June Benefits and Services Committee Meeting

Schedule	Thursday, June 15, 2023 1:00 PM — 2:00 PM CDT
Venue	6850 Austin Center Blvd., Suite 320, Austin, TX 78731
Organizer	Sarah McCleary

Agenda

1. Call roll of Committee members

Presented by Committee Chair Thomas

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 1:
Call roll of Committee members

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to determine for the record which Trustees are present at the start of the meeting.

Each Trustee should respond to the roll call, and it will be noted which Trustees are present in person and which Trustees have joined via video conference.

2. Review order of business and establish meeting objectives

Presented by Committee Chair Thomas

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 2:
Review order of business and establish meeting objectives

AGENDA ITEM OBJECTIVE

This agenda item provides Trustees the opportunity to review the order of business and to express a desire to take an agenda item out of order, and to discuss the key objectives of the meeting.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.** It is an industry best practice to establish meeting objectives and review them at the outset of each meeting.

MEETING OBJECTIVES

1. The Committee will review the December 31, 2022 Risk Sharing Valuation Study Report with possible referral to the Board for approval.
2. The Committee will discuss the process for the development of a new Funding Policy in collaboration with the City of Austin.
3. The Committee will consider proposed revisions to the Benefits Policy and Operating Procedures in light of the passage of COAERS legislation during the 88th Legislative Session.
4. The Committee will conduct its annual review of the IRS compliance report provided by COAERS tax counsel.
5. The Committee will consider approval of disability application #2304 and referral to the Board of the Committee's recommendation.

3. Consider approval of the March 9, 2023 and March 30, 2023 Benefits and Services Committee minutes

Presented by Committee Chair Thomas

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 3:
Consider approval of the March 9, 2023 and March 30, 2023 Benefits and Services Committee minutes

AGENDA ITEM OBJECTIVE
This standing agenda item seeks approval of the minutes from the prior Benefits and Services Committee meetings.

RELEVANCE TO STRATEGIC PLAN
This agenda item meets the core competency established in the **COAERS Strategic Plan** "*Transparency: Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.*"

RECOMMENDATION FOR COMMITTEE ACTION
Staff recommends approval of the minutes of the March 9, 2023 and March 30, 2023 Benefits and Services Committee meetings.

ATTACHMENTS
1. Draft minutes of March 9, 2023 Benefits and Services Committee meeting
2. Draft minutes of March 30, 2023 Benefits and Services Committee meeting

COAERS
CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

MINUTES
Benefits and Services Committee
Public Meeting held in-person and telephonically on March 9, 2023 at 10:00 a.m. CT
Pursuant to Texas Govt. Code 551.127

Committee Members Present/(Absent)	**Other Board Trustees Present/(Absent)**	**Others Present**
		Staff:
Diana Thomas, Committee Chair	Mike Benson	Christopher Hanson
Chris Noak†	Kelly Crook	Sarah McCleary
(Leslie Pool)	Michael Granof	Russell Nash
Anthony Ross	(Dick Lavine)	Teresa Cantu*
Brad Sinclair	(Yuejiao Liu)	Jenni Bonds
	(Amy Hunter)	Yun Quintanilla
		Mehrin Rahman
		Cathy Edwards*
		Michelle Mahaini*
Guests:		David Kushner*
Paige Saenz, General Counsel		
Ryan Falls, GRS		
Lewis Ward, GRS		
Ashley Rendon, PRB*		

*Present telephonically
† present via videoconference

1 Call roll of Committee members

Committee Chair Diana Thomas called the meeting to order at 10:01 a.m. The following Committee members were present in person: Thomas, Ross, Sinclair. The following Committee member was present via videoconference: Noak.

Committee Chair Thomas asked if there were any members of the public who wished to speak, either now or during an agenda item. There were no comments.

2 Review order of business and establish meeting objectives

Committee Chair Thomas reviewed the order of business and meeting objectives with the Committee. No changes were made to the order of business.

3 Review 2023 Benefits and Services Committee Work Plan

Mr. Christopher Hanson reviewed the 2023 Benefits and Services Committee Work Plan. Mr. Hanson reported that there was originally to be a disability application in this meeting, but due to the doctor's availability, that application will be heard prior to the full Board meeting in March. If approved, the delay will not affect the recipient's payments.

4 Consider approval of the November 10, 2022 and January 19, 2023 Benefits and Services Committee meeting minutes

Mr. Anthony Ross moved to approve the November 10, 2022 and January 19, 2023 Benefits and Services Committee minutes as presented. Mr. Brad Sinclair seconded, and the motion passed 4-0.

Michael Benson arrived at 10:29 a.m.

5 Discuss and consider the December 31 , 2022 actuarial valuation results and actuarial assumptions

Mr. Ryan Falls and Mr. Lewis Ward presented the results of the actuarial valuation as of December 31, 2022. Mr. Falls explained that the main purpose of the valuation is to measure the actuarial liabilities, funded status, and determine the adequacy of current contributions as of the measurement date. The valuation was completed using current assumptions not considering changes contained in the pending state legislation.

Mr. Ward reported on the funding period, funded ratio, actuarial gains and losses, as well as analysis of possible risks to the actuarial health of the System. Mr. Ward also discussed the actuarial impact from investment losses during 2022 and the City's higher-than-expected payroll growth. Other losses were also discussed including the fact that Military service purchases resulted in an annual loss to the System of about $2.5 million.

Mr. Ward also presented a recommendation to adopt a payroll growth assumption for future risk sharing valuation studies if the new legislation is enacted. Trustees discussed the payroll growth assumption.

Mr. Ross moved to recommend that the Board adopt the actuarial valuation results of December 31, 2022 and adopt a payroll growth assumption of 3.25% for future risk sharing valuation studies. Mr. Sinclair seconded, and the motion passed 4-0.

Michael Granof arrived at 10:43 a.m.

4 **Review key meeting takeaways and call for future agenda items**

Committee Chair Thomas summarized the actions taken and the information discussed during the meeting and asked for any future agenda items. She reminded Trustees that the disability application would be heard on March 30, 2023 prior to the Board meeting.

As there were no further items to address, the meeting adjourned at 10:51 a.m.

COAERS
CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

MINUTES

Benefits and Services Committee
Public Meeting held in-person and telephonically on March 30, 2023 at 9:00 a.m. CT
Pursuant to Texas Govt. Code 551.127

Committee Members Present/(Absent)

Diana Thomas, Committee Chair
Chris Noak
Leslie Pool†
Anthony Ross
Brad Sinclair

Other Board Trustees Present/(Absent)

(Mike Benson)
(Kelly Crook)
(Michael Granof)
(Dick Lavine)
Yuejiao Liu
Amy Hunter†

Others Present

Staff:
Christopher Hanson†
Sarah McCleary
Russell Nash
Jenni Bonds
Michelle Mahaini

Guests:
Paige Saenz, General Counsel
Dr. Harold Skaggs
Cynthia Ontiveros
Teresa Longoria†

*Present telephonically
† present via videoconference

1 Call roll of Committee members

Committee Chair Diana Thomas called the meeting to order at 9:01 a.m. The following Committee members were present in person: Thomas, Noak, Ross and Sinclair The following Committee member was present via videoconference: Pool.

Committee Chair Thomas asked if there were any members of the public who wished to speak, either now or during an agenda item. There were no comments.

2 **Discuss and consider disability retirement application**

A. **Convene into Executive Session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to deliberate on disability retirement application ref.#2303**

B. **Reconvene into public session and make recommendations as determined appropriate by the Committee regarding disability retirement application ref.# 2303**

Trustees convened into Executive Session at 9:04 a.m.
Trustees reconvened into Public Session at 9:12 a.m.

Mr. Anthony Ross moved to approve Disability retirement application #2303. Ms. Leslie Pool seconded, and the motion passed unanimously.

3 **Review key meeting takeaways and call for future agenda items**

Committee Chair Thomas summarized the actions taken and asked for any future agenda items.

As there were no further items to address, the meeting adjourned at 9:14 a.m.

4. Discuss and consider Risk Sharing Valuation Study

Presented by Lewis Ward

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 4:
Discuss and consider Risk Sharing Valuation Study

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Committee to review the initial Risk Sharing Valuation Study required as part of the pension legislation which passed the 88th Legislature.

RELEVANCE TO STRATEGIC PLAN

This agenda item is an action item in **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.**

RECOMMENDATION FOR COMMITTEE ACTION

Staff recommends that the Committee refer to the Board for approval the December 31, 2022 Risk Sharing Valuation Study Report.

BACKGROUND

As part of the comprehensive pension legislation that COAERS and the City of Austin developed, and was ultimately passed by the Legislature, COAERS will annually conduct a Risk Sharing Valuation Study (RSVS). The RSVS establishes several actuarial metrics tied to the legislation, including the schedule of Legacy Liability payments; the corridor midpoint, maximum, and minimum; the amortization payment of gain and loss layers; and the actual City Contribution to be made in addition to the Legacy Liability payment. The RSVS will also identify if the corridor maximum is reached and if any additional employee contributions are required under the new contribution policy.

Staff and GRS will review the December 31, 2022 RSVS Report with the Committee.

ATTACHMENTS

1. December 31, 2022 Risk Sharing Valuation Report Study
2. GRS Projected City Contribution Rates based on the December 31, 2022 actuarial valuation

City of Austin Employees' Retirement System

Risk Sharing Valuation Study Report for the Year Ending December 31, 2022

P: 469.524.0000 | www.grsconsulting.com

May 24, 2023

Mr. Christopher Hanson
Executive Director
City of Austin Employees' Retirement System
6836 Austin Center Blvd, Suite 190
Austin, TX 78731

Dear Mr. Hanson:

Subject: Initial Risk Sharing Valuation as of December 31, 2022

The passage of SB 1444 requires that the City of Austin Employees' Retirement System (COAERS or the System) to have their actuary perform an Initial Risk Sharing Valuation Study (RSVS) as of December 31, 2022. This initial RSVS establishes the Legacy Liability and the payment schedule for the Legacy Liability. This initial RSVS also establishes the City Contribution Rate corridor. Finally, this initial RSVS establishes the City Contribution Rate for calendar year 2024.

This RSVS report is a complementary report to the December 31, 2022 actuarial valuation report dated April 10, 2023 (Primary Valuation). That report has many details about the actuarial calculations, benefit provisions and actuarial assumptions used in the valuation report that are not repeated in this report. Please examine the actuarial valuation report for more details. Any provisions or assumptions in this RSVS that differ from the actuarial valuation are disclosed below. Results of this report should not be used for any other purpose without consultation with the undersigned. This report was prepared at the request of the Board and is intended for use by the COAERS staff and those designated or approved by the Board. This report may be provided to parties other than COAERS staff only in its entirety and only with the permission of the Board.

City Contribution

Beginning in calendar year 2024, the City will be contributing two separate pieces to COAERS. The first piece will be the Legacy Liability payment. This amount is $98,896,162 as shown on page RSVS-5. In addition to this dollar amount the City will contribute the City Contribution Rate of 8.68% of payroll as shown on page RSVS-4.

Benefit Provisions

The benefit provisions in this RSVS are the same as in the Primary Valuation except as noted below:

1. The member contribution rate will increase to 9% effective January 1, 2024 and then increase again to 10% effective January 1, 2025. It will then remain at 10% unless the maximum corridor is breached.

2. The purchase of military, non-contributory and supplemental service can only occur at retirement. In addition, the subsidy that exists for military purchases is eliminated. As no assumption is made about future service purchases, these changes do not have an actuarial impact on the RSVS.
3. The City portion of the cost for unused sick leave conversions was changed to be the estimated actuarial costs less the member contributions on that service. Further, instead of contributing this amount at retirement when the member converts the service, the estimated costs of providing this benefit are added in the City Contribution Rate.

Actuarial Assumptions

The actuarial assumptions in this RSVS are the same as used in the Primary Valuation except as noted below:

1. A payroll growth assumption of 3.25% was adopted for the purposes of projecting aggregate payroll. It is used in the projection of the current payroll to the calendar year for which the contribution rate is being determined. It will also be used in the determination of the payments on future liability layers which will be determined as a level percentage of payroll. The Legacy Liability payments grow at 3% (after the initial phase-in).
2. In addition to the general payroll growth assumption, an additional increase of 2% was included in the assumed payroll growth for calendar year 2023 payroll. This additional increase was due to changes that occurred in the compensation structure of the City towards the end of calendar year 2022 which would not be fully reflected in the 2022 calendar year compensation on which the 2023 payroll is projected.
3. As discussed above, the City share of the cost for allowing unused Sick Leave conversions at retirement is now included in the City Contribution Rate. Therefore, it was necessary to make an assumption about the percentage of retirees that will take advantage of this benefit, and an assumption about how much unused sick leave they will convert. After reviewing sick leave conversions for the past several years, we decided to use the following assumptions: 1) an assumption that 55% of retiring members will elect to convert unused sick leave, and 2) an assumption that on average those members electing to convert their unused sick leave will increase their retirement benefit by 1.5%. In aggregate, this produces an assumption that the average retiring member will increase their benefit by 0.825% (55% x 1.5% = 0.825%).

We believe the assumptions are internally consistent, reasonable, and, where appropriate, based on the actual experience of COAERS. All of the assumptions and methods used in this RSVS for funding purposes meet the parameters set by the Actuarial Standards of Practice. Additional information about the assumptions and methods is included in the Section of the Primary Actuarial valuation report titled Statement of Actuarial Assumptions and Methods.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and funding periods. Due to the limited scope of this assignment, GRS did not perform an analysis of the potential range of such possible future differences. The actuarial calculations are intended to provide information for rational decision making.

This initial RSVS report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. We certify that the information presented herein is accurate and fairly portrays the actuarial position of COAERS as of December 31, 2022. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable governing statutes.

The undersigned are independent actuaries and consultants. Ms. Shaw is an Enrolled Actuary and a Member of the American Academy of Actuaries and she meets the Qualification Standards of the American Academy of Actuaries. Both Ms. Shaw and Mr. Ward are experienced in performing valuations for large public retirement systems.

We would like to thank you and your staff for your assistance in providing all necessary information to complete this initial RSVS. Your courteous help is very much appreciated. Please do not hesitate to let us know if you have any questions or need additional information.

