




March 2024 Benefits and Services Committee Meeting



Schedule Wednesday, March 6, 2024 10:00 AM — 10:45 AM CST
Venue 4700 Mueller Blvd., Austin, TX 78723
Organizer Sarah McCleary








Agenda

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- Vote** Vote to approve the November 9, 2023 Benefits and Services Committee minutes as presented.
-

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1. Call roll of Committee members

Presented by Diana Thomas



COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 1:
Call roll of Committee members

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to determine for the record which Trustees are present at the start of the meeting.

2. Review order of business and establish meeting objectives

Presented by Diana Thomas



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 2:

Review order of business and establish meeting objectives

AGENDA ITEM OBJECTIVE

This agenda item provides Trustees the opportunity to review the order of business and to express a desire to take an agenda item out of order, and to discuss the key objectives of the meeting.

1. The Committee will review the draft Committee 2024 work plan.
2. The Committee will consider Disability Applications 2401, 2402, and 2403.
3. The Committee will review the 12/31/23 actuarial valuation results from GRS Consulting and consider referring the valuation to the Board for adoption.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.** It is an industry best practice to establish meeting objectives and review them at the outset of each meeting.

3. Receive public comments

Presented by Diana Thomas



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 3: Receive public comments

AGENDA ITEM OBJECTIVE

This standing agenda item allows System members and members of the public the opportunity to provide comments to the Board.

ITEM SUMMARY

The Chair will recognize any person who wishes to comment for up to three minutes per person.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item meets the core competency established in the **COAERS Strategic Plan** “*Transparency: Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.*”

4. Consider approval of the November 9,
2023 Benefits and Services Committee
minutes

Presented by Diana Thomas



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 4:

Consider approval of the November 9, 2023 Benefits and Services Committee minutes

AGENDA ITEM OBJECTIVE

This standing agenda item seeks approval of the minutes from the prior Benefits and Services Committee meeting.

RECOMMENDATION FOR COMMITTEE ACTION

Staff recommends approval of the minutes of the November 9, 2023 Benefits and Services Committee meeting.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets the core competency established in the **COAERS Strategic Plan** "*Transparency: Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.*"

ATTACHMENT

1. Draft minutes of November 9, 2023 Benefits and Services Committee meeting



MINUTES

Benefits and Services Committee

Public Meeting held in-person and telephonically on November 9, 2023 at 12:30 p.m. CT
Pursuant to Texas Govt. Code 551.127

Committee Members Present/(Absent)

Diana Thomas, Committee
Chair
Chris Noak†
(Leslie Pool)
Anthony Ross
Brad Sinclair

Other Board Trustees Present/(Absent)

Mike Benson
Kelly Crook
Michael Granof
Dick Lavine
Yuejiao Liu
(Amy Hunter)

Others Present

Staff:

Christopher Hanson
Russell Nash
Michelle Mahaini
Sarah McCleary
Jenni Bonds
Mehrin Rahman
Yun Quintanilla
Teresa Cantu
Amy Kelley*
David Kushner

Guests:

Paige Saenz, General Counsel
Kevin Balaod, WithIntelligence

* Present telephonically

† Present via videoconference

1 Call roll of Committee members

Committee Chair Diana Thomas called the meeting to order at 1:24 p.m. The following Committee members were present in person: Thomas, Ross, and Sinclair. Mr. Noak was present via videoconference

2 Review order of business and establish meeting objectives

Committee Chair Thomas reviewed the order of business and meeting objectives with the Committee. There were no changes to the order of business for the meeting.

Committee Chair Thomas asked if there were any members of the public who wished to speak, either now or during an agenda item. There were no comments.

3 Consider approval of the August 31, 2023 Benefits and Services Committee minutes

Committee Chair Thomas asked the committee to review the Benefits and Services Committee minutes from August 31, 2023. Mr. Brad Sinclair moved approval of the August 31, 2023 minutes as presented. Mr. Anthony Ross seconded, and the motion passed 4-0.

4 Discuss and consider disability retirement continuation

A. Convene into Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to review disability retirement continuation

B. Reconvene from Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to make recommendations as determined appropriate by the Committee on disability retirement continuation

Trustees convened into Executive Session at 1:27 p.m. and reconvened into open session at 1:31 p.m.

5 Receive report on medical consultant

Mr. Russell Nash presented a report on the current medical consultant used by the Benefits and Services Committee for disability applications including the terms of the engagements, services, and pricing.

6 Review 2023 Committee Work Plan and discuss development of 2024 Work Plan

Mr. Christopher Hanson noted that the Committee had completed all goals on the 2023 Work Plan apart from review of the Board Funding Policy, which will be updated in 2024 in conjunction with the City. A draft of the 2024 Committee Work Plan was presented.

7 Review key meeting takeaways and call for future agenda items

Committee Chair Thomas summarized the actions taken and the information discussed during the meeting and asked for any future agenda items.

As there were no further items to address, the meeting adjourned at 1:36 p.m.

5. Discuss and consider disability retirement applications

A. Convene into Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to review disability retirements

B. Reconvene from Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to make recommendations as determined appropriate by the Committee on disability retirements



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 5:

Discuss and consider disability retirement applications

- A. Convene into Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to review disability retirements
 1. Application #2401
 2. Application #2402
 3. Application #2403

- B. Reconvene from Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to make recommendations as determined appropriate by the Committee on disability retirements
 1. Application #2401
 2. Application #2402
 3. Application #2403

AGENDA ITEM OBJECTIVE

The objective of this agenda item is designed to provide a hearing for three COAERS members' initial applications for disability retirement benefits.

RECOMMENDATION FOR COMMITTEE ACTION

No action is allowed while in Executive Session; action may be considered upon reconvening into public session. The Medical Consultant opinion is included in confidential packet material.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets with the core competency established in the **COAERS Strategic Plan** "Dependable operations: Managing the financial and operational commitments of the system within appropriate measurable standards" as this item fulfills the Trustee's statutory duty to hear initial applications for disability retirement benefits.

