



Audit & Finance Committee

Austin Financial Services | December 3, 2025

Update on Pensions and Other Postemployment Benefits



Austin Financial Services
December 3, 2025

City of Austin Retirement Systems



- Three contributory, defined benefit retirement systems
 - City of Austin Employees Retirement System (COAERS)
 - City of Austin Police Officers' Retirement System (APRS)
 - Austin Firefighters' Retirement Fund (AFRF)
- Governance - each administered by an Independent Board of Trustees
- Annual pension update report to Council's Audit and Finance Committee
- All three plans created by state law
 - State law governs benefit and contribution provisions
 - Amendments may be made by the Legislature of the State of Texas

EV1

FOR ADDITIONAL INFORMATION: Annual Comprehensive Financial Report for the Year Ended September 30, 2024 – Notes to Basic Financial Statements -
Footnote 10 – Retirement Plans

Accounting for pensions



The City and the pension systems adhere to professional standards for reporting and monitoring the pension systems.

- Governmental Accounting Standards Board (GASB) Statement No. 67 (plans)
- GASB Statement No. 68 (plan sponsors)
- Actuarial standards of practice

These regulations define how the City/systems measure the assets, liabilities, discount rate, and amortization period of the pension systems.

The City and systems are compliant with all reporting standards.



Pension Reforms (2021-2025)

Precursor to Pension Reforms



- Pension systems had funding levels and/or amortization periods outside of best practice standards established by the Texas Pension Review Board (PRB)
- City's bond rating dropped from AAA to AA+ by Fitch Ratings due primarily to growing pension liabilities

Austin Police Retirement System



- APRS legislation passed during 87th Legislature (2021)
- Key provisions of the APRS legislation
 - Effective January 1, 2022
 - Actuarially Determined Contribution funding model
 - Lower Benefit Tier for New Hires
 - 2.5% multiplier
 - Retirement eligibility at age 50 with 25 years of service
 - Average salary calculated at highest 60 months
 - Increased member and City contributions from 13% to 15%
 - Removal of board authority for benefit enhancements and cost of living adjustments
 - Board composition change – one member seat replaced with a City Council appointed taxpayer seat
- Actuarial impact after Legislation
 - UAAL as of 12/30/2020 on a fixed payment schedule that will be paid off by 12/31/2051 (current amortization period of 27.4 years; previously infinite amortization)

City of Austin Employee's Retirement System

- COAERS bill (HB3033) passed during the 82nd Legislature (2011)
- Key provisions of the COAERS 2011 legislation
 - Effective January 1, 2012
 - Lower Benefit Tier for New Hires
 - 2.5% multiplier
 - Retirement eligibility at age 62 with 30 years of service or age 65 with at least 5 years of service
 - Average salary calculated at highest 36 months out of the last 120 months of base pay
- City initiated voluntary supplemental funding plan
 - Increased employer contributions from statutorily required 8% to 18% phased in over several years

City of Austin Employee's Retirement System

- COAERS bill (SB 1444) passed during the 88th Legislature (2023)
- Key provisions of the COAERS 2023 legislation
 - Effective January 1, 2024
 - Actuarially Determined Contribution funding model
 - Increasing member contributions from 8% to 10% (phase-in over 2 years)
 - Removal of board authority for benefit enhancements and cost of living adjustments
 - Board composition change – a member seat replaced with a City of Austin Chief Financial Officer appointed seat
- Actuarial impact after legislation
 - UAAL as of 12/30/2022 on a fixed payment schedule that will be paid off by 12/31/2053 (current amortization period 29 years; previously 34-years)

Austin Firefighters Retirement Fund



- AFRF bill (HB 2802) passed during the 89th Legislature (2025)
- Key provisions of the AFRF legislation
 - Effective January 1, 2026
 - Actuarially Determined Contribution funding model
 - Lower Benefit Tier for New Hires
 - 3% multiplier
 - Average salary calculated at highest 60 months of pensionable payroll
 - Strong financial guardrails enacted for the provision of COLAs for Group A members
 - Board composition change – add an elected member seat and a City of Austin appointed citizen seat
- Actuarial impact after legislation
 - UAAL as of 12/30/2024 on a fixed payment schedule that will be paid off by 12/31/2055 (current amortization period 30 years; previously 48.6-years)