Sincerely,

Lewis Ward
Consultant

Janie Shaw, ASA, EA, MAAA
Consultant

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SECTION RSV

RISK SHARING VALUATION

RSVS Discussion

The primary purpose of a Risk Sharing Valuation Study (RSVS) is to determine the City Contribution Rate for the COAERS fiscal year beginning one year after the valuation date. In this initial RSVS, we also will establish the Legacy Liability and determine the payment schedule for the Legacy Liability. This initial RSVS also establishes the City Contribution Rate corridor.

The table on this page RSVS-1 shows the development of the Legacy Liability. The exhibit on page RSVS-5 is the Legacy Liability schedule and shows the amortization schedule of the remaining Legacy Liability for each of the 30 years over which it is scheduled to be paid. Column 2 shows the remaining Legacy Liability as of that measurement date while Column 3 shows the payment on the Legacy Liability for the fiscal year in which it is contributed.

The exhibit on page RSVS-4 shows the calculated actuarially determined City Contribution Rate. As shown on the table, the calculated actuarially determined City Contribution Rate from this valuation is 8.68% of pay. The exhibit on page RSVS-3 shows the City Contribution Rate Corridor. Column 3 shows the Corridor Midpoint for each fiscal year. Columns 2 and 4 show the Corridor Minimum and Corridor Maximum, respectively. Column 5 shows the actual City Contribution Rate for the applicable fiscal year.

Because the System is less than 90% funded, the actual City Contribution Rate will be set equal to the greater of the calculated City Contribution Rate and the Corridor Midpoint of 8.68% of pay (they are the same in this Initial RSVS). As shown on the table on RSVS-3, the actual City Contribution Rate for FY 2024 is 8.68% of pay.

The amortization of the Legacy Liability has been adjusted for the one-year delay in the contributions. This adjustment includes interest on the UAAL plus a credit for the estimated contributions to be received towards the payment of the UAAL in COAERS fiscal year 2023. The table below shows the development of the Legacy Liability as of December 31, 2023.

1.	UAAL as of December 31, 2022*	$1,895,804,234
2.	Estimated 2023 amortization payment toward UAAL	73,629,790
3.	Interest on items 1 and 2 at 6.75% per annum	125,522,357
4.	Projected Legacy Liability as of December 31, 2023	1,947,696,801

*This is the UAAL after reflecting the changes in the benefit provisions SB 1444 and the changes in the actuarial assumptions previously described.

As part of the legislation which created the new financing provisions of COAERS, the increase in the City Contribution Rate is to be phased in over a two-year period. To accomplish this, we estimated the City contribution rate in 2024 if there was no phase-in based on projected payroll. This number is 21.48% of payroll. We then compared this with the current City rate in 2023 of 19% of payroll. The difference between these two numbers (2.48%) is the starting point for the two-year phase-in. However, because the contribution phase-in defers some of the costs of the Legacy Liability payments, an interest adjustment must be made to the phase-in amounts so that the Legacy Liability is still eliminated within thirty years. The table below shows the development of the phase-in.

RSVS Discussion

1.	Projected Payroll for 2024	$839,103,286
2.	Amortization Payment of Legacy Liability with no Phase-in	107,441,217
3.	Amortization Payment as % of Projected Payroll (Item 3 / Item 2)	12.80%
4.	Projected 2024 Normal Cost as % of Payroll	17.68%
5.	Member Contribution Rate for 2024	9%
6.	City Contribution Rate for 2024 (without phase-in, Item 3 + Item 4 – Item 5)	21.48%
7.	Difference in 2023 and 2024 (Item 6 - 19%)	2.48%
8.	% of Payroll for Each Year of Phase-in (Item 7 / 2)	1.24%
9.	Phase-in amount prior to adjustment for interest (Item 1 x Item 8)	10,404,881
10.	Phase-in amount after adjustment for interest	12,264,708

However, if we just applied the phase-in as is (i.e. the City contribution in 2024 is projected to be $10,404,881 greater than the 2023 contribution, and then the Legacy Liability payment increases by $10,404,881 in 2025 followed by 3% increases thereafter, the Legacy Liability would not be fully amortized by the end of the 30 payments. Therefore, an interest adjustment must be made to the phase-in amount in order for the Legacy Liability to be fully amortized at the end of the 30-year period. We have determined that this requires the phased-in amount to be increased to $12,264,708.

Hence, the projected 2024 City contribution is expected to be $12,264,708 greater than the projected City 2023 contribution. The actual differences will depend upon actual payroll growth. After the first year the phase-in is reflected completely in the Legacy Liability payments (i.e. the 2025 Legacy Liability payment is $12,264,708 greater than the 2024 Legacy Liability payment. Thereafter, the Legacy Liability payments grow at 3%.

Actuarially Determined Contribution Corridor

Fiscal Year Ending	Corridor Minimum	Corridor Midpoint	Corridor Maximum	Actual City Contribution Rate
(1)	(2)	(3)	(4)	(5)
December 31, 2024	3.68%	8.68%	13.68%	8.68%
December 31, 2025	2.44%	7.44%	12.44%	
December 31, 2026	2.21%	7.21%	12.21%	
December 31, 2027	2.00%	7.00%	12.00%	
December 31, 2028	1.80%	6.80%	11.80%	
December 31, 2029	1.61%	6.61%	11.61%	
December 31, 2030	1.42%	6.42%	11.42%	
December 31, 2031	1.25%	6.25%	11.25%	
December 31, 2032	1.09%	6.09%	11.09%	
December 31, 2033	0.95%	5.95%	10.95%	
December 31, 2034	0.82%	5.82%	10.82%	
December 31, 2035	0.70%	5.70%	10.70%	
December 31, 2036	0.61%	5.61%	10.61%	
December 31, 2037	0.53%	5.53%	10.53%	
December 31, 2038	0.46%	5.46%	10.46%	
December 31, 2039	0.41%	5.41%	10.41%	
December 31, 2040	0.36%	5.36%	10.36%	
December 31, 2041	0.32%	5.32%	10.32%	
December 31, 2042	0.28%	5.28%	10.28%	
December 31, 2043	0.25%	5.25%	10.25%	
December 31, 2044	0.23%	5.23%	10.23%	
December 31, 2045	0.21%	5.21%	10.21%	
December 31, 2046	0.19%	5.19%	10.19%	
December 31, 2047	0.18%	5.18%	10.18%	
December 31, 2048	0.17%	5.17%	10.17%	
December 31, 2049	0.16%	5.16%	10.16%	
December 31, 2050	0.15%	5.15%	10.15%	
December 31, 2051	0.15%	5.15%	10.15%	
December 31, 2052	0.15%	5.15%	10.15%	
December 31, 2053	0.15%	5.15%	10.15%	

Calculated Actuarially Determined City Contribution Rate

Fiscal Year Ending	Employer Normal Cost[1]	Amortization Payment	Calculated City Contribution Rate
(1)	(2)	(3)	(4)
December 31, 2024	8.68%	0.00%	8.68%

[1] Normal Cost for Actuarially Determined City Contribution Rate is projected from valuation date one year prior to the applicable fiscal year.

Projection of Remaning Legacy Liability and Legacy Liability Payments

Fiscal Year Ending	Remaining Legacy Liability	Fiscal Year Payment
(1)	(2)	(3)
December 31, 2022	$ 1,895,804,234	$ -
December 31, 2023	1,947,696,801	-
December 31, 2024	1,976,986,927	98,896,162
December 31, 2025	1,995,582,254	111,160,870
December 31, 2026	2,011,987,227	114,495,696
December 31, 2027	2,025,950,631	117,930,567
December 31, 2028	2,037,201,193	121,468,484
December 31, 2029	2,045,446,134	125,112,539
December 31, 2030	2,050,369,624	128,865,915
December 31, 2031	2,051,631,127	132,731,892
December 31, 2032	2,048,863,627	136,713,849
December 31, 2033	2,041,671,744	140,815,264
December 31, 2034	2,029,629,703	145,039,722
December 31, 2035	2,012,279,178	149,390,914
December 31, 2036	1,989,126,977	153,872,641
December 31, 2037	1,959,642,571	158,488,820
December 31, 2038	1,923,255,453	163,243,485
December 31, 2039	1,879,352,314	168,140,790
December 31, 2040	1,827,274,026	173,185,014
December 31, 2041	1,766,312,417	178,380,564
December 31, 2042	1,695,706,822	183,731,981
December 31, 2043	1,614,640,399	189,243,940
December 31, 2044	1,522,236,193	194,921,258
December 31, 2045	1,417,552,930	200,768,896
December 31, 2046	1,299,580,521	206,791,963
December 31, 2047	1,167,235,257	212,995,722
December 31, 2048	1,019,354,679	219,385,594
December 31, 2049	854,692,093	225,967,162
December 31, 2050	671,910,712	232,746,177
December 31, 2051	469,577,395	239,728,562
December 31, 2052	246,155,960	246,920,419
December 31, 2053	-	254,328,071

City of Austing Employees' Retirement System
Estimated City Contributions with Actual 2022 Return and (6.75% Thereafter)
and AVA Legacy Liability and 2-Year Phase-in
(Assumes No Recovery in Markets so Future Losses)

Calendar	Layers 29, 28, etc. (Min of 20)		Contribution
Year	Phase-in	% of Pay	Above Midpoint
2024	$ 171.7	20.47%	N/A
2025	183.2	21.14%	0.87%
2026	194.1	21.70%	1.69%
2027	205.2	22.22%	2.45%
2028	216.5	22.70%	3.16%
2029	221.3	22.48%	3.16%
2030	226.3	22.26%	3.16%
2031	231.5	22.06%	3.16%
2032	237.0	21.87%	3.16%
2033	242.8	21.70%	3.16%
2034	248.8	21.54%	3.16%
2035	255.1	21.39%	3.16%
2036	261.9	21.27%	3.16%
2037	269.0	21.16%	3.16%
2038	276.5	21.06%	3.16%
2039	284.4	20.98%	3.16%
2040	292.5	20.90%	3.16%
2041	301.0	20.83%	3.16%
2042	309.7	20.76%	3.16%
2043	318.9	20.70%	3.16%
2044	328.4	20.65%	3.16%
2045	338.3	20.60%	3.16%
2046	348.5	20.55%	3.16%
2047	359.1	20.51%	3.16%
2048	370.0	20.47%	3.16%
2049	381.3	20.43%	3.16%
2050	393.0	20.39%	3.16%
2051	405.2	20.36%	3.16%
2052	417.7	20.33%	3.16%
2053	430.7	20.30%	3.16%

Note: $ in millions.
The projected City Contributions for 2023 and 2024 under the current 19% contribution rate are $154.4 million and $159.4 million, respectively.

5. Discuss and consider COAERS Funding Policy

Presented by Christopher Hanson

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 5:
Discuss and consider COAERS Funding Policy

AGENDA ITEM OBJECTIVE
This agenda item is intended for the Committee to begin discussion of updates to the Board's Funding Policy.

RELEVANCE TO STRATEGIC PLAN
This agenda item meets **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.** This agenda item is a Strategic Plan action item for 2023 and supports the actuarial funding objectives for Goal 1.

RECOMMENDATION FOR COMMITTEE ACTION
At the Committee's discretion.

BACKGROUND
In 2014, COAERS developed the first Funding Policy in the State of Texas. Soon thereafter, the Texas Legislature amended the Texas Government Code to require all public retirement systems in the state to develop a funding policy. Recently, the Texas Legislature further amended the Texas Government Code to require all non-statewide public retirement systems and their associated governmental entities to jointly develop and adopt a written funding policy detailing a plan for achieving a funded ratio equal to or greater than 100%. With the passage of SB 1444 during the 88th Legislative Session, several of the necessary components are in place to create the new joint Funding Policy. Those include the following:

1. Established period to pay off the "Legacy Liability". The proposed legislation creates a 30-year payment schedule to pay off the existing unfunded actuarial accrued liability, aka the "Legacy Liability" between January 1, 2024, and December 31, 2053.
2. The actuarially determined employer contribution (ADEC) rate is set as the normal cost less the employer contribution rate (initial corridor midpoint), with gain/loss layers applied up to a +/-5% around the original corridor midpoint.
3. Future valuation gain/loss layers have preset closed periods that will phase-in to future loss layers set at closed 20-year periods to avoid future negative amortization.
4. Risk-sharing via the ability of the employee contribution rate to increase above 10% should the ADEC breach the +5% maximum above the corridor midpoint. The increase in the employee contribution rate is capped at 2% for a maximum employee contribution rate of 12%.

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

Staff is seeking direction from the Committee on the process to develop the new joint Funding Policy. Given the success of the COAERS and City of Austin working group in developing the legislative proposal, Staff proposes a similar approach with the Funding Policy, namely:

1. Direct COAERS Staff to work with City Staff to draft a joint Funding Policy.
2. Report back to the Committee on any significant issues which require Committee feedback or direction.
3. Finalize Funding Policy to be presented to Committee and then Board for approval.
4. City Staff will work their process to receive the approval of the City Council.

ATTACHMENT

1. Board Funding Policy

COAERS
CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

Board Approved Policy

Subject:	Funding
Review Committee:	Benefits and Services Committee
Date Implemented:	November 25, 2014
Date Updated:	September 22, 2020

Signature of Chairperson:

Eyna Canales-Zarate

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD APPROVED POLICY
FUNDING POLICY

I. PURPOSE AND SCOPE

This Funding Policy ("Policy") is designed as a guideline to communicate the Board of Trustees' position on the City of Austin Employees' Retirement System (COAERS) long-term funding goals, determine appropriate methods for COAERS to achieve a 100% funded ratio as required by Texas Government Code, Section 802.2011, establish appropriate actuarial assumptions and methodologies, provide guidelines for benefit and contribution policy recommendations, and establish a process to monitor and report on COAERS' funding progress. COAERS is formally adopting certain baseline actuarial measurements to provide guidance for actuarial valuations performed on and after December 31, 2020.

II. FUNDING GOALS AND OBJECTIVES

The goal of this Policy is to develop a long-term strategy that ensures COAERS achieves its mission of providing reliable retirement benefits. To achieve this outcome, the Board of Trustees establishes the following objectives of this Policy:

- Ensure the security of vested accrued benefits by making that certain contributions and assets are sufficient to pay benefits when due.
- Achieve long-term full funding (funded ratio of 100% or greater) of the cost of promised benefits.
- Ensure that each generation of members and employers incurs the cost of benefits for the employee who provide services to them, rather than deferring those costs to future members and employers.
- Manage and control contribution rate volatility to the extent reasonably possible, consistent with other Funding Policy goals and objectives.
- Provide a reasonable margin for adverse experience to help offset the risks inherent in managing COAERS.
- Eliminate negative amortization as quickly as possible and maintain a contribution rate above the threshold that results in negative amortization.
- Support transparency and accountability to the stakeholders of COAERS.

