



AGENDA MEMORANDUM

Action Item for Audit Committee Meeting of April 9, 2024

DATE: March 14, 2024

TO: Councilmember Gil Hernandez, Audit Committee Chair

THRU: Constance P. Sanchez, Chief Financial Officer
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Actuarial Audit of the Corpus Christi Firefighters' Retirement System

CAPTION:

Motion acknowledging receipt of the Final Actuarial Audit Report for the Corpus Christi Firefighters' Retirement System for the Period Ended December 31, 2020.

SUMMARY:

The 80th Legislature passed House Bill 2664 that is codified in Section 802.1012 of the Texas Government Code and requires an actuarial audit every five years of public retirement systems with assets totaling at least \$100,000,000. At December 31, 2020, total assets for the Corpus Christi Firefighters' Retirement System totaled \$176,686,804; thus, warranting an actuarial audit as required by the Texas Government Code. The last actuarial audit was conducted in 2018 and was presented to the Audit Committee on December 11, 2018. The preliminary actuarial audit report for this audit was received on December 11, 2023 – within the five-year requirement.

BACKGROUND AND FINDINGS:

The Texas Legislature passed House Bill 2664 in the summer of 2007 which went into effect on September 1, 2007. The bill requires Texas public pension plans with assets totaling at least \$100,000,000 (excluding State funds like the Texas Municipal Retirement System), to have an independent audit every five year of the valuations, studies, and reports most recently prepared by the pension fund. The governmental entity for which the public retirement system is responsible for is required to select the actuary and pay all costs associated with preparing and distributing the audit.

The bill states that the actuary conducting the audit must provide the retirement system with a preliminary draft of the report within 30 days of audit completion. After that, the retirement system has up to 30 days upon receipt of the draft to add a response which can accompany the final audit report. Once the report is final, then the governmental entity must post on the agenda before its next regularly scheduled open meeting that they intend to present and review the final audit results and are obligated to provide a printed copy of the final audit results to all who are attending the meeting. The governmental entity is also responsible for submitting the results to the State Pension Review Board.

Because total assets for the Corpus Christi Firefighters' Retirement System totaled \$176,686,804 at December 31, 2020, State law requires that an independent actuary perform an audit of the last actuarial valuation, which was completed as of December 31, 2020. (The actuarial valuation as of December 31, 2022 was completed in November 2023 – well after the initiation of the 2023 actuarial audit had begun.) In accordance with the City of Corpus Christi's (i.e., the City) purchasing policies and procedures, a request for quotation for actuarial audit services was issued on July 28, 2023. The City sought proposals for both a Level One Actuarial Audit and a Level Two Actuarial Audit for the Corpus Christi Firefighters' Retirement System on their December 31, 2020 actuarial valuation. The proposers were asked to include "a not to exceed amount" for all ancillary costs and for up to two in-person presentations to be made to the Corpus Christi Firefighters Retirement System Board of Trustees at their office located at 711 North Carancahua, Suite 724 in the American Bank Plaza, and to the City Council Audit Committee at City Hall.

A Level One Actuarial Audit is a full-scope actuarial audit where the reviewing actuary fully replicates the original actuarial valuation, based on the same census data, assumptions, and actuarial methods used by the plan's consulting actuary. In addition, the reviewing actuary examines the consulting actuary's methods and assumptions for reasonableness and internal consistency.

A Level Two Actuarial Audit is one in which the reviewing actuary does *not* fully replicate the consulting actuary' valuation, but instead uses a sampling of the plan's participant data to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency.

The City asked for quotes for both levels of audit but selected the Level Two Actuarial Audit whose main focus is on the actuarial methods and assumptions used – not a full replication of the valuation. Three companies were contacted, and two companies responded by the due date. The third submitted a quote 20 days after the due date. The contract was awarded to the firm with the lowest quote for a Type 2 audit – Foster and Foster, Inc.

RFQ RESPONSES

	A <u>Type 1 Audit</u>	B <u>Type 2 Audit</u>	C <u>Ancillary</u>	A+C <u>Total for Type 1</u>	B+C <u>Total for Type 2</u>
1 Definiti	Non-responsive. Turned in proposal 20 days after the deadline.				
2 Foster and Foster, Inc.	\$ 42,000.00	\$ 21,000.00	\$3,000.00	\$ 45,000.00	\$ 24,000.00
3 Milliman, Inc.	\$ 19,500.00	\$ 22,500.00	\$6,000.00	\$ 25,500.00	\$ 28,500.00

A draft audit report was sent to the City on December 11, 2023 and was presented to the Board of Trustees of the Corpus Christi Firefighters' Retirement System at their January 18, 2024 meeting. The Board then had 30 days to respond but elected to submit the response from Rudd and Wisdom, Inc. (the Board's actuary) dated January 19, 2024, as their response. The report was finalized on February 6, 2024.

As required by Section 802.10132(i) of the Texas Government Code, the final audit report and response are being presented and reviewed by the Audit Committee at its next regularly scheduled open meeting. City staff will have printed copies of the final audit report and response available for individuals attending the meeting. Additionally, City staff submitted a copy of the final audit report to the Texas Pension Review Board and to the Corpus Christi Firefighters' Retirement System.

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

Not applicable

Funding Detail:

Fund:
 Organization/Activity:
 Project # (CIP Only):
 Account:
 Amount:

RECOMMENDATION:

City staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Final Actuarial Audit Report for the Corpus Christi Firefighters' Retirement System for the Period Ended December 31, 2020