Guidelines

Recommendations

- Noted eight recommendations as part of our review
 - Four regarding Actuarial Assumptions
 - Discontinue disability incidence rate after 21 years of service
 - Clarify rationale for modifications to base mortality table
 - Monitor inflation assumptions closely to comply with ASOP No. 27
 - Next experience study consider suggested approaches for termination rates and salary increases
 - One regarding Actuarial Methods and Funding Policy
 - Align actuary's "recommended contribution" with maximum amortization period of 20-years per Board Funding policy

Recommendations (continued)

- Two regarding Actuarial Valuation Results
 - Update projected compensation to reflect stated assumptions for salary increases to project plan benefits
 - Grant Thornton's \$20.6M proposed audit adjustment to the 2018 Net Pension Liability
 - Consider estimate of new entrant loss into calculations of recommended contribution and amortization period
- One regarding Content of Valuation Report
 - Incorporate enhancements noted in Section F to more closely adhere with ASOP Nos. 4 and 41
 - Better describe form of payment; 13th and 14th checks; and additional assumptions such as timing of decrements, pay increases, payments and annual COLAs

Conclusion

- Based on our review, the actuarial valuation, studies, and reports of SAFPPF are:
 - reasonable,
 - Used appropriate assumptions and
 - Adhered to Actuarial Standards of Practice and Texas PRB Pension Funding Guidelines
- Segal indicated they will implement several of these recommendations in the SAFPPF's 2019 actuarial report