III. DEFINITIONS

“Actuarial accrued liability” (AAL) means the actuarial accrued liability determined in accordance with the Actuarial Cost Method outlined this Policy.

“Actuarial value of assets” (AVA) means the Plan’s assets determined in accordance with the Asset Valuation Method outlined in this Policy.

“Actuarially Determined Employer Contribution Rate” (ADEC rate) means the contribution rate that pays for the Normal Cost plus amortizes the Unfunded Actuarial Accrued Liability over the Benchmark Funding Period, expressed as a percentage of payroll.

“Actual employer contribution rate” means the actual employer contribution paid by the City of Austin currently under the Amended Supplemental Funding Plan or by agreement.

“Benchmark Funding Period” means the length of time required to eliminate the System’s unfunded liability as established in this Policy.

“Benefit enhancement” means any change to the current benefit policy for retired, active, vested, and non-vested members of the System which increases the actuarially determined contribution rate, increases the amortization period, or decreases the funded ratio of the System. Examples include but are not limited to benefit formula multiplier increases, reductions in eligibility for benefits, cost of living adjustments, or lump-sum additional benefit payments to retired members or beneficiaries.

“Board of Trustees” means the Board of Trustees of the City of Austin Employees’ Retirement System as defined by Vernon's Texas Civil Statute Article 6243n.

“Cost Method” means the actuarial method of allocating the Present Value of Projected Benefits into past and future periods.

“Cost of living adjustment” (COLA) means an adjustment which is added to the current monthly payment of the retirement annuities, pensions, or allowances of each retired member and beneficiary to help counteract the erosion of purchasing power caused by inflation.

“Funded ratio” means the value of a System’s assets, expressed as a percentage of the plan's actuarial liability

“Funding Period” means the projected number of years to fully amortize the Unfunded Actuarial Accrued Liability assuming the current employer and employee contribution rates continue, and all future experience aligns with the underlying actuarial valuation assumptions.

“Normal Cost” (NC) means the portion of the total Present Value of Future Benefits that is allocated to a valuation year by the actuarial cost method as outlined in this Policy plus the annual assumed administrative expenses.

“Plan Sponsor” means the City of Austin.

“System” means the City of Austin Employees’ Retirement System and the provisions found in Vernon's Texas Civil Statute Article 6243n.

“Statutory employer contribution rate” means the employer contribution rate as defined by Vernon's Texas Civil Statute Article 6243n, which is currently eight percent (8%) of base compensation.

“Total Present Value of Projected Benefits” (PVPB) means the actuarial present value of all benefits expected to be paid from the Fund for all current members and beneficiaries.

“Unfunded Actuarial Accrued Liability” (UAAL) means the excess of the actuarial accrued liability above the actuarial value of assets.

IV. ROLES AND RESPONSIBILITIES

COAERS exists for the exclusive benefit of its members, beneficiaries, and retirees. This “exclusive benefit” rule shall be strictly followed when making, implementing, and monitoring funding policy decisions and specific care should be taken to maximize alignment of COAERS stakeholders while mitigating the conflicts of interest and agency problems that may arise.

Board of Trustees

The Board has the fiduciary duty of overseeing the System and ensuring the security of vested accrued benefits in accordance with the State Constitution and State Law. The Board is required by the State Constitution and State Law to select an actuary and adopt sound actuarial assumptions to be used by the System. The Board is also required by State Law to conduct an actuarial valuation annually and an actuarial experience study at least every five years.

The Board is also required to develop a written funding policy that details the Board’s plan for achieving a funded ratio of that is equal to or greater than 100% and file a copy with the City of Austin. In fulfilling this responsibility, the Board will establish and monitor System funding in accordance with the goals and objectives stated in this Policy and take actions as necessary in accordance with this Policy.

Benefits and Services Committee

The Benefits and Services Committee is chartered to assist the Board of Trustees in fulfilling its fiduciary oversight responsibility of the System. Duties of the Benefits and Services Committee may include, but are not limited to:

- Annually review and recommend action on the System's actuarial valuation report.
- Review the actuarial experience of the System.
- Review and recommend actuarial assumptions and methodologies.
- Review the results of all actuarial audits.
- Review and make recommendations for Plan revisions.

Executive Director

The Executive Director is responsible for reporting to the Board and the Benefits and Services Committee in accordance with this Policy.

Actuarial Consultant(s)

The Actuarial Consultant retained by the Board shall provide and present the annual actuarial valuation in accordance with the actuarial methods as outlined in this Policy and as adopted by the Board from time to time.

Plan Sponsor

Every five years, the City of Austin is required by State Law to conduct an audit of the System's most recent annual actuarial valuation.

V. ACTUARIAL METHODS AND ASSUMPTIONS

The Board adopts the following actuarial cost methods for the purposes of actuarial valuations occurring on and after December 31, 2020.

A. Asset Valuation Method – Five-year smoothing with direct offset of gains/(losses) against the expected market value of assets and 20% soft corridor
B. Actuarial Cost Method – Entry Age Normal (Individual)
C. Funding Period – Determined based on an open group projection

All actuarial assumptions adopted by the Board are listed in Appendix A of this Policy.

VI. COAERS STATUTE AND CONTRIBUTION POLICY

COAERS is governed by to Vernon's Texas Civil Statutes, Article 6243n under which both the member and City contribution rates are set at 8% of base compensation. The City may elect to increase its contribution rate above the statutory rate and the members may increase the employee contribution rate by a majority vote of all such members voting at an election to consider an increase in contributions. The Board, however, may not unilaterally change contribution rates.

VII. FUNDING POLICY PRINCIPLES

For each valuation, the Board will require the disclosure of the ADEC rate to assess the System's funded status, trend in funding progress, and assess the need for changes in the current contribution rates, potential changes to benefits, or a combination thereof. The ADEC rate is the percent of payroll calculated to pay the Normal Cost (including administrative expenses) plus the amount needed to amortize the UAAL over the Benchmark Funding Period. Each future valuation will establish either a liability gain layer or a liability loss layer. These layers will represent unexpected increases or decreases in the UAAL. New gain and loss layers will be amortized over a 15-year closed period. The amortization layers will begin one year after the valuation date using a level percentage of payroll amortization method.

The Benchmark Funding Period is set at an initial 25-year closed period beginning with the December 31, 2020 actuarial valuation. If total contributions to the System are enough to satisfy the ADEC rate, the existing UAAL on December 31, 2020 will be fully funded within 25 years and the System will achieve a 100% funded ratio. Once the System achieves a funded ratio of 100% or greater, the ADEC rate should never be lower than the statutory employer contribution rate.

If the actual Funding Period exceeds the Benchmarking Funding Period for two consecutive actuarial valuations or the actual Funding Period exceeds the maximum funding period established in the Pension Review Board Funding Guidelines for one actuarial valuation, the Board will notify the City and COAERS' membership. Additionally, the Board will work with the City to consider modifications to contribution and benefit policies to return the Funding Period to the Benchmark Funding Period.

The following framework will guide consideration of changes to contribution and benefit policies to return the Funding Period to within the Benchmark Funding Period:

- Enact a more flexible contribution policy to manage the risks of the System and pay the unfunded actuarial accrued liability and normal cost of the System over an appropriate time-period.
- To the extent necessary, amend benefit policies to ensure that the System's obligations can be met for all generations of COAERS members.
- Utilize appropriate risk-sharing between the City and employees to manage the risks inherent in funding a defined benefit plan.

VIII. GUIDELINES FOR FUTURE COST OF LIVING ADJUSTMENTS

The Board establishes the following conditions for when the Board would consider supporting cost of living adjustments:

A. The adjustment can be financially supported by contributions to the System on a regular, periodic basis preferably on an annual basis but no less frequently than every five years.

B. The funded ratio of the Plan is greater than or equal to 80% after incorporating the cost of living adjustment, assuming it to be regular and periodic.

C. The amortization period for unfunded liabilities is less than or equal to 20 years after incorporating the cost of living adjustments, assuming it to be regular and periodic.

D. The actual employer contribution rate is greater than or equal to the ADEC rate after incorporating the cost of living adjustments, assuming it to be regular and periodic.

E. The Board has reviewed sensitivity and stress testing analysis as to the impact to the System's amortization period and funded ratio of providing a cost of living adjustment should certain assumptions including rate of return and payroll have adverse future experience.

IX. GUIDELINES FOR FUTURE BENEFIT ENHANCEMENTS AND ADDITONAL PAYMENTS

For all other benefit enhancements and additional payments, the Board establishes the following conditions for when the Board would consider supporting such enhancements:

A. Annual cost of living adjustments are built into funding assumptions.
B. The funded ratio is equal to or greater than 120% after incorporating the benefit enhancement.
C. The ADEC rate is equal to the statutory employer contribution rate.

D. The Board has reviewed sensitivity and stress testing analysis as to the impact to the System's amortization period and funded ratio of the benefit enhancement or additional payment should certain assumptions including rate of return and payroll have adverse future experience.

X. GUIDELINES FOR FUTURE REDUCTIONS IN EMPLOYER CONTRIBUTION RATES

The Board of Trustees believes that it is best to consider supporting a reduction in the actual employer contribution rate only when the following conditions exist:

A. Annual cost of living adjustments are built into funding assumptions; and
B. The funded ratio will remain greater than or equal to 105% subsequent to any reduction in the actual employer contribution rate.
C. The actual employer contribution rate should not go down by more than 1% of pay per year.
D. The Board has reviewed sensitivity and stress testing analysis as to the impact to the System's amortization period and funded ratio of the reduction in the employer contribution rate should certain assumptions including rate of return and payroll have adverse future experience.

XI. AMENDED SUPPLEMENTAL FUNDING PLAN

A. This Policy is to be implemented consistently with City of Austin Resolution No. 20100913-008 as known as the Amended Supplemental Funding Plan.

B. So long as the Amended Supplemental Funding Plan remains in effect, any future benefit enhancements or cost of living adjustments otherwise permitted under the System's governing documents will require recommendation from the City Manager and approval by the City Council.

C. Any such recommendation by the City Manager should include an actuarial analysis by COAERS actuarial consultant of the effect of the requested enhancement or adjustment on the Plan and the level of employer contributions to the System, including sensitivity and stress testing analysis as to the impact to the System's amortization period and funded ratio of providing the cost of living adjustment or benefit enhancement should certain assumptions including rate of return and payroll have adverse future experience.

XII. MONITORING AND EVALUATION

A. The Board of Trustees will monitor COAERS' progress towards the goals and objectives established in this Policy at least annually.

B. The Executive Director and COAERS' actuarial consultant will annually report to the Board on progress toward meeting the goals and objectives established in this Policy by reviewing key metrics and funding trends including but not limited to the ADEC, funded ratio, funding period, actual returns compared to the assumed rate of return, UAAL as a percentage of payroll, active to retired ratio, negative amortization, cash flow, and duration of accrued liability. The report shall also include review of contribution and benefit policy modifications if necessary consistent with this Policy.

C. Annually, COAERS will present a report to the City of Austin on progress toward meeting the goals and objectives established in this Policy including information as detailed in this section of the Policy.

D. The Benefits and Services Committee will review this Policy at least every two years and make recommendations to the Board necessary to maintain progress towards the goals and objectives in this Policy.

APPENDIX A: ACTUARIAL ASSUMPTIONS

The most recent experience study was completed based on data collected through December 31, 2018. The Board adopted the assumptions outlined below to be effective with the December 31, 2019 actuarial valuation. Please see our Experience Study report dated December 2019 to see more detail of the rationale for the current assumptions. As authorized under Article 6243n of the Vernon's Civil Statutes of the State of Texas, actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary.

A. ACTUARIAL ASSUMPTIONS

1. Investment Return Rate (adopted effective December 31, 2019)

   7.00% per annum, compounded annually, composed of an assumed inflation rate of 2.50% and a real rate of return of 4.50%, net of investment expenses.

2. Mortality

   a. Nondisabled annuitants (adopted effective December 31, 2019)

      Healthy retirees and beneficiaries – The Pub-2010 Healthy General Tables for males and females with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female. Mortality improvement is projected from the mortality table's base year of 2010 (see Item 20 for further discussion of mortality improvement).

   b. Disabled annuitants (adopted effective December 31, 2019)

      Disabled annuitants – The Pub-2010 Healthy General Tables for males and females, set forward three years with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female. Mortality improvement is projected from the mortality table's base year of 2010 (see Item 20 for further discussion of mortality improvement). A minimum 3% rate of mortality applies at all ages.

   c. Active members (adopted effective December 31, 2019)

      Active employees – The Pub-2010 Employees General Tables for males and females with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female. Mortality improvement is projected from the mortality table's base year of 2010 (see Item 20 for further discussion).

Note regarding mortality table extensions:

Pub-2010 mortality tables are not inclusive of all ages. Mortality rates for active members were extended above age 80 by a constant exponential rate to the Healthy Retiree rate at age 100. Mortality rates for nondisabled annuitants below age 50 were extended using a constant exponential rate to the Juvenile rates. Disabled annuitant mortality rates were extended below age 18 using a constant exponential based on the age 18 and 24 mortality rates.

3. Retirement Rates: **(adopted effective December 31, 2019)**
The following rates of retirement are assumed for members eligible for normal retirement.

Age	Rates of Retirement	
	Males	Females
44 & under	22.0%	25.0%
45	20.0%	20.0%
46	20.0%	20.0%
47	20.0%	20.0%
48	20.0%	20.0%
49	20.0%	20.0%
50	22.0%	24.0%
51	22.0%	24.0%
52	22.0%	24.0%
53	22.0%	24.0%
54	22.0%	24.0%
55	21.0%	26.0%
56	21.0%	26.0%

57	21.0%	26.0%
58	21.0%	26.0%
59	21.0%	26.0%
60	22.0%	21.0%
61	22.0%	21.0%
62	27.0%	24.0%
63	18.0%	16.0%
64	18.0%	16.0%
65	18.0%	24.0%
66	30.0%	24.0%
67	30.0%	26.0%
68	22.0%	26.0%
69	22.0%	26.0%
70	30.0%	26.0%
71	22.0%	24.0%
72	22.0%	24.0%
73	22.0%	24.0%
74 & older	100.0%	100.0%

Group B members are assumed to retire at twice the applicable rate upon the first year they attain eligibility for normal retirement. Early retirement rates (of 1% at age 55 increasing by 1% every two years to 5% at ages 63 and 64) apply for Group B members.