ATTACHMENTS

1. #2401 Medical opinion and selected disability application information (CONFIDENTIAL)
2. #2402 Medical opinion and selected disability application information (CONFIDENTIAL)
3. #2403 Medical opinion and selected disability application information (CONFIDENTIAL)

6. Review 2024 Benefits and Services Committee Work Plan

Presented by Christopher Hanson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 6: Review 2024 Benefits and Services Committee Work Plan

AGENDA ITEM OBJECTIVE

This agenda item is for discussion of the 2024 Committee Work Plan.

RECOMMENDATION FOR COMMITTEE ACTION

For informational purposes only; no action required.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to establish and review Committee work plans.

ATTACHMENT

1. 2024 Committee Work Plan

2024 Benefits and Services Committee Work Plan

Scheduled Quarterly Meetings

1. March meeting
 - 12/31/2023 Actuarial Valuation
 - Disability applications TBD
2. June meeting
 - Funding Policy with City of Austin
 - Adopt Benefits Resolution for IRS compliance
 - Disability applications TBD
3. August meeting
 - Actuarial service provider review
 - Disability applications TBD
4. November meeting
 - Medical consultant provider review
 - Committee Charter review
 - Disability continuation review
 - Disability applications TBD
 - 2025 Committee Work Plan

7. Discuss and consider the December 31 2023 actuarial valuation results

Presented by Lewis Ward



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 7:

Discuss and consider the December 31, 2023 actuarial valuation results

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Committee to hear the preliminary results of the December 31, 2023 actuarial valuation. Trustees will review the results and discuss recommending final adoption by the Board.

RECOMMENDATION FOR COMMITTEE ACTION

Staff recommends the Committee refer the December 31, 2023 actuarial valuation results to the Board of Trustees for adoption.

ITEM SUMMARY

Each year, GRS Retirement Consulting conducts an actuarial valuation of the System. The results are presented to the Benefits and Services Committee, discussed, and a recommendation is given to the Board of Trustees. Mr. Lewis Ward from GRS Retirement Consulting will present the initial December 31, 2023 actuarial valuation results.

KEY RESULTS

Noted below are a list of key actuarial results from the December 31, 2023 valuation.

1. The amortization is 30 years. This is the result of the legislation passed during the 88th Legislative Session (SB 1444). The amortization period meets the PRB Funding Guidelines minimum standard of 30 years and will keep COAERS and the City of Austin from having to develop a Funding Soundness Restoration Plan (FSRP).
2. While COAERS investment returns in 2023 surpassed the assumed rate of return of 6.75%, deferred investment losses from 2022, \$98.5 million in total, are recognized in this actuarial valuation (see the actuarial gain/loss table on page 16 of the GRS presentation). COAERS still has \$207 million in deferred losses yet to be recognized.
3. Due to higher-than-expected salary increases, the System incurred a liability loss of \$89.5 million (see the actuarial gain/loss table on page 16 of the GRS presentation).
4. Actuarial losses in this valuation create a loss layer payment of 1.16% of payroll. For 2025, the contribution rates will be as follows:
 - a. Member Rate: 10% (approximately \$93 million)



COMMITTEE MEETING Agenda Item Information Sheet

- b. City Contribution Rate: 8.47% (approximately \$78 million) plus Legacy Liability Payment of \$111 million

RELEVANCE TO STRATEGIC PLAN

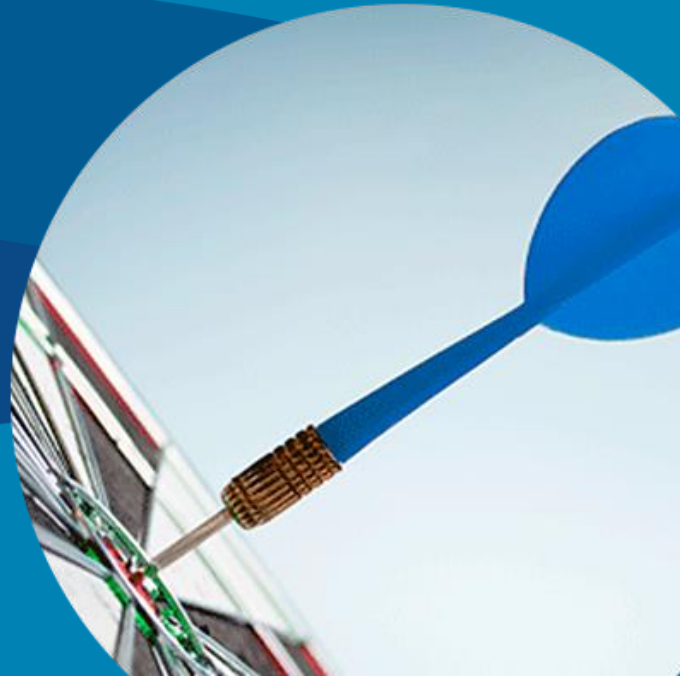
This agenda item is an action item in COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system. The valuation results presented by the COAERS consulting actuary provide Trustees with information on the actuarial status and health of COAERS as well as the System's progress in meeting the Board's Funding Policy.

