

CITY OF EL PASO

ACTUARIAL AUDIT OF PENSION FUNDS

Presented By:
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SCOPE

- Foster & Foster was retained to audit all three of the City's pension funds
 - Employees Retirement Trust
 - Reviewing September 1, 2022 valuation report produced by Buck Global, LLC
 - Firemen's Pension Fund
 - Reviewing January 1, 2024 valuation report produced by Rudd and Wisdom, Inc.
 - Policemen's Pension Fund
 - Reviewing January 1, 2024 valuation report produced by Rudd and Wisdom, Inc.

AUDIT OBJECTIVES

- Full-scope (Level 1) audit involves several steps
 - Full replication of actuarial liabilities
 - Verify actuarial methods, considerations and analyses used are reasonable and consistent with actuarial standards
 - Verify calculations for funding requirements are appropriate based on the structure of the plan and funding objectives
- Key Categories Included in the Review
 - Member Data
 - Assets
 - Liabilities
 - Assumptions / Methods
 - Reporting

OVERALL FINDINGS

- Found no major deficiencies
 - Contribution requirements are sufficient and consistent with long-term objectives of funding the plan and paying benefits when due
 - Underlying member and asset information is reasonable, consistent and free of material discrepancies
 - Actuarial assumptions and methods are reasonable
 - Reports generally comply with Actuarial Standards of Practice and are sufficient in communicating results
 - Valuations are complete and in accordance with State and Federal requirements
- Made several recommendations throughout reports
 - Key recommendations shown in this document

REVIEW CATEGORIES

MEMBER DATA

- Reviewed that the final data was correctly incorporated into the actuarial valuation
 - Confirmed that the data used was sufficient to measure the benefits provided by the System
 - No differences between data and report summaries
- **Key Recommendations/Observations:**
 - None

REVIEW CATEGORIES

ASSETS

- Verified the valuation correctly incorporated the market value of assets supplied by the System
- Reviewed the method used to determine the actuarial value of assets for accuracy and reasonability
- **Key Recommendations/Observations:**
 - None

REVIEW CATEGORIES

LIABILITIES

- Coded our valuation system based on Fund provisions to replicate liabilities
- As a general rule, liabilities are deemed acceptable when:
 - Results are within 2% of present value of future benefits (PVB);
 - Results are within 5% of the actuarial accrued liability (AAL); and
 - Results are within 5% of the normal cost
- **Key Recommendations/Observations:**
 - Summary results for each plan are presented on the next page
 - It is our professional assessment that the valuation liabilities are reasonable

REVIEW CATEGORIES

LIABILITIES

Liability Measure (in millions)	Fund Actuary	Foster & Foster	Value Difference	Percent Difference
Present Value of Future Benefits				
- Actives	557.2	557.2	0.0	0.0%
- Inactives	<u>778.9</u>	<u>782.2</u>	<u>3.3</u>	0.4%
- Total	1,336.1	1,339.4	3.3	0.2%
Actuarial Accrued Liability				
- Actives	392.6	387.7	-4.8	-1.2%
- Inactives	<u>778.9</u>	<u>782.2</u>	<u>3.3</u>	0.4%
- Total	1,171.5	1,169.9	-1.5	-0.1%
Normal Cost (% of payroll)				
- Total	11.88%	11.91%	0.0%	0.3%

Employees

Liability Measure (in millions)	Fund Actuary	Foster & Foster	Value Difference	Percent Difference
Present Value of Future Benefits				
- Actives	456.6	460.1	3.5	0.8%
- Inactives	<u>600.0</u>	<u>601.6</u>	<u>1.6</u>	0.3%
- Total	1,056.6	1,061.7	5.1	0.5%
Actuarial Accrued Liability				
- Actives	344.3	342.8	-1.5	-0.4%
- Inactives	<u>600.0</u>	<u>601.6</u>	<u>1.6</u>	0.3%
- Total	944.3	944.5	0.2	0.0%
Normal Cost (% of payroll)				
- Total	17.94%	17.69%	-0.3%	-1.4%

Firemen

Liability Measure (in millions)	Fund Actuary	Foster & Foster	Value Difference	Percent Difference
Present Value of Future Benefits				
- Actives	609.7	613.6	3.9	0.5%
- Inactives	<u>879.3</u>	<u>882.8</u>	<u>3.5</u>	0.4%
- Total	1,489.0	1,496.4	7.4	0.5%
Actuarial Accrued Liability				
- Actives	483.0	480.3	-2.7	-0.5%
- Inactives	<u>879.3</u>	<u>882.8</u>	<u>3.5</u>	0.4%
- Total	1,362.3	1,363.1	0.8	0.1%
Normal Cost (% of payroll)				
- Total	14.69%	14.53%	-0.2%	-1.1%

Policemen

REVIEW CATEGORIES

ASSUMPTIONS

- Reviewed assumptions for reasonableness, appropriateness and compliance with applicable standards of practice
- **Key Recommendations/Observations:**
 - Recommend using available mortality for survivors and disabled lives to best utilize the Pub-2010 information (Police and Fire)
 - Recommend regularly updating to the latest mortality projection scale to minimize impact of future mortality table changes (Police and Fire)
 - Concur with Plan Actuary to consider lowering interest rate to 7.50% or discuss long-term risk assessment / document future plan (Police and Fire)
 - Review payroll growth assumption in light of actual experience as part of next experience study (Employees)

REVIEW CATEGORIES

METHODS

- Reviewed calculations used to determine contribution requirements
- Reviewed appropriateness of the underlying actuarial funding method used to develop contribution requirements
- Reviewed the funding policy to amortize unfunded liabilities
- **Key Recommendations/Observations:**
 - None

REVIEW CATEGORIES

REPORTING

- Compared benefit summary in report to plan document
- Reviewed overall report for clarity, completeness and compliance with actuarial standards
- **Key Recommendations/Observations:**
 - Formal risk section to disclose items that may have a significant impact on the plan's financial condition, in compliance with ASOP 51 (Police and Fire)

Thank you

Questions?



FOSTER & FOSTER
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