

Actuarial Audit of
General Employees',
Firefighter, and
Police Pension Funds

Presentation of Results

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Agenda

- Scope of Actuarial Audit
- 2017 Plan Highlights
- Actuarial Valuation Process
- Deloitte's Approach to Actuarial Reviews
- Deloitte's Opinion
- Summary of Key Findings
- Questions

Scope of Services

- The purpose of the audit is to independently assess the work of the funds' current actuaries
- Our review was performed to satisfy the requirements of the City of Atlanta Charter and Related Laws ("City Ordinance"), Subpart A, Article VI, Chapter 3, Section 6-313 (Ord. No. 11-O-0944)

The audit must:

- 1** Determine whether the actuarial methods, considerations, and analyses used by the consulting actuaries in preparing the **most recent actuarial valuations** are **technically sound** and **conform to the appropriate Standards of Practice** as promulgated by the Actuarial Standards Board and the Government Accounting Standards Board.
- 2** Determine whether the actuarial methods, considerations, and analyses used by the consulting actuaries in preparing the **most recent experience studies** are **technically sound** and **conform to the appropriate Standards of Practice** as promulgated by the Actuarial Standards Board and the Government Accounting Standards Board.
- 3** Express an opinion as to whether the **consulting actuaries' reports conform to appropriate Standards of Practice** by the Actuarial Standards Board and is comprehensive.
- 4** Identify **key differences** in actuarial calculations **across pension plans**, if any.
- 5** Make recommendations for **improvement in report presentations**, as applicable.

*The audit will be finalized in a **written report** containing findings, recommendations, and conclusions of the auditing actuary.*

*The **consulting actuaries** will be **given opportunity to prepare written response**. The responses will be included in the final report.*

*The auditing actuary will be required to **present a formal presentation**...to the Atlanta City Council and Pension Board.*

2017 Plan Highlights

- Deloitte was contracted to perform an actuarial audit of the July 1, 2017 Actuarial Valuation Reports (published in 2018) and most recent experience studies.
- These reports support the 2018/2019 Fiscal Year Contributions.