Results of legislative activities



In the case of each legislative action, the following steps were taken

- Established an Actuarially Determined Employer Contribution model with corridors to reduce risk
- Legacy liability set aside and put on a set payment plan
 - APRS - \$637,738,287, to be paid off 12/31/2051
 - COAERS - \$1,895,804,234, to be paid off 12/31/2053
 - AFRF - \$349,466,268 to be paid off 12/31/2055
- Board composition changes
 - APRS – replaced one active member seat with council appointed citizen seat
 - COAERS – replaced one active member seat with a City CFO appointed citizen seat
 - AFRF – added one member seat and one council appointed citizen seat
- Eliminated or restricted the ability of the board to make benefit changes
- After the AFRF legislative changes, Fitch ratings restored the City's AAA bond rating



Pension Details

Pension system membership



December 31, 2024	COAERS	APRS	AFRF
Inactive employees or beneficiaries receiving benefits	8,052	1,414	1,032
Inactive employees entitled to but not yet receiving benefits	4,548	178	36
Active employees	11,783	15,41	1,249
Total Members	24,383	3,133	2,317

Sworn personnel of the Emergency Medical Services Department are members of the COAERS systems.

Retirement Eligibility Provisions



COAERS	APRS	AFRF
<p><u>Group A</u></p> <ul style="list-style-type: none"> • 20 years of service at age 55 • 23 years of service at any age • Any number of years of service at age 62 <p><u>Group B (01/01/2012)</u></p> <ul style="list-style-type: none"> • 30 years of service at age 62 • 5 years of service at age 65 	<p><u>Group A</u></p> <ul style="list-style-type: none"> • 20 years of service at age 55 • 23 years of service at any age • Any number of years of service at age 62 <p><u>Group B</u></p> <ul style="list-style-type: none"> • 25 years of service at age 50 • Any number of years of service at age 62 	<p><u>Group A</u></p> <ul style="list-style-type: none"> • 10 years of service at age 50 • 25 years of service at any age <p><u>Group B</u></p> <ul style="list-style-type: none"> • 10 years of service at age 50 • 25 years of service at any age • No early retirement
<p><u>COLAs</u></p> <p>No COLAs for Groups A or B</p>	<p><u>COLAs</u></p> <p>No COLAs for Groups A or B</p>	<p><u>COLAs</u></p> <p><i>Group A</i> - Financial Stability Tests, capped at 1.5%</p> <p><i>Group B</i> - Performance-based COLA, ranging from 0% - 2%</p>

Sworn personnel of the Emergency Medical Services Department are members of the COAERS systems.

Actuarial Valuations



Each plan is required by law to perform an actuarial valuation annually in accordance with Actuarial Standards of Practice. The actuarial valuation reports provide the funded status, amortization schedules for any unfunded liabilities, and other key financial metrics for each of the pension plans as of the valuation date.

December 31, 2024	COAERS	APRS	AFRF
Normal Cost (as a percent of payroll)	18.50%	24.54%	31.32%
Actuarial Value of Assets	\$3,645,166,359	\$1,095,007,001	\$1,165,347,238
Actuarial Accrued Liability	\$5,957,378,923	\$1,877,635,572	\$1,514,813,506
Unfunded Actuarial Accrued Liability	\$2,312,212,564	\$782,628,571	\$349,466,268
Funded Ratio	61%	58%	77%
Amortization Period	29 years	27.4 years	30 years

The City conducts an actuarial audit of all three systems at least every 5 years. The last audit was conducted in 2024.

City Contribution History (millions)