4. Rates of Decrement Due to Withdrawal (adopted effective December 31, 2019)

Rates of withdrawal are comprised of a select period for the first 5 years of employment and ultimate rates based on years of service from retirement after the end of the select period. The following rates during the select period apply at all ages during the applicable year of employment:

Years of Employment	Males	Females
1	0.1100	0.1600
2	0.1050	0.1500
3	0.0925	0.1275
4	0.0675	0.1000
5	0.0600	0.0850

After the select period ends, rates of withdrawal are based on the number of years from retirement. The rates are shown below for males and females

Years from Eligibility for Unreduced Retirement	Rates of Withdrawal After Select Period	
	Males	Females
1	0.0120	0.0080
2	0.0120	0.0175
3	0.0120	0.0175
4	0.0120	0.0200
5	0.0150	0.0200
6	0.0200	0.0200

7	0.0200	0.0250
8	0.0200	0.0250
9	0.0200	0.0250
10	0.0250	0.0300
11	0.0300	0.0350
12	0.0350	0.0375
13	0.0400	0.0400
14	0.0450	0.0700
15+	0.0560	0.0825

5. Disability Rates* (adopted effective December 31, 2015)

   Sample rates are shown below:

Age	Rates of Decrement Due to Disability Males and Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180

* Rates are for disability due to all causes; occupational disability rates are assumed to be 10% of all causes.

6. Rates of Salary Increase (adopted effective December 31, 2019)

Years of Service	Promotional Rate of Increase	Total Annual Rate of Increase Including 2.50% Inflation Component and 1.00% Productivity Component
1 – 3	2.25%	5.75%
4 – 5	2.00%	5.50%
6	1.75%	5.25%
7	1.50%	5.00%
8	1.25%	4.75%
9 – 10	1.00%	4.50%
11 – 12	0.75%	4.25%
13 – 14	0.50%	4.00%
15 – 16	0.25%	3.75%
17+	0.00%	3.50%

7. DROP Participation: (adopted effective December 31, 2019)

   It was assumed that 15% of retiring active members with at least 20 years of service would elect a "Backward" DROP. It is assumed that all members who Back Drop will elect to DROP back to the date that would provide the greatest actuarial value to the member.

8. Married Percentage: (adopted effective December 31, 1997)

   100% of the active members are assumed to be married.

9. There will be no recoveries once disabled: (adopted effective December 31, 1997)

10. Spousal Age Difference: (adopted effective December 31, 2012)

    Males are assumed to be three years older than females.

11. Normal Form of Payment: (adopted effective December 31, 1997)

    It is assumed that all retiring members will elect the Life only form of payment with a guaranteed return of accumulated employee contributions.

12. Crediting Rate on Employee Contributions: (adopted effective December 31, 2002)

    It is assumed that the interest credit rate on employee contributions will be 6.0%.

13. Individual salaries used to project benefits: (adopted effective December 31, 1997)

    Rates of pay as of the valuation date are reported for all employees.

14. Pay increase timing: (adopted effective December 31, 1997)

    Middle of calendar year.

15. Decrement timing: (adopted effective December 31, 1997)

    Decrements of all types are assumed to occur mid-year.

16. Eligibility testing: (adopted effective December 31, 2002)

    Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

17. Decrement relativity: (adopted effective December 31, 2002)

    Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

18. Incidence of Contributions: (adopted effective December 31, 2002)

    Contributions are assumed to be received continuously throughout the year based upon the contribution rates as a percent of payroll (established in statute or agreed upon under the Supplemental Funding Plan) shown in this report and the actual payroll payable at the time contributions are made.

19. Benefit Service: (adopted December 31, 1997)

    All members are assumed to accrue one year of eligibility service each year.

20. Mortality Improvement:

    The base mortality tables are anchored at the year 2010. To account for future mortality improvement, the base mortality rates in Item 2 are projected forward assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female.

21. Service Purchases (military, permissive, and sick leave conversion):

    No service purchases of any type are assumed. Any gains or losses due to these purchases are recognized in the valuation following the purchase.

22. Cost of Living Adjustments and One-time Payments:

    No future cost of living adjustments are assumed. In addition, no one-time payments (13th checks) are assumed.

ACTUARIAL VALUE OF ASSETS

The actuarial value of assets is equal to the market value of assets less a five-year phase in of the Excess (Shortfall) between expected investment return and actual income. The expected investment return each year is calculated based on the market value of assets with the difference from actual income smoothed in over five years in 20% increments. If the current year's difference is opposite sign of the prior years' deferred Excesses/(Shortfalls), then the prior years' bases (starting with the oldest) are reduced dollar for dollar along with the current year's base. Any remaining bases are then recognized over five years (20% per year) from their initial creation. This can and will result in some bases being recognized in a period shorter than five years.

If the resulting preliminary asset value is less than 80% or more than 120% of the market value of assets, then 1/3 of the amount outside of the 80% to 120% corridor is recognized in the final actuarial value of assets. In extreme market conditions, this could result in an actuarial value of assets outside of the 80% to 120% market value of assets corridor.

B. ACTUARIAL FUNDING METHOD

The actuarial accrued liability is determined using the Entry Age Normal actuarial cost method. This method assigns the System's total actuarial present value of future benefits to various periods. The actuarial accrued liability is assigned to years prior to the valuation and the normal cost is assigned to the year following the valuation. The remaining costs are assigned to future years.

The normal cost is determined on an individual basis using the Individual Entry Age Normal Cost method. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs where future normal costs are based on the benefit provisions that are applicable to each individual member. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets.

C. FUNDING PERIOD

The funding period is determined using an open group projection. In the open group projection, the demographic assumptions are applied to the current active employees and any employees that are assumed to leave employment are replaced one for one with a new employee. Over time this results in the change of the employee group from mostly Group A members to Group B members. The projection is built to assume no gains or losses on the actuarial accrued liability or the actuarial value of assets. The funding period is the length of time it takes in the open group projection for the actuarial value of assets to exceed the actuarial accrued liability.

In the projection, new members' pay are assumed to increase at 3.50% year over year (i.e. a new employee in 2020 is assumed to be hired at a salary that is 3.50% greater than a new employee hired in 2019. The 3.50% growth rate is equal to the wage inflation assumption of 3.50% (ultimate salary increase assumption showing in Item A.6.). Note that this is not an assumption that payroll will grow at 3.50% per year. Payroll could grow more slowly in the near-term due to membership demographics.

D. CHANGES IN ASSUMPTIONS AND METHODS

New assumptions were adopted effective December 31, 2019. Please refer to the Actuarial Experience Study report dated December 2019 for more detail on the assumption changes.

6. Discuss and consider Benefits Policy and Benefits Operating Procedures

Presented by Russell Nash

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 6:
Discuss and consider Benefits Policy and Benefits Administration Operating Procedures

AGENDA ITEM OBJECTIVE
This agenda item is intended for the Committee to review proposed changes to the Benefits Administration Operating Procedures considering the passage of SB 1444 during the 88th Legislative Session.

RELEVANCE TO STRATEGIC PLAN
This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.** It is an industry best practice to regularly review policies to ensure COAERS is enhancing its operational effectiveness.

RECOMMENDATION FOR COMMITTEE ACTION
Staff recommends the Committee refer to the Board approval of the proposed changes to the Benefits Administration Operating Procedures.

BACKGROUND
With the enactment of the COAERS legislation (SB 1444), Staff has drafted amendments to the Benefits Administration Operating Procedures to complement new legislative provisions and in response to comments from COAERS members, provide transitional relief from the changes in certain benefits provisions. The Procedures are attached with the draft language shown in red strikeouts and underlines. A summary of the changes is below.

> Pages 6 and 7. Article VII. Adding "Limited Transitional Service Purchase Election." One theme from the stakeholder feedback provided about the legislative proposal developed by COAERS and the City of Austin was that the changes to service purchases interrupted some member's plans to make purchases in the next few years, specifically Supplementary Service. The COAERS Legislation requires these purchases to be made only at retirement beginning January 1, 2024.
>
> To address the concern about the legislation's interruption of some member's plans, Staff has drafted proposed operating procedures to allow COAERS members the right to "lock in" a price for Supplementary or Noncontributory purchase prior to retirement if they make their election and sign COAERS standard Creditable Service Purchase Agreement on or before December 31, 2023. The procedures outline the details of this election.

If the rules are recommended by the Committee and adopted by the Board, Staff will develop a communications plan to notify members and ensure that the Procedures are applied consistently. This would include the following:

1. Notify the general membership of this opportunity through COAERS communication channels.
2. Provide information about how to contact COAERS to make a proper election under the proposed rules (timeframes, election form, other proper ways to contact COAERS).
3. Make internal preparations to handle incoming inquiries, establish service purchase agreements for those wishing to take advantage of the rules, and manage the service purchases over time to ensure the purchase agreements are fulfilled.

Page 7. Article VII. Adding "Rollovers to Purchase Supplementary Service Credit". Memorializes an Internal Revenue Service provision allowing members to make a Supplementary Service Credit purchase if they have less than five years of service but only if they roll funds in from a governmental 457 or 403(b) retirement plan.

Page 10. Article X. Amending the time for prior notice of a new retirement. Since many service purchases can only be made at retirement after January 1, 2024, Staff needs more time prior to the member's retirement date to identify, estimate, counsel, and give effect to a member's desire to purchase service credit at retirement. Accordingly, the procedures have been amended to increase the notice period for a new retirement from the 15th day of the month prior to the member's retirement date to 30 calendar days before the member's retirement date.

FUTURE CHANGES

In order to align with the upcoming policy changes resulting from the passage of SB 1444 or in response to the Secure Act 2.0, Staff will recommend additional changes to the Procedures for the November Committee meeting. Topics will include:

- Staff recommendations on optional plan amendments created by the Secure Act 2.0.
- Benefits resolution for mandatory plan amendments created by the Secure Act 2.0.
- Tax withholding rules for payments to non-US citizens.
- Relief for those whose average final compensation is subject to IRS limits.

- Disability medical consultant's determination about when an application should be considered by the Committee.

ATTACHMENT

1. DRAFT Benefits Administration Operating Procedures

CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

Benefits Administration Operating Procedures

Provisions in effect ~~August 2022~~July 2023

TABLE OF CONTENTS

ARTICLE I
AUTHORITY

1.1 Authority and Delegation to the Executive Director. The City of Austin Employees' Retirement System (COAERS or the System) was established pursuant to Article 6243n of Texas Revised Civil Statutes (the Act). The Act requires the COAERS Board of Trustees (the Board or Trustees) to administer COAERS and invest its funds. The Board is the trustee of all plan assets, is responsible for the general administration and operation of COAERS, and is authorized by law to adopt rules for the administration of COAERS and the transaction of the business of the Board. The Board may, at its discretion, delegate authority to carry out the administration of the System. This document specifies the administration of benefits that have been delegated to the Executive Director.

1.2 Statement of Purpose. This document contains statements of practices and procedures in matters where the meaning or the implementation of the law or Board policy is not readily apparent. They do not include matters in which COAERS considered the intent of the laws that govern COAERS to be unmistakably clear. For this reason, these procedures should be used in conjunction with other applicable provisions of law. The procedures established herein are interpreted and applied in a manner consistent with the COAERS Act, applicable laws of the State of Texas, federal law, and applicable Internal Revenue Code sections and regulations promulgated thereunder. In the event of a conflict between these Procedures and Board policy or applicable law, the Board policy and applicable law will control.

ARTICLE II
BOARD AND STAFF RESPONSIBILITIES

2.1 Responsibilities of the Executive Director. The Executive Director shall follow the laws that govern COAERS and Board policies to administer benefits and, in matters not addressed by law or policy, consult with professional advisors and legal counsel to determine the rights and benefits of plan participants. The Executive Director shall create Benefits Administration Operating Procedures (the Procedures) to guide the administration of benefits and for publication to the COAERS membership. The Executive Director shall consult with professional advisors and legal counsel to ensure that the Procedures are interpreted and applied in a manner consistent with the COAERS Act, applicable laws of the State of Texas, federal law, and applicable Internal Revenue Code (the Code) sections and regulations promulgated thereunder. The Executive Director shall receive requests for policymaking and collaborate with the Benefits and Services Committee Chair to determine appropriate action.

2.2 Responsibilities of the General Counsel and Tax Counsel. The COAERS General Counsel and Tax Counsel shall provide advice to the Executive Director on benefits administration and tax-related matters. The General Counsel and Tax Counsel shall review the Procedures no less than every three years and make recommendations for revision to the Executive Director. The results of these reviews will be presented to the Benefits and Services Committee.

2.3 Responsibilities of the Benefits and Services Committee. The Benefits and Services Committee will receive a report from the Executive Director on the periodic review of the Procedures. The Committee will consider requests for policymaking if the Chair of the Benefits and Services Committee determines such a request will be considered.

2.4 Responsibilities of the Board of Trustees. The Board can choose to hear an appeal of a decision by the Executive Director pursuant to the Procedures.

ARTICLE III
MEMBERSHIP, MEMBER RIGHTS, MEMBER RESPONSIBILITIES

3.1 Membership. COAERS membership is mandatory for regular, full-time employees of participating employers who occupy non-civil service positions. Retirement benefits and eligibility are determined by the member's retirement group. Members who have full-time, regular employment dates before January 1, 2012 are in Group A. Members who have full-time regular employment dates on or after January 1, 2012 are in Group B.

3.2 Right to Appeal Decisions by the Executive Director to the Board of Trustees. Any decision of the Executive Director made pursuant to the Procedures may be appealed to the Board. Only a member or beneficiary directly affected by a decision may appeal.

3.2.1 The member or beneficiary must appeal the decision within 30 calendar days of notification of denial by the Executive Director or designee.

3.2.2 The appeal shall set forth, in writing, the applicable facts and relevant law in support of the request for a hearing.

3.2.3 Appeals from a decision by the Executive Director or designee will generally be scheduled for hearing before the Board of Trustees within 120 calendar days of the written notice of appeal, unless an extension is granted by mutual agreement of the Executive Director and the appellant. Failure by the Board of Trustees to conduct a hearing within 120 calendar days does not result in an automatic decision of any kind.