ATTACHMENT

1. 2023 Actuarial Valuation Results, GRS Consulting

City of Austin Employees' Retirement System

Actuarial Valuation as of December 31, 2023



Actuarial Valuation

- Prepared as of December 31, 2023, using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods in effect on that date
- Purposes:
 - Measure the actuarial liabilities
 - Determine City and Member contribution rates
- Reflects changes made by SB1444
1st valuation after initial Risk Sharing Valuation Study



Actuarial Valuation

- Purposes (Continued):
 - Provide other information for reporting
 - GASB #67
 - ACFR
 - Risk Analysis
 - Explain changes in actuarial condition of COAERS
 - Track changes over time
 - Alert to possible future issues

Actuarial Valuation – Key Changes and Issues

- COAERS exceeded its 6.75% return on assets assumption in 2023 on a market value basis
 - 12.1% return on market value of assets
 - Dollar-weighted, net of investment expenses
 - Earnings on market value of assets \$159 million more than expected
- However, large deferred losses from prior years created a \$99 million loss on actuarial value of assets
 - \$207 million in deferred losses still to be recognized
- Liability experience loss of more than \$89 million
 - Primarily due to higher than expected salary increases

Actuarial Valuation – Key Results

- Funding period is 30 years
 - Legacy Liability amortization is 30 years from the valuation date
 - New liability layer (loss) amortization period is same as Legacy Liability (until Legacy Liability amortization period is <20)
- UAAL is \$2.13 billion
 - UAAL was \$1.90 billion last year
- Funded Ratio is 62.1%
- 2024 Contributions
 - Member Contribution Rate is 9% (expected to be \$81 million)
 - City Contribution Rate is 8.68% (expected to be \$78 million)
 - City Legacy Liability Payment is \$99 million

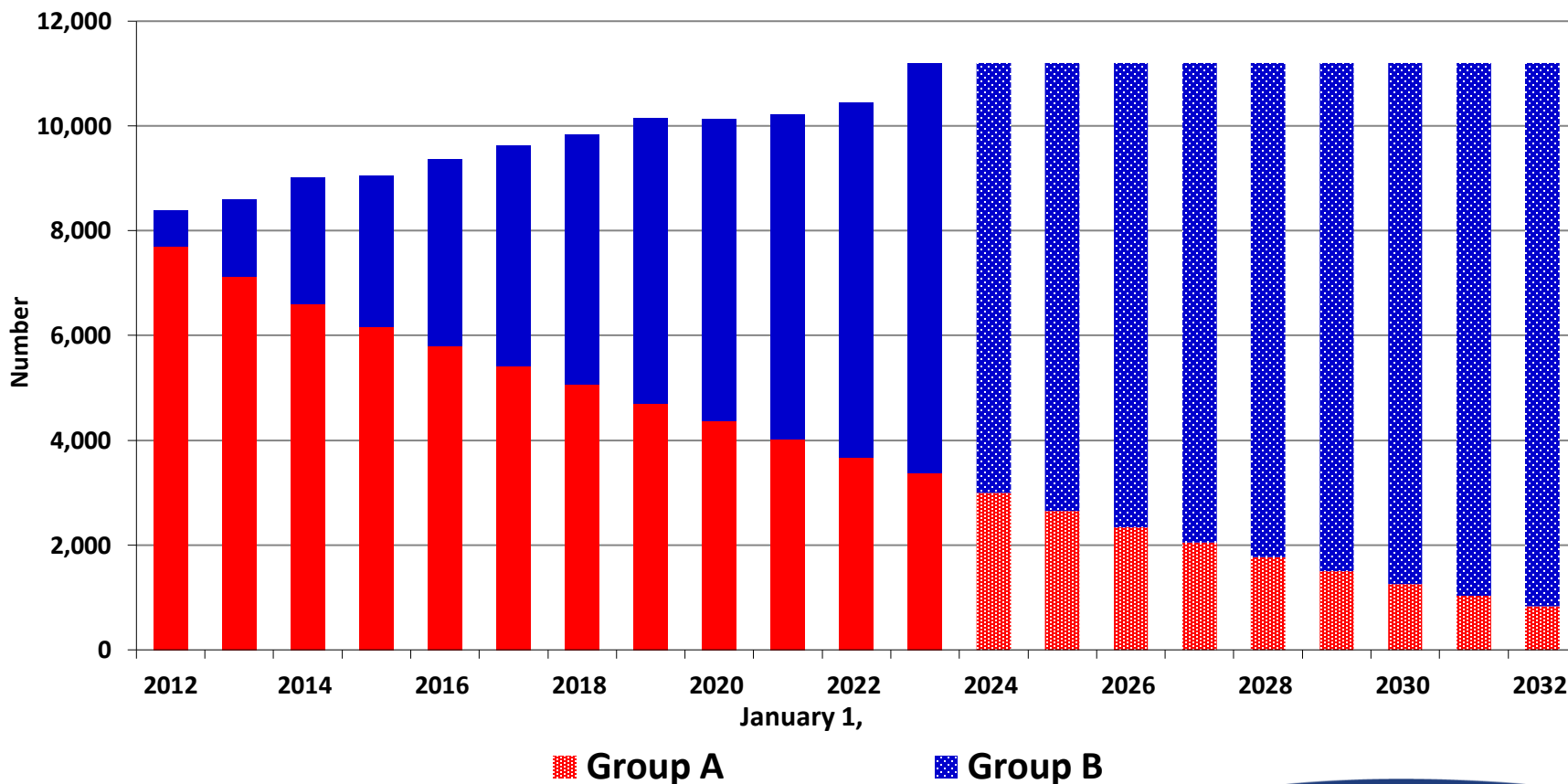


Actuarial Valuation – Key Results

- 2025 Calculated Contribution Rates
 - Liability Layer amortization payment is 1.16% of pay
 - NC% is 7.31% of pay
 - Total City Contribution Rate is 8.47% of pay
 - Corridor midpoint is 7.44% of pay
- 2025 Contributions
 - Member Contribution Rate is 10% (approximately \$93 million)
 - City Contribution Rate is 8.47% (approximately \$78 million)
 - City Legacy Liability Payment is \$111 million
 - Reflects 2nd year of phase-in
- Key Results based on MVA
 - Funding period is 30 years
 - UAAL is \$2.34 billion (same as last year)
 - Funded ratio is 58.4%

