



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Independent Actuarial Audits

January 13, 2025

Presented By:
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Agenda

- Independent Actuarial Audits Overview
- Houston Firefighters' Relief and Retirement Fund (HFRRF)
- Houston Police Officers Pension System (HPOPS)
- Houston Municipal Employees Pension System (HMEPS)



Independent Actuarial Audits Overview

Background:

- Section 802.1012 of the Texas government code requires the City to engage an independent actuary to audit the most recent valuations and studies of its pension systems.
- Definiti LLC has a contract with the City to provide pension actuarial consulting and advisory services- they are the independent actuary who conducted these audits.
- The audits now require City Council approval before they can be submitted to the Texas pension review board.

Purpose:

- Review the actuarial methods and assumptions used in the Valuation Studies compared to generally accepted actuarial standards of practice.
- Conduct an independent replication of the Valuation results using data received from the systems for reasonableness and consistency.
- Provide any recommendations they have for the systems regarding future reports.



Houston Firefighters' Relief and Retirement Fund (HFRRF)

Audited Reports:

- Risk Sharing Valuation Study for the year beginning July 1, 2023
- Actuarial Experience Study published November 2, 2020

Findings:

- The actuarial assumptions and methods used in the funding valuation as of July 1, 2023, are reasonable and consistent with generally accepted actuarial standards and practices
- Demographic assumptions should be monitored due to difference in retirement assumptions for post June 30, 2017 hires and no actual retirement experience
- City actuary recommends a disclosure of average DROP amounts in the age/service grids for each cell with at least 20 members

System's Response:

- In reference to the recommendation- the System actuary responded that they always supply the data required to assess the reasonableness of the DROP liability



Houston Police Officers Pension System (HPOPS)

Audited Reports:

- Risk Sharing Valuation Study for the year beginning July 1, 2023
- Actuarial Experience Study published February 9, 2022

Findings:

- The actuarial assumptions and methods used in the funding valuation as of July 1, 2023, are reasonable and consistent with generally accepted actuarial standards and practices
- Demographic assumptions should be monitored due to difference in retirement assumptions and little actual experience for post October 9, 2004 hires
- City actuary recommends a disclosure of average DROP amounts in the age/service grids for each cell with at least 20 members

System's Response:

- HPOPS agreed to add the DROP data going forward



Houston Municipal Employees Pension System (HMEPS)

Audited Reports:

- Risk Sharing Valuation Study for the year beginning July 1, 2023
- Actuarial Experience Study published August 11, 2021

Findings:

- The actuarial assumptions and methods used in the funding valuation as of July 1, 2023, are reasonable and consistent with generally accepted actuarial standards and practices.
- Demographic assumptions should be monitored due to adjustments that may need to be made for Group D members as this was the first Study with experience for them.
- City actuary recommends a disclosure of average DROP and cash balance amounts in the age/service grids for each cell with at least 20 members

System's Response:

- HMEPS had no comments



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Questions?