3.2.4 The Board of Trustees reserves the right to rule on an appeal, regardless of whether the appellant appears at the scheduled hearing. Failure to appear will not automatically result in postponement of a scheduled hearing.

3.2.5 On appeals to the Board, the appellant may be represented by legal counsel or may personally present arguments. The System will be represented by the General Counsel for COAERS. However, unless a rule or policy outside of this policy requires a specific procedure due to the subject or nature of the appeal, the Board will determine the process to be followed at the hearing. The Board will determine the time permitted for the member and the Executive Director or General Counsel to make a presentation**.**

3.2.6 The appellant will be afforded an opportunity to present a statement concerning the facts and any arguments to the board and will be allowed to respond to questions from Trustees. The member or beneficiary bears the burden of proof. In making a decision, the Board of Trustees shall consider System records and evidence presented by the member or beneficiary as well as any testimony or evidence submitted by the General Counsel. A decision by the Board of Trustees is final.

3.3 Member Responsibilities - Generally. Members have to assume certain basic responsibilities for the administration of benefits to be effective. To that end, this document describes the many responsibilities that members have with respect to the various benefits offered by COAERS. In addition, all members should be particularly aware of these general responsibilities:

(a) Knowing when the member is eligible for benefits;

(b) Timely and properly applying for and claiming benefits;

(c) Keeping contact information up to date including address, telephone, and email details;

(d) Keeping beneficiary designations up to date; and

(e) Notifying COAERS of proportionate time accrued or accruing in another Texas retirement system that participates in the Proportionate Retirement Program and keeping that information current.

3.4 Information Provided Prior to Retirement. All information about normal or early retirement benefits is preliminary and not final until the first monthly annuity payment is made after the member's termination date. The member assumes the risk that an error or additional or different payroll information may change their eligibility or benefit before the member receives their first monthly annuity payment. No one shall be entitled to claim detrimental reliance on any information provided by COAERS prior to a member's first monthly annuity payment.

3.5 Tax Liabilities. Any tax liability that results from a payment from COAERS to a member or payee is the sole responsibility of the member or payee.

3.6 Tax Advice. COAERS staff will assist members with general tax information but cannot provide tax advice to members or payees. COAERS will not be responsible for tax consequences of payees. Payees are encouraged to obtain professional tax advice for all COAERS payments and benefits.

3.7 Requests for Policymaking. Members have the right to request changes or additions to the Board Approved Benefits Policy and the Procedures. Such a request shall be made to the Executive Director.

3.8 Suspicion of Fraud. Payees who suspect fraud occurring with respect to a payment they were expecting from COAERS can contact COAERS to report the fraud. Once a payee has contacted COAERS about suspected fraud, COAERS will investigate the matter. The payee may be asked to complete an affidavit and provide new payment instructions. COAERS may reissue a payment to the member if it finds that there is a reasonable probability that fraud has occurred. As a condition of reissuing a payment, COAERS may require additional authentication or substantiation measures to be taken to issue or change future payments.

ARTICLE IV
AUTHENTICATION AND AGENTS

4.1 Authorized Member Signature. A signature other than that of the member, joint annuitant, or beneficiary will not be accepted on COAERS forms, applications, or requests for confidential information unless the individual signing presents a Power of Attorney, guardianship, conservatorship, or a legal court order. No person may act on behalf of the member, joint annuitant, or beneficiary including a spouse or parent, except as provided herein.

4.2 Designation of an Attorney-in-Fact. COAERS will accept documents signed by an authorized Attorney-in-Fact, pursuant to a durable or statutory Power of Attorney. The Power of Attorney must substantially comply with Texas law, contain the statutorily prescribed language, be notarized, and be approved by and filed with COAERS. The member, joint annuitant, or beneficiary will retain the right to act regarding their retirement account except where the member has been determined incapable of acting on their own behalf. Any conflict in direction or instruction between the member, joint annuitant, or beneficiary and the Attorney-in-Fact shall be resolved in favor of the member, joint annuitant, or beneficiary. The right to act under a durable or statutory Power of Attorney terminates at the death of the principal and as otherwise provided by law.

4.3 Appointment of a Guardian. If a guardian or conservator has been appointed for a member, joint annuitant, or beneficiary by a court of proper jurisdiction, only the named guardian or conservator can act on behalf of the member, joint annuitant, or beneficiary. A certified copy of the letters of guardianship and a filed court order of appointment must be provided to COAERS and will be effective until amended or withdrawn by subsequent court order or termination under its own terms. The guardian or conservator shall have exclusive authority to act on behalf of the member, joint annuitant, or beneficiary unless the court instructs otherwise.

4.4 Creation of a Custodian. COAERS will recognize a custodian designation made pursuant to the Uniform Transfers to Minors Act.

4.5 Reliance on a Notary Public or Apostille. When COAERS requires certain documents to be notarized, the Board and Trustees and Staff may rely on the signature and seal of a commissioned Notary Public as the proper authentication of the signer. In addition, COAERS can rely upon a document containing an Apostille certificate from a country participating in the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents.

4.6 Electronic Authentication. COAERS may allow signatures in an electronic format pursuant to the Uniform Electronic Transactions Act (TEX. BUS. & COM. CODE § 322.001 et seq.) or any similar law but will not assume responsibility for damage that occurs as a result of the reliance of such an electronic signature.

4.7 Online Registration Constitutes Authentication. Registration for a COAERS online account constitutes the authentication of the user's identity and can be relied upon by COAERS, the Board, and Staff as such. COAERS may presume that any request or information entered by a person using an online account is authorized by the member.

4.8 Prohibition from Self-Dealing. Any person authorized to act on behalf of a member, joint annuitant, beneficiary, or payee is prohibited from self-dealing relating to the benefit, account, payment, or funds of said member, joint annuitant, beneficiary, or payee. Self-dealing consists of any change or action which alters a previous instruction or document or makes an election or selection which would result in a benefit or conveyance of a pecuniary interest to said person absent a court order or statute specifically permitting or approving such action.

ARTICLE V
ONLINE ACCESS TO INFORMATION AND SERVICES

5.1 Online Access to COAERS Member Information. COAERS may provide members, joint annuitants, beneficiaries, and other payees, access to information and services online. To access a COAERS online member account, the user must follow and complete the registration process. The process shall require the user to read and agree to the terms and conditions established by COAERS.

5.2 Termination of Rights to Online Access. Rights granted users terminate immediately upon any violation of the terms of use. COAERS reserves the right to terminate online access at any time at its sole discretion without notice.

5.3 Password Responsibilities. The user is solely responsible for and will be the exclusive owner of their ID and password. The user is responsible for use and protection of the password used to sign on to the account, as well as for any transaction occurring in an account opened, held, or accessed by the password.

5.4 Duty to Notify. The user shall notify COAERS in writing, of the following:

(a) Any failure to receive a message from the COAERS member online site indicating that a request was received and/or executed by COAERS; or

(b) Any failure by the user to receive an accurate confirmation of a transaction; or

(c) Any receipt of confirmation of a request and/or execution which the user did not place; or

(d) Any inaccurate information in an account including contributions, interest, balances, service credit, salary, group status, or transaction history.

5.5 Documents Sent via Electronic Delivery. By using COAERS online services, users agree to receive communications, documents, notices, and other information electronically. All communications so sent will be considered delivered. Documents that may be delivered via an online member account include, but are not limited to, account statements, tax documents, benefit estimates, purchase estimates, seminar information, and correspondence from Staff about COAERS accounts and/or benefits.

5.6 Confidential Information Sent Electronically. Confidential information related to a specific member, retiree, or payee may be provided by COAERS electronically to the email address provided by the member, retiree, payee, or authorized requestor or said person's COAERS online account. The transmission will be password protected. COAERS cannot guarantee the confidentiality of such a transmission.

5.7 Confidential Information Sent to COAERS Electronically. Confidential information related to a specific member, retiree, or payee should be sent through means protecting the information. Members, retirees, or payees should not send confidential information via unsecured email to COAERS. If confidential information is provided to COAERS via unsecured email, COAERS is not responsible for any harm to the member, retiree, or payee that may result from the email transmission.

ARTICLE VI
BENEFIT AND PURCHASE ESTIMATES

6.1 Estimates Not Benefit Guarantees. COAERS will provide estimates of benefits and purchases of services to aid members in understanding their eligibility for and amount of benefits. An estimate is not to be construed in any way as a promise or contract with COAERS to pay a specified benefit amount, provide a post-retirement adjustment, guarantee a specific retirement eligibility date, set a specific amount for a purchase of service or a conversion of sick leave, or provide any expressed or implied right or benefit. The actual determination of eligibility, benefits, service purchase costs, and sick leave conversion costs will be made by COAERS based upon the law and policies in effect at the time of the determination and is subject to audit and recalculation if necessary.

6.2 Service Purchase Estimate Limits. Estimates for service purchases will contain future purchase possibilities but will be limited to three months of future projected purchase costs.

ARTICLE VII
PURCHASE OF SERVICE CREDIT

7.1 Service Purchase Increments. Creditable service may be purchased by certain non-retired members in increments of one month. Two pay-periods of purchased creditable service are the equivalent of one month of creditable service.

7.2 Service Purchase Payments – Time and Method. Payment for purchases of creditable service must be made in full at the time of the purchase. Purchases can be made through check, money order, or Trustee-to-Trustee rollover of funds from another qualified plan to the extent permitted by law. ~~Unless otherwise noted by COAERS, purchase payments must be tendered on or before the 25th day of a month to receive that month's cost.~~

~~**7.3 Payment Completion.** Service credit purchases must be completed on or prior to the member's actual retirement date.~~

7.3~~4~~ Salary Used for Purchases. The salary used to calculate the cost of all service purchases other than prior service, is the greater of the 36-month average salary at the time of purchase, or the projected final 36-month average salary based on actual salary at the time of purchase.

7.4~~5~~ Return of Amount Tendered at Death. In the event of the death of an active member who has purchased creditable service, the amount paid to purchase such creditable service will be refunded to the member's beneficiary as a death benefit refund in accordance with Section 15.3, provided the beneficiary properly files a death benefit claim. Prior service purchases will be matched by the System, all other purchases will be refunded without a matching payment.

7.5~~6~~ Purchases Applicable to Group B Eligibility. Supplementary service purchased by members of Group B is not included in the creditable service required to qualify a Group B member for normal or early retirement eligibility. However, purchased military, prior, and non-contributory service are included in the creditable service required to qualify a Group B member for normal or early retirement.

7.6~~7~~ Limitation of Number of Purchases. Members may make no more than six (6) purchases of creditable service per calendar year.

7.7 Limited Transitional Service Purchase Election. Members making a proper and timely election under this paragraph, may make a supplementary service purchase, and/or noncontributory service purchase up to the maximum amount allowed by the Plan, in whole or in part, at any time prior to the member's actual retirement date subject to the following:

7.7.1 COAERS must receive a properly signed Creditable Service Purchase Agreement no later than 5:00 PM Central Time on December 31, 2023; and

7.7.2 The Creditable Service Purchase Agreement will state the maximum amount of credit to be purchased and the type of such service credit; and

7.7.3 A member shall make at least one month of payments in each subsequent calendar year up to the maximum amount indicated on the Creditable Service Purchase Agreement at the actuarial cost in effect at the time of the initial election up to a maximum of six (6) payments per year; and

7.7.4 A member making an election under this provision has a time limit on completing the purchase(s) elected under the provision as the earlier of December 31, 2028 or the member's actual retirement date; and

7.7.5 If payment of the purchase price for the full amount of service credit under the Creditable Service Purchase Agreement is not made as of December 31, 2028 or the member's actual retirement date, credit will be provided to the extent of the amount already paid in monthly increments of service credit and the excess amount tendered will be returned to the member without interest; and

7.7.6 No partial service credit will be provided; and

7.7.7 Except for the conversion of unused sick leave and the purchase of prior service, no other supplementary or noncontributory service purchase can be made prior to the completion of a purchase initiated under this provision.

7.8 Rollovers to Purchase Supplementary Service Credit. Only in the case of a trustee-to-trustee transfer from a 403(b)(13)(A) or 457(e)(17)(A) deferred compensation plan can members make a supplementary service purchase if they have less than five (5) years of service credit at the time of the purchase.

ARTICLE VIII
PROPORTIONATE SERVICE

8.1 Participation in the Proportionate Retirement Program. COAERS will provide service credit in accordance with the Proportionate Retirement Program described in Chapter 803 of the Texas Government Code as may be amended.

8.2 Notification. Members who wish to receive proportionate service credit with respect to their COAERS benefits must notify COAERS of the proportionate time accrued or accruing in another

Texas retirement system that participates in the Proportionate Retirement Program and keep that information continuously current and accurate.

8.3 Disclosure of Proportionate Service for Service Purchases. At the time of any purchase of creditable service, members are required to disclose whether they intend to use proportionate service. If proportionate service is being used for a purchase of creditable service or for retirement eligibility and that proportionate service includes service which: a) existed at the time of a previous purchase but was not disclosed to COAERS; or b) existed at the time of a previous purchase and was disclosed to COAERS but not used for a previous purchase; then the purchase price of the previous purchase shall be recalculated at the current cost, and the purchaser shall be required to pay any additional costs attributable to the proportionate service.

8.4 Calculation of Costs with Proportionate Time. The cost to purchase service credit for a member with proportionate service will be calculated based on the date of first COAERS eligibility for retirement taking into consideration the proportionate time.

8.5 Proportionate Service with the Travis County Healthcare District. COAERS will recognize, for purposes of vesting and retirement eligibility, service credit earned by an employee of the Travis County Healthcare District (District) in the District's retirement system.

8.6 Proportionate Credit for Closed Accounts. COAERS will recognize proportionate service credit for those with closed accounts or previously canceled service credit accrued in the Texas County and District Retirement System (TCDRS), the Texas Municipal Retirement System (TMRS), or the retirement system in which a hospital district, charitable organization, or administrative agency described by Texas Government Code Section 803.204 participates as provided for by Texas Government Code Chapter 803, if the system or entity confirms said service.

8.7 Same Proportionate Service Counted Only Once. Service credit earned with or allowed by more than one retirement system for the same service may be counted only once in determining the amount of a person's proportionate service credit.

ARTICLE IX
BENEFIT CLAIMS AND SUBSTANTIATION

9.1 Timely and Properly Apply to Claim Benefits. It is the member's responsibility to timely and properly apply for and claim benefits.