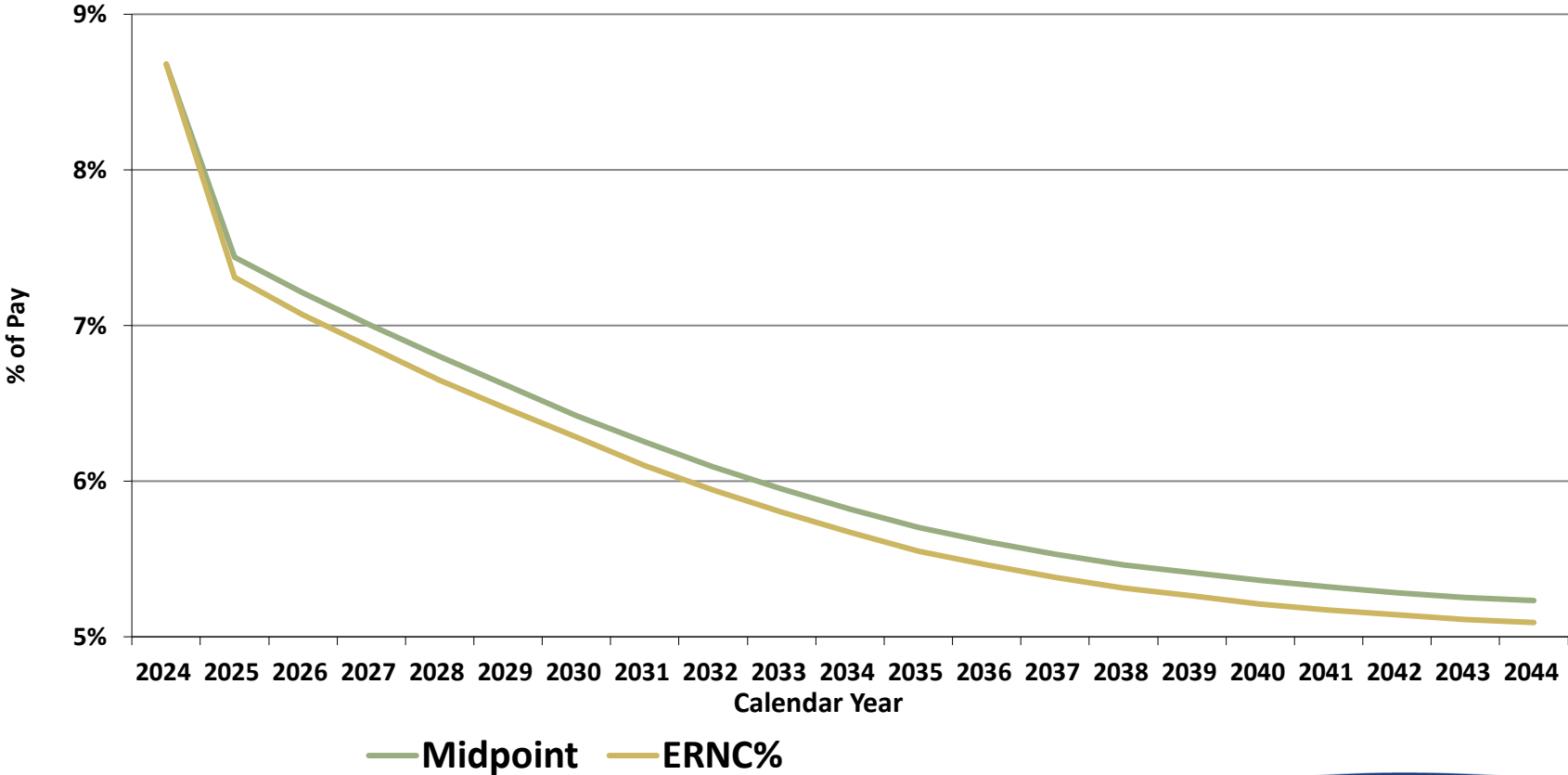
Projected Active Membership

Projected Number of Group A and Group B Employees

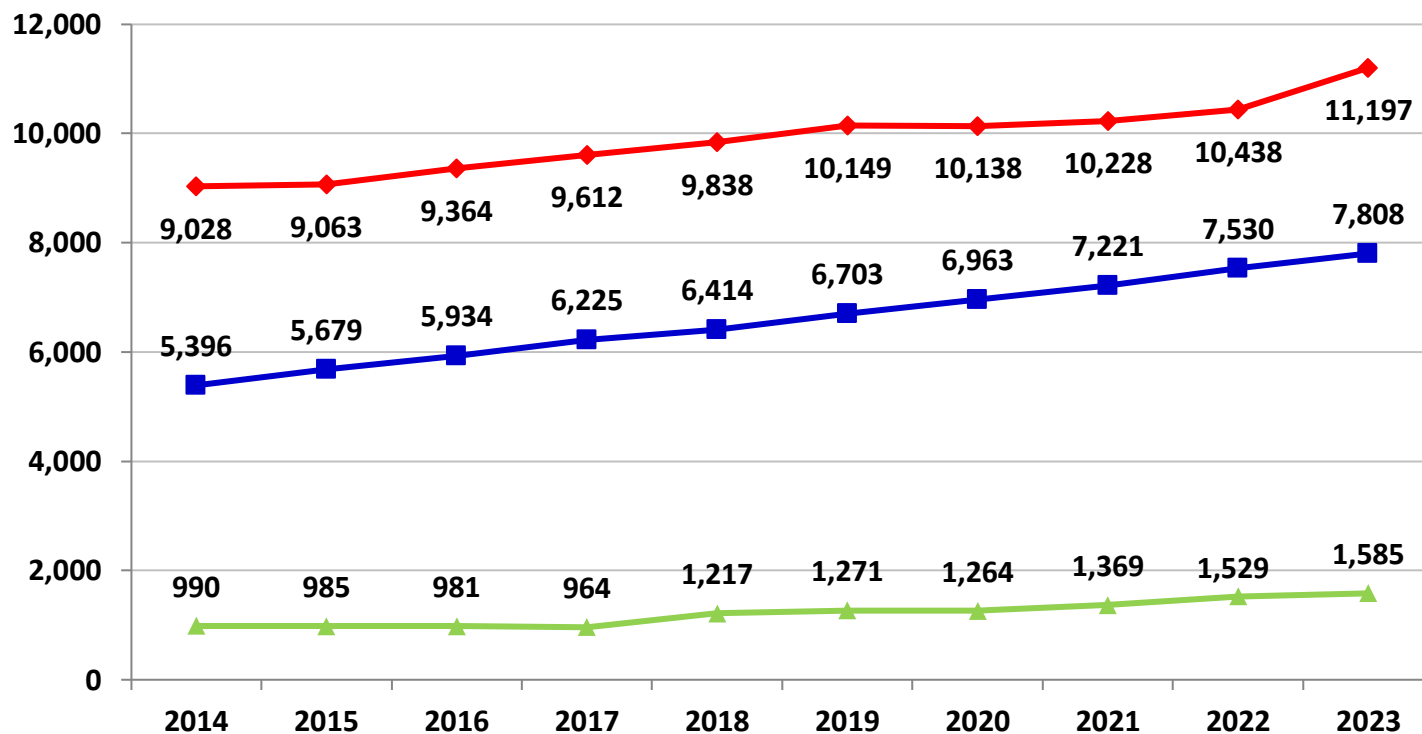


Projected NC% Versus Corridor Midpoint

Employer NC% Versus Corridor Midpoint



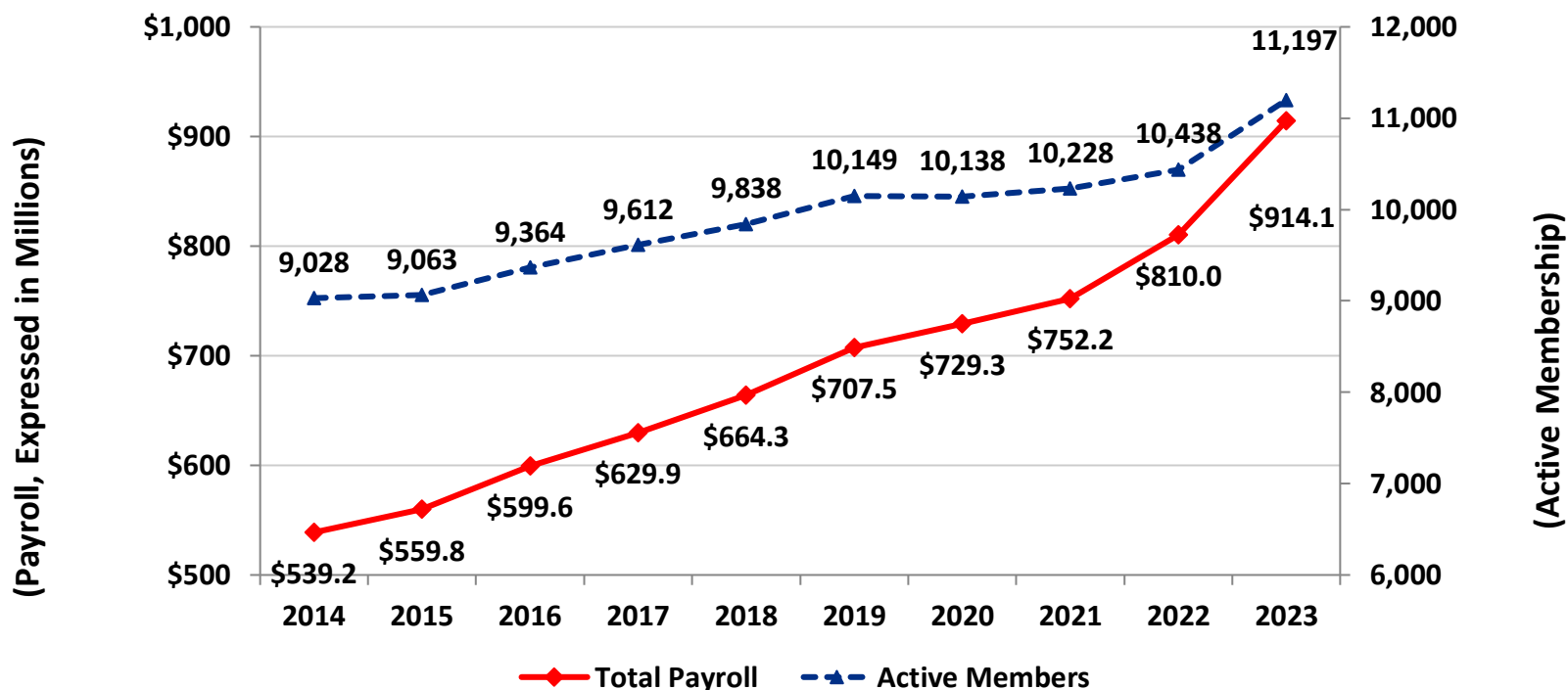
Active Members And Inactive Members



◆ Active Members ■ Retired Members ▲ Vested Terminated Members*

*Beginning 2018, includes additional members who have proportionate time now reported with new software. Does not materially impact the valuation results.