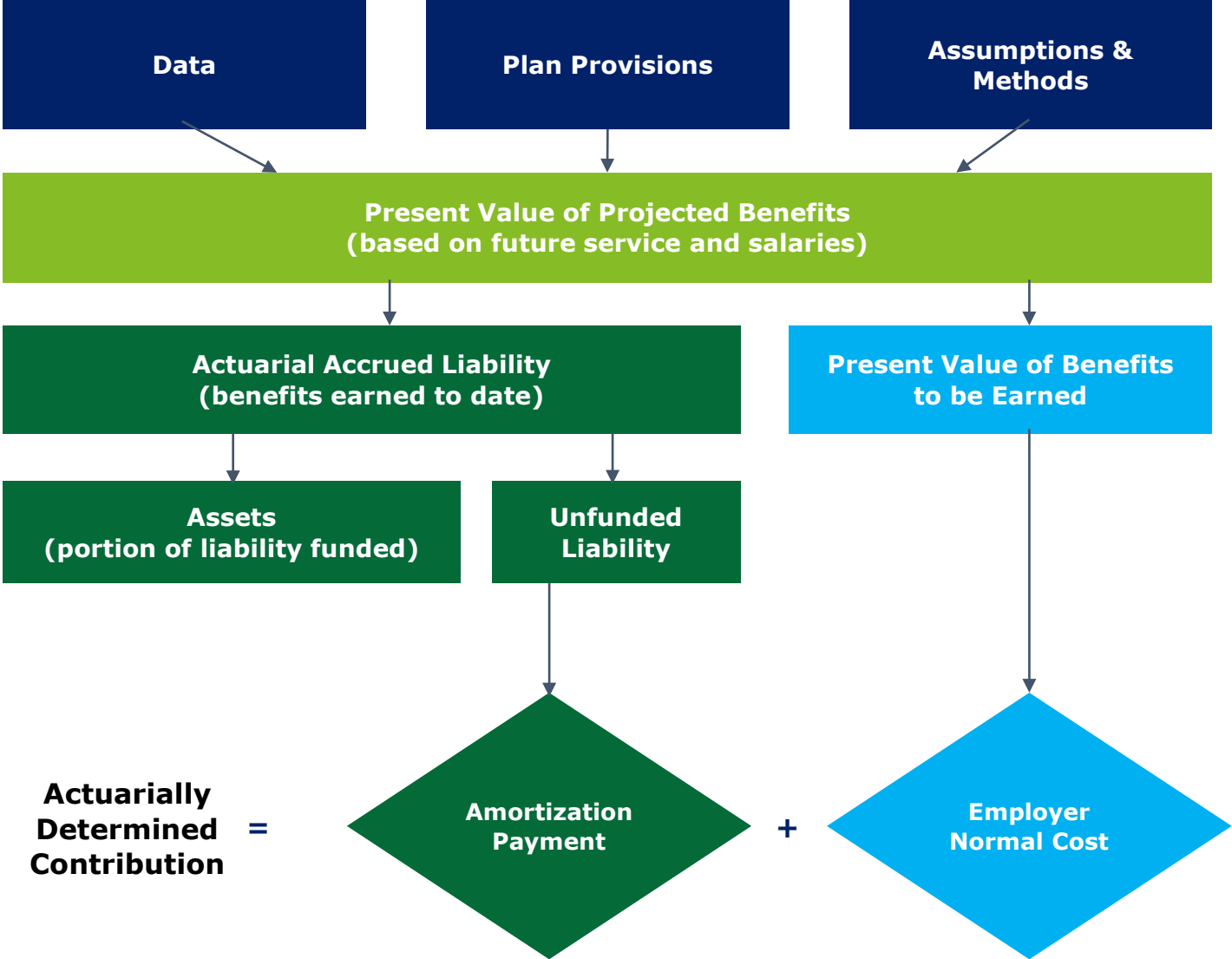
	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
Total Pension Liability	\$1,809M	\$1,365M	\$896M
Unfunded Pension Liability	\$580M	\$314M	\$226M
YE 2017 Benefit Payments	\$117M	\$63M	\$45M
Active / Inactive Participants	3,688 / 4,309	1,847 / 1,588	981 / 1,040
2018 Contribution Rate	27.3%	33.0%	43.4%

Retained Actuary:

Segal

Southern Actuarial

Actuarial Valuation Process



Deloitte's Approach to Actuarial Reviews

Items Received

System data from the City



Final valuation data from retained actuary



Sample life output from retained actuaries



Relevant Statutes and SPDs



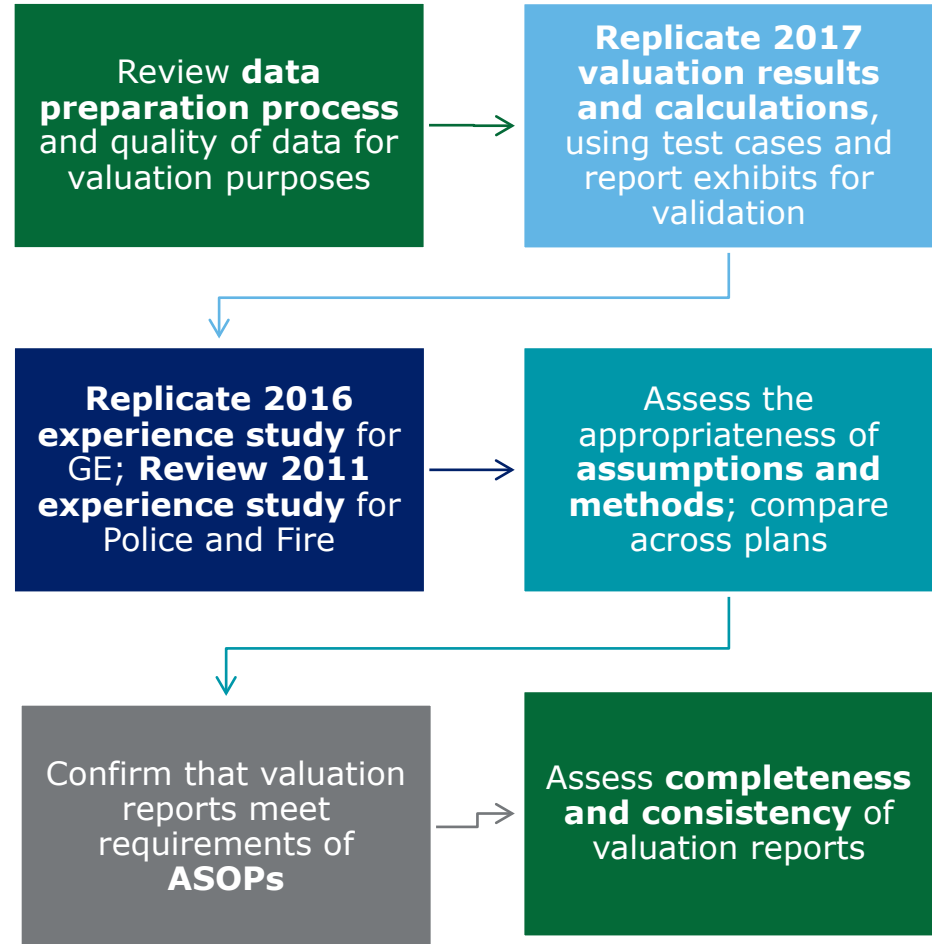
7/1/2017 Valuation Reports



Most recent experience studies (2016 and 2011)



Deloitte's Process



Deloitte's Opinion

- *Actuarial valuations and experience studies were **generally performed in compliance** with the Actuarial Standards of Practice (ASOPs)*
 - *Some **additional disclosures** should be provided to fully comply with the Standards*
- *We were able to **match the results of the actuarial valuations** within a reasonable range*
 - *We used the same data, assumptions, methods and provisions disclosed by the retained actuaries*
- *We did have **three primary concerns**:*
 - ***Quality of the data** provided by the City to the actuary*
 - ***Inconsistency of methods and assumptions** across the three plans*
 - ***Deficiency of support** for assumptions used by the Police and Fire Plans.*

Summary of Significant Findings: **Data**

All Plans

- Deloitte did not conduct a full audit of the City's data for benefit administration purposes; the focus was on the process by which the retained actuary prepared the data for the valuation
- Beyond the data quality concerns, there are also inconsistencies in the format of the data between the GE Fund and the Police Officers' and Firefighters' Funds
- The City may wish to standardize the data processes between the three funds to improve the quality and consistency of the data

GE

- Data provided by City to actuary includes many duplicate records and other data issues requiring manual adjustments by the retained actuaries
- The format and overall quality could be improved

Police and Fire

- There are substantial inconsistencies between City data and retained actuary data:
 - For active participants, the sum of total employee contributions with interest are roughly double in the retained actuary data versus the City data
 - For inactive participants, there is a significant difference in the number of deferred vested records in retained actuary data versus City data
- In the 2011 experience study, The retained actuary noted that the data is not of acceptable quality to determine demographic assumptions

Summary of Significant Findings: **Assumptions**

All Plans

- **Economic:** The inflation assumption should be consistent across all plans of the City; GE is 2.25%, Police/Fire is not disclosed but appears to be 3.00%
- Other assumptions should be consistent across all plans, as appropriate

GE

- For the GE Fund, we did not identify any assumptions of significant concern

Police and Fire

- **Economic:** The salary scale equals the payroll growth assumption, which may not be an appropriate assumption and could have a significant impact on the actuarially determined contributions
- **Mortality:** Using an outdated mortality table and improvement scale without providing a rationale for the selection of those assumptions; the actuary noted that the plan will be moving to a more updated table, but did not indicate that there would be a mortality study
- **Withdrawal:** Using experience from the mid-1980's as the basis for this assumption
- **Retirement:** Using a single retirement age for all participants
- **Experience study:** last performed in 2011; should be performed every 3-5 years according to industry best practice and Statute

Questions?