9.2 No Retroactive Payment of Benefits. Except for disability benefits, COAERS will not pay benefits retroactively back to the first date a member became eligible for benefits if the member applies for benefits after they become eligible.

9.3 Proper Substantiation of Benefits. Generally, the following will constitute the minimum requirements for substantiation of certain information unless the circumstances require further substantiation or the Executive Director establishes further or different substantiation requirements:

> **9.3.1 Substantiation of Annuity Claims**. The following will constitute substantiation of certain information during the claims process for monthly retirement annuities:

(a) The seniority date contained in the City of Austin or COAERS (Employer) human resource database will be used to validate a COAERS member's service credit membership date. In the event this data is not available or is in question, COAERS may use other Employer personnel records and contribution data to determine a COAERS member's membership date.

(b) The following documents or copies thereof can be used to substantiate dates of birth: birth certificate, birth record, passport, or naturalization record.

(c) The following documents or copies thereof can be used to substantiate tax-reporting information: Social Security card or a COAERS form.

(d) The following documents or copies thereof can be used for authenticating a person's identity: driver's license, passport, military identification, or other photo identification document issued by a governmental authority.

(e) A statement from the member indicating their marital status.

9.3.2 Substantiation of Withdrawal (Refunds). The following will constitute substantiation of certain information during the claims process for a withdrawal of a member's accumulated deposits (refund):

(a) The termination date received by COAERS from the Employer will be used to determine the status of the member.

(b) A signed refund claim form properly notarized by a commissioned notary public or by apostille.

(c) A photo identification document issued by a governmental authority.

9.3.3 Substantiation of Death Benefits. The following will constitute substantiation of certain information during the claims process for a lump sum death benefit or a joint annuity beginning upon the death of a member:

(a) A death certificate issued by a governmental authority can be used to substantiate dates of death.

(b) The following documents or copies thereof can be used to substantiate tax reporting information: Social Security card or a COAERS form.

(c) The following documents or copies thereof can be used for authenticating a person's identity: driver's license, passport, military identification, or other photo identification document issued by a governmental authority.

(d) A signed death benefit claim form properly notarized by a commissioned notary public or by apostille.

9.4 Certain Calculations Performed by the Actuary. The actuarial firm employed by COAERS may provide or perform calculations to administer benefits. The Executive Director may require a member to pay the cost of estimates or calculations prepared at the specific request of an individual member for actuarial calculations in excess of three.

9.5 Same Sex Marriage. For purposes of the Plan, the terms “spouse”, “husband and wife”, “husband”, and “wife” include an individual married to a person of the same sex if the individuals are lawfully married under state law. The term “marriage” includes such a marriage between individuals of the same sex, including a marriage of same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages.

ARTICLE X
ANNUITY PAYMENTS

10.1 Issuance of Monthly Annuity Payments. COAERS has a monthly retirement payroll cycle. Monthly retirement annuity payments are made available to payees on the last business day of each month.

10.2 Retirement Notice Deadline. Except for claims for disability retirement, a Notice of Intent to Retire for those with an actual retirement date of January 31, 2024 and thereafter must be signed and received no later than the close of business ~~on the~~ 30~~15~~th calendar days~~ of the month~~ prior to the member’s actual retirement date~~in which the member is to retire~~. The deadline shall be the close of business the previous business day if the ~~15~~30th day ~~of the month~~ falls on a non-business day.

10.3 Actual Retirement Date. The term ‘actual retirement date’ means the last day of the month during which a member retires.

10.4 Benefit Effective Date. The term ‘benefit effective date’ means the first day of the month of retirement status. It represents the first day a member could be in retirement status if the member is eligible for benefits and properly and timely applies for benefits.

10.5 Retirement Annuity Commencement Determination. The commencement of the first monthly retirement annuity payment is determined by the member’s eligibility on the member's actual retirement date. If a member is eligible for retirement by age and/or service on the actual retirement date, and the member timely submits a written application for retirement, the earliest date for the issuance of the first monthly retirement annuity will be the last business day of the month following the member’s actual retirement date.

10.6 Prohibition on Retirement Option Changes. A member cannot change the life annuity or an actuarial equivalent option after their original retirement date. A member cannot change the survivor or beneficiary designated under an actuarial equivalent life annuity option after their actual retirement date.

10.7 Backward DROP or Partial Lump Sum Payment Issuance. Backward deferred retirement option payments (Backward DROP) and partial lump sum payments will be issued at the same time as the member’s first annuity payment.

10.8 Deadline for ACH Changes. Changes in directions for payments made via Automated Clearing House (ACH) must be received at COAERS no later than the close of business on the 15th day of each month for the change or direction to be effective for that month. If the 15th day of the month falls on a non-business day, the deadline shall be the close of business the previous business day. The following will constitute substantiation of information during the claims process for establishing an ACH:

(a) A signed Direct Deposit form properly notarized by a commissioned notary public or by apostille, and

(b) A photo identification document issued by a governmental authority.

10.9 Deadline for Paper Check Address Changes. Address changes for paper annuity check payments must be received at COAERS no later than the close of business on the 15th day of each month for the change to be effective for that month. If the 15th day of the month falls on a non-business day, the deadline shall be the close of business the previous business day. Address change requests must include a photo identification document issued by a governmental authority.

10.10 Annuity and Partial Lump Sum Calculation. Effective for annuity starting dates on or after January 1, 2017, if a participant elects to have his or her benefits under the Plan paid partly in the form of an annuity and partly as a single lump sum, the participant's accrued benefit will be divided and distributed in accordance with the regulations under Code Section 417(e) and the IRS Model Amendments attached hereto.

10.11. Prohibition on Single Lump Sum Payment. COAERS promises each eligible member a lifetime retirement benefit, therefore a member cannot choose to convert their retirement annuity into one single lump sum payment.

ARTICLE XI
CREDITABLE SERVICE

11.1 Calculation of Creditable Service. Creditable service is calculated as follows:

(a) Subtract the membership date from the termination date. When subtracting dates, the following formula shall be used:

YYYY-MM-DD (Termination Date)
- YYYY-MM-DD (Membership Date)
Years, Months, and Days of Creditable service

(b) If the number of days in the membership date is greater than the number of days in the termination date, days are borrowed from the "Months" column, using the actual calendar days of the month preceding the month of the termination date.

(c) If the number of months in the membership date is greater than the number of months in the termination date, months are borrowed from the "Years" column. Each year borrowed or subtracted from the "Years" column is added as 12 months to the "Months" column.

(d) If the number of days in the result is 16 or more, round the number of months up by one month. If the number of days is 15 or less, no service credit is recognized for those days.

11.2 Creditable Service Documentation. Official City of Austin or COAERS records will be used to document dates and amounts of creditable service.

11.3 Calculation of a Break in Service. A break in service exists when retirement contributions are not received for a pay period. Breaks in service are calculated as follows:

YYYY-MM-DD (Ending Date)
- YYYY-MM-DD (Beginning Date)
Years, Months, and Days of Creditable service

If the result yields days of a break in service, and the number of days in the result is 16 or more, round the number of months up by one month. If the number of days is 15 or less, no service credit is recognized for those days. If the result yields just an amount of days of service, the break will be represented in days.

Multiple breaks in service will be added together to represent the entire credit to be subtracted from a member's total creditable service.

11.4 Calculation of Total Creditable Service for Annuity Benefits. A member's total creditable service for a monthly retirement annuity consists of the total of all years and months of prior service, membership service, redeemed service, and service purchased less breaks in service.

11.5 Calculation of Total Creditable Service for Group A Eligibility. A Group A member's total creditable service for retirement eligibility consists of the total of all years and months of proportionate service, prior service, membership service, redeemed service, and service purchased less breaks in service.

11.6 Calculation of Total Creditable Service for Group B Eligibility. A Group B member's total creditable service for retirement eligibility consists of the total of all years and months of proportionate service, prior service, membership service, redeemed service, and service purchased, excluding purchased Supplementary Service Credit, less breaks in service.

11.7 Prior Service. Former members who received a distribution of their accumulated deposits and therefore discontinued their COAERS membership may reinstate service in their original membership group if they are reemployed as a regular full-time employee and deposit into the System the accumulated deposits withdrawn by that person, together with interest.

11.8 Prior Service for Proportionate Members. Former members who received a distribution of their accumulated deposits and therefore discontinued their COAERS membership may reinstate this membership if they are a member of a retirement system participating in the Proportionate Retirement Program under Chapter 803 of the Texas Government Code and deposit into the System the accumulated deposits withdrawn by that person, together with interest.

11.9 Military Service Credit. Credit for military service can be granted only to the extent such service is documented on the Active Service Period line of an original Form DD214 or, in the alternative, a Certification of Military Service from the United States Department of Defense. Members may not purchase military service credit for a period of military service that is less than 90 consecutive days.

11.10 Proportionate Service Credit. Service credit that meets the requirements of Chapter 803 of the Texas Government Code (governing the Proportionate Retirement Program) may be used to determine length-of-service eligibility for retirement under COAERS only if COAERS receives written verification (paper or electronic) of such service credit. Purchases of prior military service may not be counted in more than one proportionate retirement system for purposes of reaching retirement eligibility. It is the member's responsibility to notify COAERS of proportionate time accrued or accruing in another Texas retirement system that participates in the Proportionate Retirement Program and to keep that information current.

11.11 Unused Sick Leave Conversion. Members must apply to convert unused sick leave credit no earlier than 90 days prior to retirement and no later than the 15th day of the month of retirement. Members must submit payment in full for converted unused sick leave no later than the 15th day of the month in which they will retire.

Unused sick time will be converted in 80-hour pay period increments at a minimum. The calculation will analyze how much unused sick leave can be converted to maximize a member's service credit and therefore their retirement benefit given the rounding rules for service credit discussed in Section 11.1. Because of the rounding rules, not all unused sick leave will be converted to prevent overcharging the member and City for unused sick leave not needed to increase the member's service credit. The member will only pay the respective contributions for the unused sick leave needed to be converted based upon the contribution rates in effect at the time of conversion.

11.12 Supplementary Service Credit. Nonqualified permissive service credit, defined in Section 415 of the Internal Revenue Code, and the regulations promulgated thereunder, may be purchased and will be referred to generally as Supplementary Service Credit.

11.13 Probationary Service Credit. Employees hired after October 1, 1995, became members at their date of employment. Members employed on October 1, 1995, are given service credit for up to six (6) months of service between the time of their actual hire date and October 1, 1995. Credit is given at the time the member retires using the member's seniority date as reported by the Employer, or in the alternative, Employer personnel or contribution information. Probationary service credit cannot be granted until full payment has been made for a member's complete period of prior service.

ARTICLE XII
UNCLAIMED MEMBER DEPOSITS

12. 1. Unclaimed Member Deposit Procedure. Inactive members who have not declared vested or proportionate status, and who have left their accumulated deposits and interest on deposit for more than seven years will be contacted via United States Postal Service (USPS) certified mail to the last known mailing address and through appropriate means for any address or contact information (including email addresses and telephone numbers). If the member cannot be located, COAERS will:

(a) Search plan and related plan, sponsor, and publicly-available records or directories for alternative contact information; and/or

(b) Use any of the search methods below:

1. A commercial locator service;
2. A credit reporting agency; or
3. A proprietary internet search tool for locating individuals.

If the member cannot be located after a reasonable period of time, the member's accumulated deposits and interest will be transferred to Fund 2. If such a member is subsequently located, their accumulated deposits and interest will be refunded to them upon the completion of the proper documentation.

ARTICLE XIII
QUALIFIED DOMESTIC RELATIONS ORDERS

13.1 Purpose and Scope. This article establishes guidelines with respect to Qualified Domestic Relations Orders authorized by Chapter 804 of the Texas Government Code. A Qualified Domestic Relations Order (QDRO) is a legal instrument which provides for the redirection of a portion of COAERS benefits from a member to an alternate payee. A QDRO may be in conjunction with a divorce or for the support of a minor child.

13.2 Requirements for Qualified Domestic Relations Orders Related to Divorce. The Executive Director or designee will establish, in consultation with the General Counsel, one or more model QDRO forms. The model form(s) will be provided to assist in the development of individual QDROs acceptable to the System but will not be mandatory provided that the required provisions of the model QDRO form are included and provided that, in the case of an award of a portion of the member's monthly annuity, the dollar amount of the alternate payee's portion of the member's monthly annuity is specified in the QDRO. Any QDRO found by the General Counsel to meet the requirements of Chapter 804 and this policy may be approved by the Executive Director or designee. A copy of the final divorce decree may be required in addition to the proposed QDRO. All proposed QDROs will be reviewed by the General Counsel and will become effective only upon final approval by the Executive Director or designee.

13.3 Form of Payment. QDROs may be approved and paid either in the form of a lump sum payment or as a portion of the benefits otherwise payable to the member under the Plan.

13.3.1 Specified Lump Sum Less than Member's Deposits

(a) If the lump sum amount does not exceed the amount of the member's contributions plus accumulated interest on deposit with the System at the time the QDRO is approved, the lump sum amount will be paid to the alternate payee as soon as administratively feasible.

(b) Upon approval of a QDRO providing for payment of a lump sum amount that is less than the amount of the member's contributions plus accumulated interest then on deposit with the System, the lump sum amount shall become an asset payable by the System to the alternate payee. Such amount shall be segregated from the member's account and paid to the alternate payee as provided in this article.

13.3.2 Specified Lump Sum Greater than Member's Deposits

(a) A QDRO shall not award a lump sum amount that exceeds the member's contributions plus accumulated interest on deposit with the System.

(b) If a QDRO purports to award the alternate payee a lump sum amount greater than the amount of the member's contributions and accumulated interest on deposit with the System, the lump sum will not be paid as a lump sum unless the member thereafter voluntarily terminates membership by withdrawal of deposits prior to retirement. However, in that event, the amount of the lump sum to the alternate payee may not exceed the amount of the member's contributions and accumulated interest.

(c) If the lump sum amount is not paid, and the member retires, the lump sum amount will be converted to the actuarially equivalent proportionate amount of the periodic payments payable to the member as a retirement benefit, as determined by the actuarial firm for the System.

(d) Upon approval of a QDRO that provides for the payment of a lump sum amount that is greater than the amount of the member's contributions plus accumulated interest then on deposit with the System, the lump sum amount shall not become an asset payable by the System to the alternate payee. Such amount shall not be segregated from the member's account but shall be paid to the alternate payee only as provided in and subject to this article.