Active Payroll*



12.8% increase in total payroll since prior year

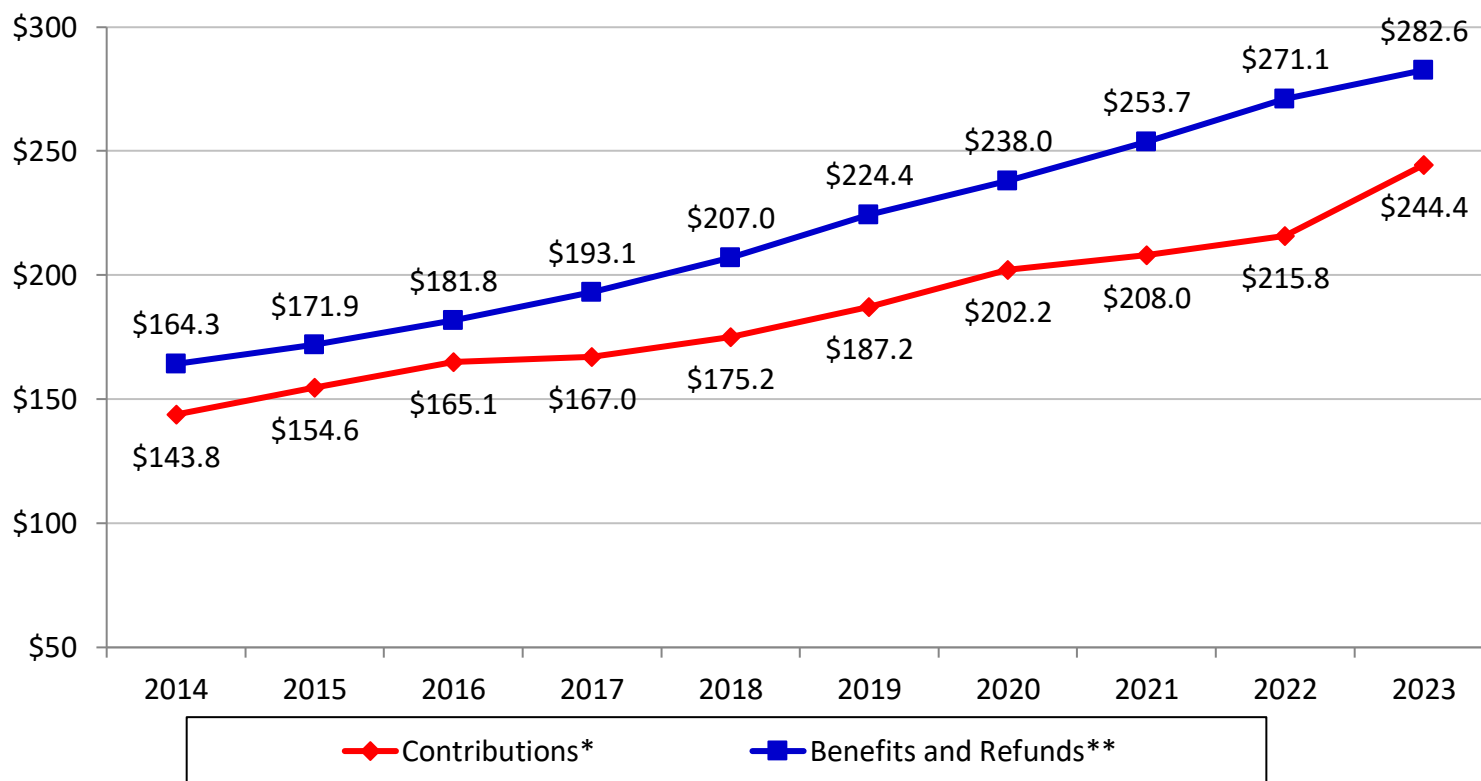
Payroll has increased on average 6.6% per year over past five years