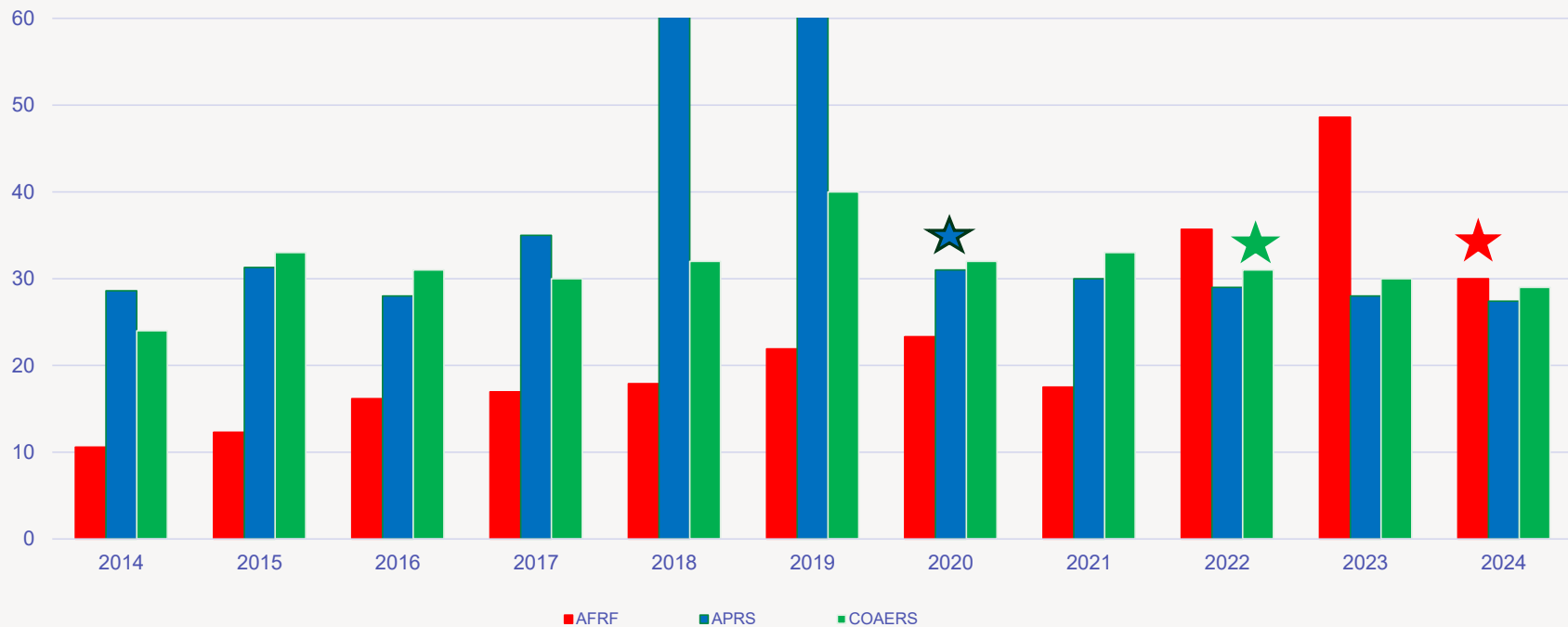


System	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended	FY2026 Approved
COAERS	\$118.8	\$119.4	\$144.8	\$165.5	\$184.2
APRS	\$43.0	\$48.3	\$55.7	\$59.6	\$68.1
AFRF	\$23.5	\$23.3	\$25.8	\$28.5	\$31.1
Total	\$185.3	\$191.0	\$226.3	\$253.6	\$283.4

Amortization Period History



Amortization Period History



★ APRS reforms implemented in 2020. ★ COAERS reforms implemented in 2022. ★ AFRF reforms implemented in 2024.

Board composition



City appointees to the Boards of Trustees is an important component of the administration and oversight of the pension systems.

December 31, 2024	COAERS	APRS	AFRF *
Active elected members	3	4	2
Retired elected members	2	2	1
Board appointed citizens	1	1	
Council appointed citizens	2	1	
City appointed members	3	3	2
Total Members	11	11	5

*As part of the legislation approved in 2025, AFRF will add 1 elected member and 1 Council appointed citizen in 2026.



Other Postemployment Benefits (OPEB)

Accounting for OPEB



The City follows appropriate guidance in reporting and monitoring other post employment benefits (OPEB).

- Governmental Accounting Standards Board (GASB) Statement No. 75
- Actuarial standards of practice

These regulations define how the City/systems measure the assets, liabilities, discount rate, and amortization period of the OPEB liability.

The City is compliant with all OPEB reporting standards.



Other Postemployment Benefits

- Pay-as-you-go funding
 - Council approves funding during annual budget adoption
 - No obligation to pay any OPEB for retirees or their dependents
- Eligible for OPEB if receiving City pension benefits
- Implemented Medicare Advantage (MA) plan as cost containment measure in 2024
- City of Austin OPEB Liability
 - As of December 31, 2024 = \$1.3 Billion
 - As of December 31, 2023 = \$3.2 Billion
- Decrease in liability primarily due to retirees over 65 required to enroll in the MA plan. This became a requirement for retirees over 65 starting January 1, 2025.
 - Discount rate increased from 3.26% to 4.08%
- **City is exploring options for further reducing liability**
 - Lower benefit tier for new hires
 - Pre-funded trust