13.3.3 Lump Sum Reduction to Future Retirement Benefit. If a lump sum payment is made, the member's benefits will be reduced, and any subsequent retirement annuity will be reduced in an actuarially equivalent amount as determined by the actuarial firm for the System.

13.3.4 Lump Sum Distribution after Retirement. A QDRO providing for a lump sum distribution will not be approved after the retirement of the member.

13.4 Retirement Benefit. The alternate payee's award shall only be paid from the Basic Plan, and no portion of the alternate payee's award shall be paid from the portion of the member's benefit, if any, paid from the Restoration Plan, provided for in Resolution No. 1999-11-23. The member's benefits will be reduced as determined by the actuarial firm for the System.

13.5 Death of Member and/or Alternate Payee. If the member dies prior to termination of membership or retirement, no amount will be paid to the alternate payee unless they are designated as a beneficiary on the most recent valid Beneficiary Designation Form executed and filed with the System by the member. If the member dies after retirement, any amounts then being paid to the alternate payee will terminate. Upon the alternate payee's death, any annuity payments to be paid in the future or that were being paid to the alternate payee cease and all remaining annuity benefits are paid to the member.

13.6 Conversion of QDRO Annuity Deduction to Lump Sum.

13.6.1 Request for Refund After QDRO Accepted. Under the authority set forth in Section 804.004 of the Texas Government Code, if a member applies for a withdrawal of deposits after a QDRO awarding a portion of the member's future monthly annuity to an alternate payee has been accepted by COAERS, the annuity awarded to the alternate payee shall be converted to a lump sum payment in an amount that is the actuarial equivalent of the interest awarded to the alternate payee under the QDRO. The lump sum payment will be disbursed to the alternate payee at the time that the deposits are disbursed to the member.

13.6.2 Conversion of Monthly Annuity Deduction to Lump Sum. The Executive Director is authorized to approve a written request signed by both the member and the alternate payee to convert the alternate payee's award under a QDRO that has been accepted by COAERS as provided in Section 804.004 and this paragraph. If the QDRO awards the alternate payee a monthly annuity, the Executive Director may authorize a lump sum in an amount that is the actuarial equivalent of the annuity awarded in the QDRO be paid in lieu of the annuity. If the QDRO awards the alternate payee a lump sum, the Executive Director may authorize that a monthly annuity in an amount that is the actuarial equivalent of the lump sum awarded in the QDRO be paid in lieu of the lump sum. The Executive Director's decision to deny a request to convert a QDRO award as provided in this section is final and may not be appealed.

13.6.3 Converted Lump Sum Reduction to Future Retirement Benefit. When an interest in a QDRO is converted to an alternative method of payment as authorized in this section, the benefit payable to the member shall be reduced by the interest in the benefit awarded to the alternate payee by the QDRO as determined by the COAERS actuary.

13.7 Qualified Domestic Relations Orders Related to Child Support. Orders relating to the support of a dependent child must meet the state statutory requirements of a QDRO. An order for support of a dependent child that meets the appropriate QDRO requirements may be approved by the Executive Director or designee.

ARTICLE XIV
DISABILITY BENEFITS

14.1 Purpose and Scope. This Article establishes the rules, regulations, and procedures necessary to implement Section 8 of the Act that govern COAERS, and establish the requirements for application, receipt, continuation, and/or discontinuation of disability retirement benefits.

14.2 Duty of Confidentiality. All Disability Committee, Board, and staff members of COAERS are to protect and treat as confidential the medical information received and reviewed relative to disability retirement applications and continuations.

14.3 Member Responsibilities When Claiming Disability Benefits. Members applying for disability retirement benefits have the burden to provide evidence establishing that they are mentally or physically incapacitated for the performance of all employment duties, not just their City of Austin employment duties, and that such disability is likely to be permanent. While the Executive Director and Staff provide general assistance and information to members regarding disability applications and procedures, the burden remains on the member to establish a likely permanent inability to perform all employment duties. Members who due to an illness, injury or disability, desire COAERS to make accommodation in the process, schedule, time requirements, or otherwise, for considering an application, must submit a request for the accommodation to the Executive Director. Members applying for disability retirement benefits (or the member's legal guardian or a person having the member's Power of Attorney) must complete an application process and submit requested information as required. Members applying for disability retirement must submit to examination(s) by physician(s) when required by the Committee and/or Board.

14.4 Costs of Disability Applications, Hearings, and Appeals. Except as specifically provided for by the Committee or Board, all costs for disability applications, hearings, and appeals will be the responsibility of the member.

14.5 Disability Retiree Applying for Continuation of Disability Retirement Benefits. Retirees receiving a disability retirement allowance (or their guardian or a person having their Power of Attorney) are required to submit requested information as outlined in this section.

14.6 Role of the Benefits and Services Committee. The COAERS Benefits and Services Committee will review initial disability retirement applications and make a disability retirement eligibility recommendation to the Board of Trustees. The Committee will also annually consider and recommend suspension or revocation of disability retirement benefits as appropriate.

14.7 Role of the Board of Trustees. The Board of Trustees will hear appeals from members whose disability retirement benefits have been denied, suspended, or revoked. The Board's determination is final.

14.8 Qualifications for Receipt of Disability Retirement Benefits. COAERS provides disability retirement benefits to qualifying members who sustain an injury or illness that is likely to be permanent and that incapacitates the member for the performance of all employment duties. Disability determination will be based on the mental or physical incapacitation of the member as of the application date for disability retirement, as demonstrated by the member's application, physician's statement(s), medical records, other supporting documents, and other information deemed relevant by the Board. Any medical condition(s) not defined or existing as of the member's date of application is not applicable and will not be considered in the disability application process.

14.9 Disability Retirement Eligibility. Only active-contributory, inactive-contributory, and members on approved medical leave of absence are eligible for consideration for disability retirement. Such a member must also meet one of the following:

(a) Members with less than five years of creditable service may only apply for disability retirement if the disability is a result of an on-the-job accident or injury.

(b) Members with five or more years of creditable service may apply for disability retirement even if the disability is not job related.

(c) Members who have reached normal retirement age and are already eligible to retire at the time of their application for disability retirement may not apply.

(d) Inactive-noncontributory members may not apply for or receive disability benefits.

(e) For the purpose of applying for disability benefits, a member who is terminated by the Employer for inability to perform employment duties retains the membership category held prior to termination for 90 days following the date of termination. Qualifying members may apply for disability retirement within the 90-day period.

14.10 Application by Guardian or Attorney-in-Fact. A member's legal guardian or an Attorney-In-Fact under a valid Power of Attorney may submit an application for disability benefits on behalf of the member.

14.11 Required Documents. Members applying for disability retirement benefits (or the member's legal guardian or a person having the member's Attorney-In-Fact) must, at a minimum, submit a member's statement and physician's statement(s) from any physician(s) treating the underlying condition giving rise to the disability claim, copies of all medical records from all treating physicians (including all notes, narrative reports, and test results), and such additional and supporting evidence as the member determines appropriate. Physician's statements must be from an M.D. (Doctor of Medicine) or a D.O. (Doctor of Osteopathic Medicine); statements from chiropractors will not be accepted.

14.12 Applicant's Burden of Proof. The applicant has the burden of proof to establish qualification for disability retirement. It is the member's responsibility to timely and properly submit a complete application and related documents.

14.13 Applicant's Responsibilities. Although the Staff will notify members of incomplete disability retirement applications, it is the member's responsibility to submit a complete application. All information provided in the disability retirement application as of the date the Committee reviews the application will be considered in the decision; new information can be considered on appeal.

14.14 Incomplete Disability Applications. Disability retirement applications that are incomplete six or more months after receipt of the member's statement may be submitted for a determination by the Board.

14.15 Date of Receipt of the Disability Application. The date of receipt of the disability application will be the date of receipt of the member's statement.

14.16 Date of Disability Retirement. The member's disability retirement date shall be the last day of the month in which the application is received or retirement contributions cease, whichever is later.

14.17 Effective Date of Disability Retirement. The effective date of a disability retirement shall be no earlier than the date of receipt of the member's disability application or the date of the member's termination date, whichever is later. If COAERS receives a retirement contribution associated with final sick or vacation terminal pay after the date of disability retirement is established, COAERS can return the contribution, and the member's retirement date shall remain as established.

14.18 Date of First Disability Allowance Payment. On award of a disability retirement, the member shall receive a disability retirement allowance beginning on the last day of the month after the month in which the Board approves the disability retirement.

14.19 Appointment of a Guardian. The Committee or Board may require, as appropriate, that a guardian be appointed for a member in cases where it has been represented or evidence shows that the member is mentally incompetent. Such guardianship is required prior to processing the disability retirement and disbursement of the retirement annuity payments.

14.20 Posthumous Disability Award. If a member who is eligible and properly and timely applies for disability benefits, dies after application but before the Committee makes a recommendation or the Board acts on the member's application for disability, the Committee or Board will consider the application if requested by a preselected survivor or spouse.

14.21 Disability Retirement Continuation. If, after an award of disability retirement benefits, a member receiving a disability retirement allowance is determined no longer physically or mentally incapacitated for the performance of all employment duties, the Board shall discontinue the disability retirement allowance.

14.21.1 Review of Wages and Income. Unless specifically exempt by Board action, all retirees currently receiving a disability retirement allowance shall annually submit documentation of wages and income. Disability retirees shall provide a signed IRS form that authorizes COAERS to obtain individual taxpayer information. Copies of any earned income, including spousal income if the member files a joint return, must be submitted with the completed IRS Form. Unless additional documentation is requested, providing the form and copies of income documentation (e.g., W-2 forms, etc.) will satisfy this requirement. Staff will obtain a statement or documentation of income and wages from retirees receiving a disability retirement allowance who did not file an income tax return.

14.21.2 Substantial Gainful Activity Limit. Section 8(i)(1) of the Act states that if a disability annuitant is engaged in, or able to engage in, substantial gainful activity as defined by the Social Security Administration, the Board shall discontinue the disability retirement allowance. The substantial gainful activity standards used will be for non-blind individuals for the year in which the annuitant is evaluated.

14.21.3 Failure to Provide Information or Submit to Examination. The disability allowance of a member who fails to submit the required periodic reports or authorize release of taxpayer information, or who fails to submit to required physician examination(s), shall be discontinued until the member has submitted the required periodic report, authorized the release of taxpayer information, or submitted to a required physician examination, as appropriate. If such failure or refusal continues for 12 months, the disability allowance shall be revoked.

14.22 Discontinuance of Disability Retirement. If the disability retirement allowance of a member is discontinued, and the member is not reemployed by the City of Austin, the member may withdraw any amount by which the sum of the member's accumulated deposits as of the date of the disability retirement exceeds the sum of all disability retirement benefits paid to the member.

14.22.1 If a member has five or more years of Creditable Service and does not withdraw the excess, the member is entitled to a life annuity (modified cash refund) beginning on the first day of the month in which the member's normal retirement eligibility occurs.

14.22.2 If the member has less than five years of creditable service but is eligible and elects to participate in the Proportionate Retirement Program and does not withdraw the excess, the member will be entitled to a life annuity on reaching normal retirement eligibility.

14.23 Returning to Employment Post Disability Award. If a disabled member returns to active employment service with the Employer, the disability retirement allowance shall cease. If the person is reemployed as a regular full-time employee, the person shall be reinstated as an active-contributory member of COAERS and shall comply with the requirements of the Act. If reinstated as an active-contributory member, membership service credits accumulated prior to disability shall be restored to the full amount standing to the member's credit as of the date the Board found the member eligible for disability retirement, and any prior service credit shall be restored in full. The member is not required to reimburse COAERS for any disability retirement allowance amounts received by the member.

ARTICLE XV
DEATH BENEFIT DISTRIBUTION

15.1 Purpose. This article addresses benefits payable upon the death of a member.

15.2 Lump Sum Retiree Death Benefits. The following lump sum death benefits are payable on the death of a retired member or a member eligible to retire:

(a) The $10,000 lump sum benefit payable on the death of a retiree as stated in the Act (Death Benefit); and

(b) If applicable, the excess of the accumulated deposits over the retirement allowances paid prior to the death of a retiree (Retiree Remaining Deposits).

15.3 Lump Sum Active, Inactive, and Vested Member Death Benefits. The following lump sum death benefits (member and Employer deposits) are payable on the death of members who are not retired or eligible to retire:

(a) The accumulated member deposits remaining credited to the member's account, including those deposits made by the member such as Prior Service (reinstated) purchases and Uniformed Service Credit (mid-career military leave of absence) for which an Employer contribution was made and all interest accrued, and an equivalent amount from the Fund; and

(b) The aggregate amount of any other accumulated deposits remaining in the member's account that were made by or on behalf of the member, including Non-contributory purchases, Prior Active Military Service purchases, and Supplementary Service purchases whether made by the member or the Employer (the non-matching deposits).

15.4 Survivor Benefits. The following benefits are payable, as applicable, over a period of time after the death of a retired member, or of a member eligible to retire:

(a) Annuity payments payable on the death of a retired member (e.g., amounts payable pursuant to a survivor beneficiary designation made under a retirement option listed in Sec. 7(l) of the Act) are payable as applicable to the survivor beneficiary over a period of time after the death of a member. Annuity payments to the survivor beneficiary will begin the month following the death of the member. If the survivor beneficiary does not immediately submit the necessary documentation (e.g., original or court certified death certificate), any missed payments will be included with the first disbursement provided the time limit governing the benefit has not expired.

(b) Annuity payments payable on the death of a member that is eligible to retire, but had not yet retired (e.g., amounts payable pursuant to a survivor beneficiary designation made under a retirement option listed in Sec. 7(1) of the Act) are payable as applicable to the survivor beneficiary over a period of time after the death of a member. If the member preselected a retirement option prior to death, a member's spouse that is designated as a survivor beneficiary or that did not consent to another party being designated as a survivor beneficiary, may elect a lump sum distribution or any benefit option the member could have selected.

(c) A sole non-spouse survivor beneficiary may elect a lump sum distribution or a benefit under Option V. Fifteen-Year Certain and Life. Annuity payments to a non-spouse survivor beneficiary will begin the month following the death of the member. If a non-spouse survivor beneficiary does not immediately submit the necessary documentation (e.g., original or court certified death certificate), any missed payments will be included with the first disbursement provided the time limit governing the benefit has not expired.

