



City of San Antonio

Agenda Memorandum

File Number:13-946

Agenda Item Number: 40.

Agenda Date: 11/21/2013

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Actuarial Review of the San Antonio Fire & Police Pension Fund As Required by HB2664

SUMMARY:

House Bill 2664 was passed by the 80th legislature of State of Texas and requires employers who sponsor public retirement systems, such as the San Antonio Fire & Police Pension Fund, to retain an independent actuary every five years to review actuarial work products. The legislation requires that the independent actuary provide the governing body of the public retirement system the results of the review as an item posted on the public agenda in the form of an issued report.

BACKGROUND INFORMATION:

In accordance with the legislation passed in 2008 and to comply with all provisions of HB 2664, codified as 801.1012 Texas Government Code (the "Bill"), the City conducted its first actuarial and consulting services review for five years of annual valuations and experience studies of the San Antonio Fire & Police Pension Fund (SAFPPF) from October 1, 2003 through October 1, 2007. The report and recommendations were provided to City Council and were incorporated in subsequent SAFPPF actuarial reports.

The City engaged Gabriel, Roeder, Smith and Company (GRS) in June 2013 to conduct the second actuarial review of the annual valuations and experience studies of the SAFPPF from October 1, 2008 through October 1, 2012. As an independent reviewing actuary, GRS was asked to provide an opinion and recommendations of the actuarial valuations performed by The Segal Company for SAFPPF, and that the actuarial reports from the previous five years fully and fairly discloses the actuarial position of the SAFPPF.

The scope of the review included the following:

- Appropriateness of the assumptions used in determining the actuarial accrued liability, normal costs and funding period
- Appropriateness of the actuarial costs methods used to determine the actuarial accrued liability and normal cost
- Appropriateness of the method used to develop the actuarial value of assets
- Appropriateness of actuarial valuation results
- Completeness of the valuation report
- Adherence to Actuarial Standards of Practice (ASOPS) published by the American Academy of Actuaries

Upon completion of the independent review, GRS noted the actuarial valuations, studies, and reports of SAFPPF are reasonable, used appropriate assumptions, complied with Actuarial Standards of Practice, and complied with the Texas Pension Review Board Guidelines for Actuarial Soundness. GRS also noted the following recommendations based on the valuation methods and assumptions used by The Segal Group that should be incorporated into future actuarial valuations:

- Actuarial Assumptions - provide more context to the assumptions for accrued sick leave, marriage after retirement, and spousal beneficiary load. The additional framework will allow the retained actuary to better monitor these assumptions in the future and make modifications, as needed.
- Actuarial Assumptions - consider the suggested approaches to developing the recommended assumptions for retirement rates and the productivity and merit components of the salary scale assumption.
- Actuarial Valuation Results - incorporate the following enhancements into the valuation of active participants: use the appropriate projected average pay in the calculation of future death and disability benefits, and apply the sick leave assumption to all service in the calculation of the present value of benefits at the member's attained age.
- Content of Valuation Report - incorporate the noted enhancements to the October 1, 2012 actuarial valuation report.

The report, with recommendations, prepared by GRS has been provided to the SAFPPF and The Segal Company for their review. In its assessment of the report, The Segal Company and SAFPPF concurred with the Actuarial Assumption and Actuarial Valuation Results recommendations and have indicated in response that the recommendations will be considered and incorporated into SAFPPF's future actuarial valuations. As the October 1, 2013 actuarial report, set to be released in January 2014, will take into consideration and incorporate these recommendations, the City is in agreement with not having October 1, 2012's report restated.

ISSUE:

HB2664 requires that upon the completion of the review the independent actuary present the governing body of the public retirement system [City Council] their review results in the form of an issued report.

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

There is no fiscal impact associated with this item.

RECOMMENDATION:

No recommendation required. This is a briefing on the report prepared by GRS on the results of the actuarial review.