



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 33

Agenda Date: June 20, 2024

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Delivery of the actuarial report and responses from the San Antonio Fire and Police Pension Fund as required under statutory regulation 802.1012 Texas Government Code.

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 802.1012 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) for the time period of October 1, 2003 through October 1, 2007. The report and recommendations were provided to City Council and were incorporated in subsequent SAFPPF actuarial reports. Since that time, the City has conducted two additional reviews.

The next five year cycle review is required for studies through December 31, 2022. On November 30, 2023, through Ordinance 2023-11-30-0877, City Council approved Milliman, Inc. to conduct the actuarial and consulting services on the San Antonio Fire and Police Pension Fund's January 1, 2023 Actuarial Valuation Report. As an independent reviewing actuary, Milliman was asked to provide an opinion and recommendations of the actuarial valuations performed by The Segal Company for SAFPPF, and whether 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, Milliman 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. Milliman 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 Value of Assets – review the description of the actuarial value of assets method in Section 4 of the valuation report and consider aligning the description of the method with the actual method incorporated into the actuarial valuation
- Actuarial Liabilities – review the definition of service used in the valuation programming for the determination of retirement eligibility to ensure that the service used for each decrement is consistent with the terms of the plan
- Funding – consider clearly disclosing both the actuarially determined contribution calculated in accordance with the existing Actuarial Funding Policy as well as the actuary's recommended contribution rate; and update the Actuarial Funding Policy to incorporate the updated recommendations
- Actuarial Assumptions (Demographic) – include in the next [future] experience studies: additional detail of the actuary's analysis of each assumption; clear documentation of the source of the rates if the retained actuary recommends the mortality improvement scales released by the Social Security Administration; and that the retained actuary closely reviews the assumptions for the 13th/14th checks, potentially utilizing methods such as stochastic modeling, and document the development of the recommended assumption for this difficult-to-measure plan provision
- Reports – improvements, as noted in Section 8 of the report, for the next valuation or experience study that will enhance the overall communication and disclosure in the actuarial report

The report, with recommendations, prepared by Milliman 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 Liabilities and Funding recommendations and have indicated in response that the recommendations will be considered and incorporated into SAFPPF's future actuarial valuations. They further indicated their review and consideration to incorporate recommendations provided under the Actuarial Assumptions (Demographic), Reports and Actuarial Value of Asset. As the January 1, 2024 actuarial report, set to be released later this summer, will take into consideration and incorporate these recommendations, the City is in agreement with not having January 1, 2023's report restated.

A staff briefing on this report was presented to the Audit Committee on June 11, 2024.

ISSUE:

The Bill requires that upon the completion of the review the independent actuary present the governing body of the public retirement system [City Council] their results and responses from the public retirement system 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 Milliman on the results of the actuarial review.