Active membership has increased 2.6% per year over past five years

*Annualized payroll for active members on the valuation date



Contributions vs. Benefits and Refunds

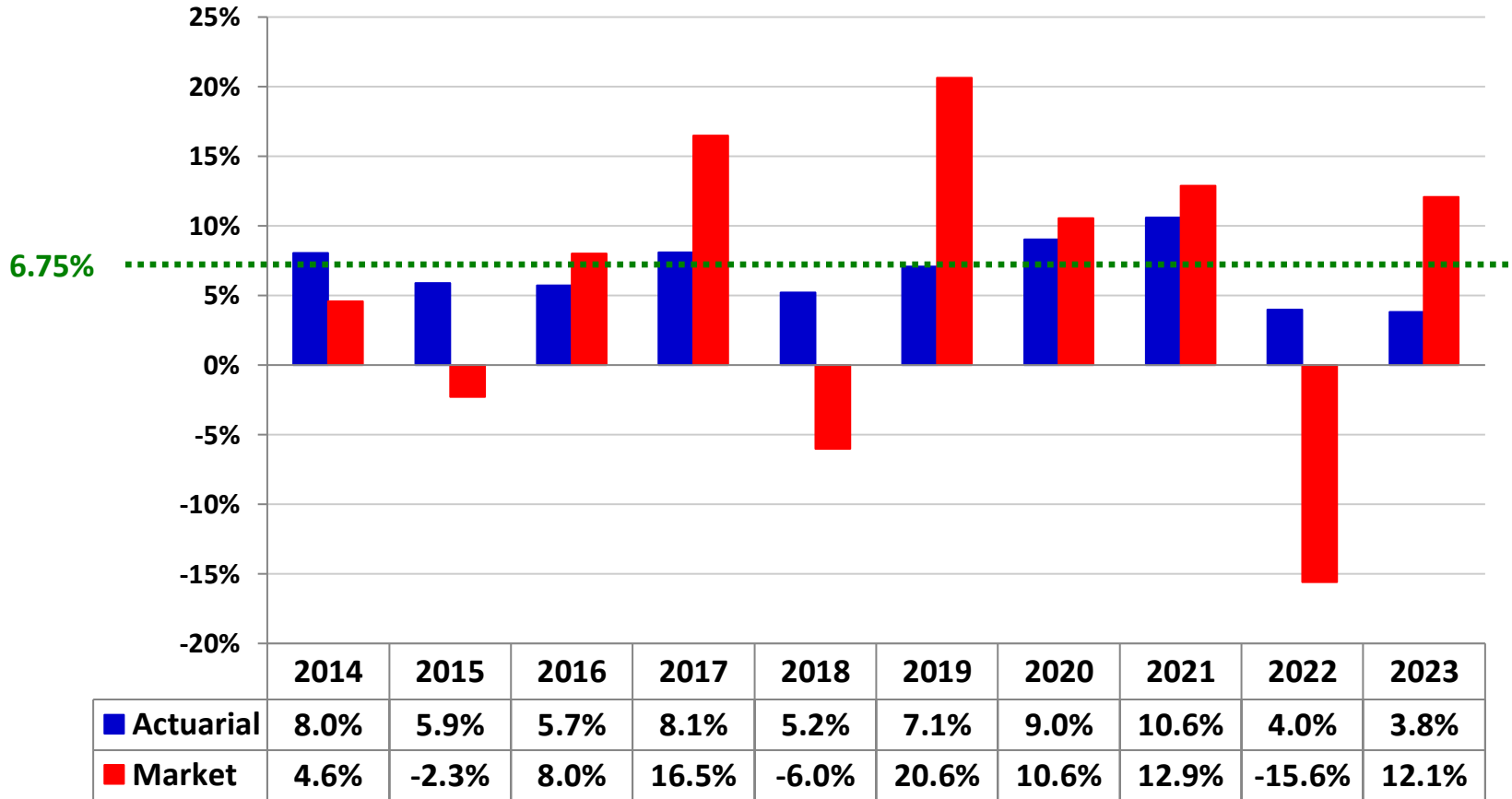


* Includes member and employer contributions

** Includes administrative expenses

Net cash flow for 2023 was -1.2% of the end of year market value of assets

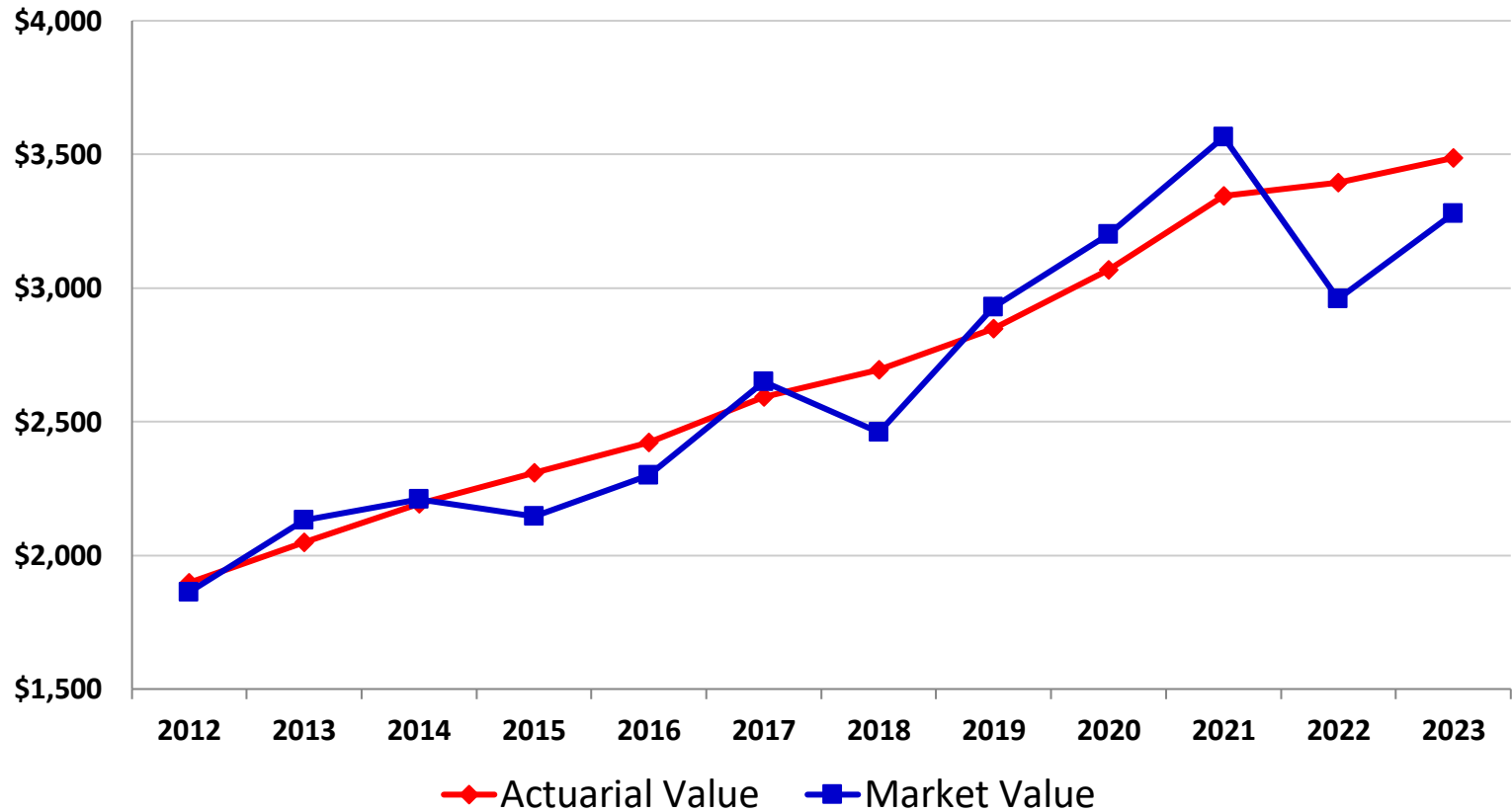
Estimated Yields on Assets



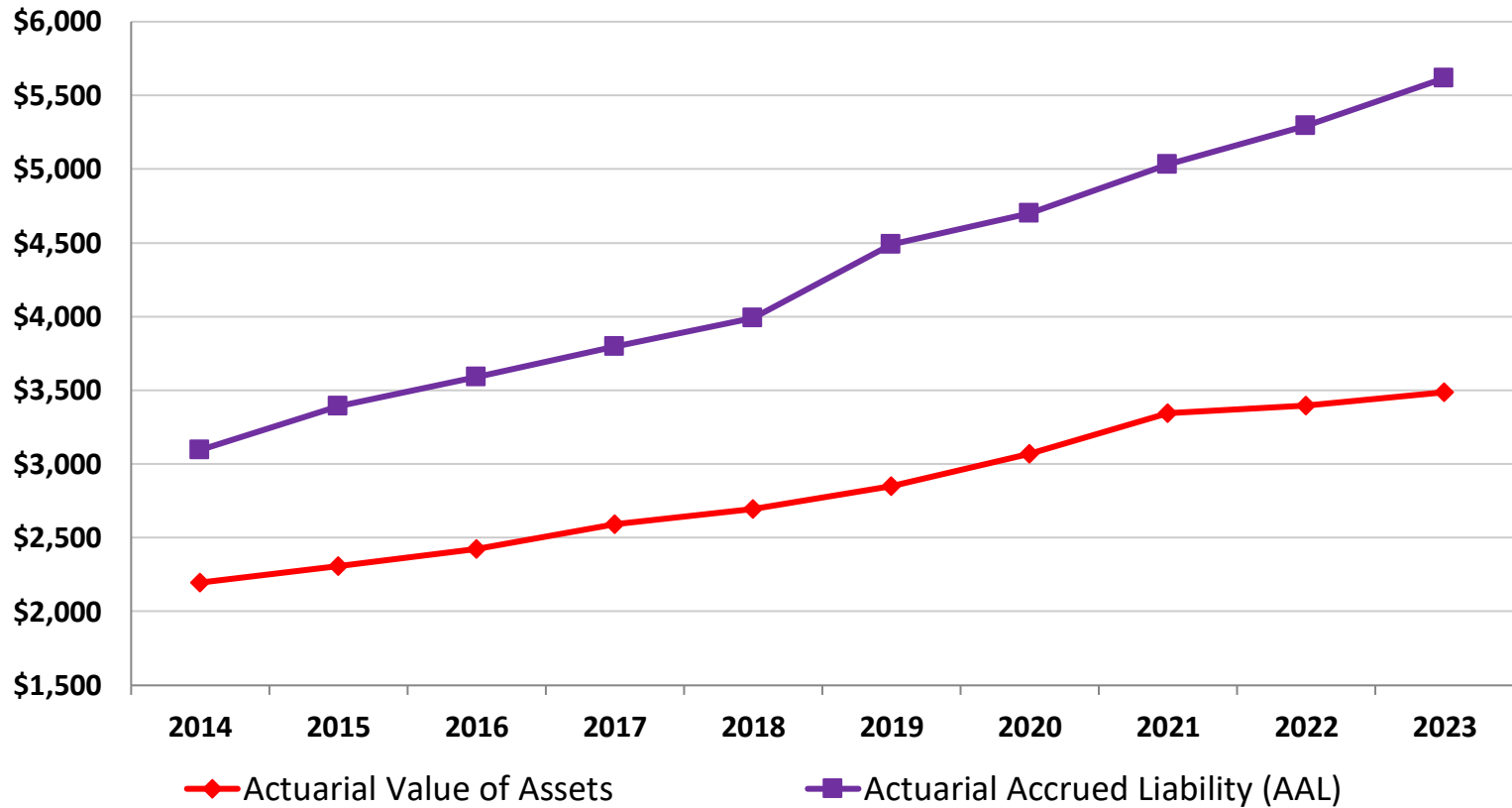
Assets (Actuarial Value)

- Actuarial calculations are primarily based on actuarial value of assets, not market value
 - \$99 million asset loss recognized this year
 - \$207 million to be recognized in future years
- Still recognizing asset losses from 2022
 - Asset return expectation is 6.75%
 - System had 12.1% market return in 2023
 - Market value \$159 million higher than expected
 - System had -15.6% market return in 2022
 - Market value \$789 million lower than expected

Market and Actuarial Value of Assets



Accrued Liability vs. Actuarial Assets



Source of Actuarial Gain\ (Loss)

(\$ in Millions)

	<u>2023</u>	<u>2022</u>
1. Asset Gain/(Loss)	\$ (98.5)	\$ (92.3)
2. Liability Experience Gain/(Loss)	(89.5)	(52.6)
3. Assumptions & Methods	0.0	0.0
4. Benefit Changes	<u>5.1</u>	<u>0.0</u>
5. Total Actuarial Gain/(Loss)	\$(182.9)	\$(144.9)

What This Valuation Means

- UAAL increased \$230 million to \$2.131 billion
 - The continued recognition of the significant downturn in the financial markets in 2022 caused a loss on the actuarial value of assets (\$99 million)
 - Larger than anticipated salary increases caused a liability experience loss (\$89 million)
 - Already expected to increase due to negative amortization
- City Contribution Rate is 8.47%
 - Was expected to be 7.44% (if no gains or losses)
- The System is still deferring \$207 million in investment losses
- However, funding period is still 30 years due to funding on an actuarial basis

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report to be issued in April 2024. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.

8. Review key meeting takeaways and call for future agenda items

Presented by Diana Thomas



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 8:

Review key meeting takeaways and call for future agenda items

AGENDA ITEM OBJECTIVE

This standing agenda item provides Trustees the opportunity to review the key takeaways from the meeting.

RECOMMENDATION FOR COMMITTEE ACTION

Trustees will review key meeting takeaways and delineate next steps.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to review key meeting takeaways to summarize what was accomplished at the meeting as well as ensure Staff has clear direction on further work and future agenda items.