(d) A surviving spouse that is entitled to an annuity as a survivor beneficiary must begin receiving the annuity on or before April 1 of the year after the year in which the member would have attained age 72 if the member attained age 70 ½ on or after January 1, 2020.

15.5 Designating a Survivor. If a member selects a retirement option that provides for a monthly annuity to be paid to another person upon the death of the member, the member must designate the survivor beneficiary at, or prior to, actual retirement. A member may change the survivor beneficiary prior to actual retirement, but a member cannot change the survivor beneficiary after retirement. If a member selects a retirement benefit option providing for an ongoing annuity at the time of their death, only the survivor beneficiary named at retirement will receive survivor benefits. Even if a retiree and the beneficiary are no longer married, the survivor beneficiary cannot be changed. If the member has a spouse at the time of retirement and designates a survivor beneficiary, the spouse must be designated to receive the survivor benefits unless the spouse signs a COAERS form authorizing otherwise.

15.6 Survivor Annuity Commencement. If a retired member chose an option providing benefits to a survivor beneficiary, at the retiree's death, such benefits will be paid to the designated survivor beneficiary. Payment will only begin after the original or court certified death certificate is received along with other necessary documents. This benefit is retroactive to the month following the member's death. If the survivor beneficiary does not survive the retiree, monthly benefits cease.

15.7 Final Annuity Payment. COAERS is required to pay the annuity payment to the retired member for the month in which the member's death occurs. If the final monthly annuity payment due to the member is rejected by the member's financial institution, the payment should be reissued to the member's spouse, if applicable. If there is no spouse, payment will be reissued to the member's beneficiary or estate. Payment of this benefit should be made no later than five years following the death of the member. If the retirement option selected was Option V. Fifteen-Year Certain and Life, the final check may be issued to the beneficiary or the member's estate.

15.8 QDRO Payments Cease upon Member's Death. If the deceased retiree's annuity was subject to division with one or more Qualified Domestic Relation Orders (QDRO), all payments to the alternate payee(s) will cease the month following the retiree's death.

15.9 Distributions to Non-Spouse Beneficiaries. Distributions of benefits to non-spouse beneficiaries must be made in accordance with these provisions:

15.9.1 Distributions to be Made Within Five Years. When payable as a lump sum, the Death Benefit, the member's deposits and interest, or the retiree remaining deposits must be paid within five years. If a designated beneficiary cannot be located, and no proof of death is made for such beneficiary, the benefits (if any) designated to be paid to such beneficiary will be held for up to five years for payment if the beneficiary is located.

15.9.2 Payments upon Death or Failure to Locate Beneficiaries. If a Primary or Alternate Beneficiary, to which funds are due to be distributed due to the death of, or failure to locate, the Primary Beneficiary within five years of the member's death, does not contact COAERS and is not located within five years after the death of the member, part or a portion of the lump sum benefits otherwise payable will be paid in the order of priority designated by the BDF (e.g. to any additional Primary Beneficiary, or if none, to the Alternate Beneficiary, if known). Upon proof of death being presented to establish the death of a Primary Beneficiary or, as applicable, an Alternate Beneficiary, the benefits will be distributed to the remaining designated beneficiaries in order of priority, or to the member's estate. If no designated beneficiaries are located within five years, the benefits will be paid to the member's estate if the estate is probated and letters testamentary are provided to COAERS.

15.9.3 Beneficiaries Predeceasing the Member. When one or more designated beneficiaries have predeceased the member, the benefits will be paid in the following order of priority to: (1) the beneficiaries that are known and located, in the following order, as applicable: (a) the remaining Primary Beneficiary pro rata or (b) the Alternate Beneficiary pro rata; or (2) the member's estate (if probate has been opened and COAERS has been provided the required notice and documentation).

15.9.4 Non-Spouse Survivor Benefits. If a member is retired or was eligible to retire and preselected a retirement option prior to death, a non-spouse survivor beneficiary will receive a survivor annuity based on the retirement option selected by the member. Survivor benefits payable to a non-spouse beneficiary must commence within one year after the member's death if the beneficiary qualifies as a designated beneficiary under the Code. The Code requires survivor benefits to be paid within five years for a beneficiary that does not qualify as a designated beneficiary under the Code. Upon the death of a member that is eligible to retire but not yet retired, and that had not selected a retirement option prior to death, a designated non-spouse survivor beneficiary may elect a lump sum distribution or a benefit payable under Option V. Fifteen-Year Certain and Life.

15.10 Distributions to Spouse Beneficiaries. Distributions of benefits to spouse beneficiaries must be made in accordance with these provisions:

15.10.1 Spousal Lump Sum Death Benefits. When payable as a lump sum, the Death Benefit, the member and Employer deposits, and the retiree remaining deposits must be fully paid no later than April 1 of the year following the year the member would have attained age 72 if the member attained age 70 ½ on or after January 1, 2020. If the spouse dies before the distribution of the benefits, the benefits will be distributed as specified in this section within five years of the date of the spouse's death.

15.10.2 Claims by Spouse for Benefits. The spouse beneficiary should contact COAERS to provide a permanent address and contact information as soon as possible after the death of a member. If the spouse beneficiary does not contact COAERS and is not located on or before April 1 of the year following the year the member would have attained age 72 (if the member attained age 70 ½ on or after January 1, 2020), the benefits will be paid to any additional Primary Beneficiary, or if none, to the Alternate Beneficiary, if known. The Code requires lump sum benefits that are payable to a spouse and that do not commence within one year to be paid on or before April 1 of the year following the year in which the member would have attained age 72 (if the member attained age 70 ½ on or after January 1, 2020).

15.10.3 Alternative Payments Procedure. If the benefits are not paid to the spouse as detailed above, the benefits will be paid in the following order of priority, to: (1) the remaining Primary Beneficiary; (2) the Alternate Beneficiary; or (3) the member's estate (if probate has been opened and COAERS has been provided the required documentation).

15.10.4 Spousal Survivor Benefits. A spouse beneficiary of a retired member will receive a survivor annuity based on the retirement option selected by the member. If a spouse beneficiary does not survive the member, no survivor benefits are payable. Spouse benefits must begin no later than April 1 of the year after the year the member would have attained age 72 if the member attained age 70 ½ on or after January 1, 2020. If the deceased member was eligible for retirement, but was not yet retired, at the time of death, the spouse may elect to either receive an optional benefit payment of a survivor benefit or receive a lump sum payment equal to the member and Employer deposits. If the member had reached age 72 at the time of death (if the member attained age 70 ½ on or after January 1, 2020), the spousal benefits must begin immediately. If the member's spouse is the designated beneficiary, distributions shall begin no later than April 1 of the year following the year the member would have attained age 72 if the member attained age 70 ½ on or after January 1, 2020. This special rule is not available to non-spouse beneficiaries. These requirements correspond with IRS rules and regulations.

15.10.5 Active Member Death at 72 or Older. If an active member attained age 70 ½ on or after January 1, 2020 and is 72 or older and dies, distributions to the member's spouse (if applicable) begin immediately.

15.11 Distributions for Terminated Members. Except for employees that remain active-contributing members, a terminated member must begin receiving the retirement annuity no later than April 1 of the year following the year in which the member attains age 72 if the member attained age 70 ½ on or after January 1, 2020.

15.12 Lump Sum Distribution to Members Not Eligible for Retirement. Upon the death of a member who is ineligible for retirement, an amount equal to the member and Employer deposits, together with the interest accrued thereon, shall be paid to the member's designated beneficiaries, except as may otherwise be required by a QDRO. The payment will be made from System funds (Fund No. 2). Non-matching deposits will be distributed in the same manner as a member's accumulated deposits, except there shall be no equivalent amount paid from System funds (Fund No. 2).

15.13 Delays in Timely Distribution of Benefits. The beneficiary is responsible for contacting COAERS after the member's death. However, COAERS staff shall make reasonable attempts to locate survivor beneficiaries before the time benefits are required to commence. COAERS will encourage, or require, beneficiaries to commence receiving benefits. Attempts to locate may include sending letters to the last known address and internet search tools. Written documentation of the search attempt should be kept in the member's file.

15.14 Court Approved Small Estate Affidavit. COAERS can accept a Small Estate Affidavit provided it meets the requirements of Chapter 205 of the Texas Estates Code, the affidavit is filed with the clerk of the court that has jurisdiction and venue of the estate, and the presiding judge approves the affidavit.

15.15 Court Approved Order Admitting a Will to Probate as a Muniment of Title. COAERS can accept a court order admitting a will to probate as muniment of title provided that the order meets the requirements of Chapter 257 of the Texas Estates Code, has been signed by the presiding judge, and has been properly filed.

15.16 Legal Counsel Review of Certain Distributions. The COAERS General Counsel will be advised of problems in making timely distributions: e.g., no valid BDF on file, no valid EBDF, no spouse, inability to locate designated beneficiary, all beneficiaries predeceased the member, beneficiary is a minor, or beneficiary refuses to accept benefits.

15.17 Procedure for Contacting Payees Subject to Minimum Distributions. Payees subject to minimum distribution requirements will be contacted via United States Postal Service (USPS) certified mail to the last known mailing address and through appropriate means for any address or contact information (including email addresses and telephone numbers). If the member cannot be located, COAERS will:

(a) Search plan and related plan, sponsor, and publicly available records or directories for alternative contact information; and/or

(b) Use any of the search methods below:
1. A commercial locator service;
2. Credit reporting agency; or
3. A proprietary internet search tool for locating individuals.

15.18 Staff May Not Provide Tax or Legal Advice. When making application for retirement benefits and designating a beneficiary for death benefits, members should consult with independent, qualified professionals regarding tax, estate planning, and legal issues related to their retirement. Statements and opinions by COAERS staff or attorneys that relate to estate planning, tax, or other legal issues, are made only as examples to raise issues and provide information that may be generally applicable and should be the subject of independent professional advice obtained by the members.

ARTICLE XVI
BENEFICIARY DESIGNATION FOR LUMP SUM BENEFITS

16.1 Creation of the Beneficiary Designation Form. COAERS staff will maintain a form required to be used by members to designate beneficiaries to receive certain lump sum benefits or distributions that are payable on the death of the member. Except as provided otherwise in the Act, any member may file such a form with COAERS at any time. All beneficiary designations must include a photo identification document issued by a governmental authority.

16.2 Employer Beneficiary Form Validity. If a valid Beneficiary Designation Form (BDF) is not on file with the System, COAERS will obtain the most recent Employer beneficiary designation form (EBDF) on file with the Employer, as defined in the Act. The Executive Director or designee has the authority to determine the validity of a beneficiary designation form. COAERS will recognize the most recent EBDF as a valid form if it meets the following criteria:

(a) is provided by and on file with the Employer;

(b) is executed by the member;

(c) designates the beneficiary for retirement benefits;

(d) is executed by the member's spouse unless the spouse is designated as the Primary Beneficiary receiving 100% of the retirement benefit; and

(e) the member has not signed a subsequently dated EBDF that revokes or cancels any previous forms.

16.3 Most Recently Dated Form Valid. If a recent valid BDF is on file with COAERS, it will conclusively determine the member's designated beneficiaries for the purposes of COAERS and the payment of death benefits. If a valid BDF or a valid EBDF is not found, or the designated beneficiary listed on the form has predeceased the member, the benefits will be paid to the member's spouse, if applicable, or to the member's estate, if the member is not married.

16.4 Spousal Consent. To be valid, effective, and recognized by COAERS, a BDF must be executed by the member and the member's spouse (if married and the spouse is not designated as Primary Beneficiary to receive 100% of benefits) and must be on file with COAERS or the Employer at the time of the member's death. A written form that is not a valid BDF or a valid EBDF will not be considered effective by COAERS. If a married member designates a beneficiary who is not the spouse or designates less than 100% of the benefits to the spouse as Primary Beneficiary, the form must be signed by the spouse to be valid. If the spouse is not the Primary Beneficiary and did not sign the form prior to the member's death, the spouse may request the benefits be paid directly to the spouse or consent to distribution of benefits as stipulated in the most recent valid form.

16.5 Common Law (Informal) Marriage Recognized. Common law or informal marriage is recognized in the State of Texas. As used in this article, the word "spouse" includes a common law spouse. The member and/or the common law spouse must provide documentation in support of assertion of common law marriage, especially any evidence where the couple held themselves out as husband and wife. The COAERS General Counsel will review the assertion of common law marriage and then make a determination of marital status based on the facts supported by the documentation presented.

16.6 Alternate Beneficiaries. A BDF may name an Alternate Beneficiary to receive benefits if the Primary Beneficiary is deceased, presumed deceased, or refuses to accept the benefits. An original or court certified death certificate or, as applicable, a sworn statement, confirming the Primary Beneficiary's death or refusal of benefits, is required for benefits to be paid.

16.7 Designation of a Custodian. The Texas Uniform Transfers to Minors Act permits a custodian to be named for a COAERS minor beneficiary.

16.8 Other Designations. A trust, custodian, guardian, or Attorney-in-Fact may be designated on a BDF as a Primary Beneficiary or Alternate Beneficiary only for the benefit of persons that are listed on the BDF.

16.9 Payments in the Event No Valid Form Exists. Benefits payable on the death of a member must be made to the beneficiaries listed on a valid BDF. If a valid BDF or a valid EBDF is not found, the benefits will be paid to the member's spouse, or if no spouse survives, to the member's estate.

16.10 Changing a Beneficiary Form for Lump Sum Benefits. A member may change the beneficiary designated for the lump sum death benefit at any time by completing a new BDF, subject to the requirements for the spouse's signature if married. If the member obtains a divorce after designating a spouse as the beneficiary for the lump sum death benefit, the lump sum death benefit will be paid to the current spouse at time of death, unless the current spouse has signed the BDF or consents to distribution of benefits as stipulated in the BDF.

16.11 Notification of Member Death. Upon notification of a member's death, COAERS staff will research and locate the member's most recent valid BDF to determine to whom benefits are payable. If a BDF is not on file with COAERS, staff will obtain the most recent valid EBDF. The BDF(s) filed with COAERS are a part of member records at COAERS. If a BDF has not been received by COAERS, the most recent EBDF (generally for active-contributory, non-declared vested, proportionate, and terminated members) will be requested from the Employer's Human Resources department personnel files to determine whether such form may be accepted as a valid form.

16.12 COAERS or Employer Records. COAERS will retain the BDF in the member records. The BDF or, if none, the valid EBDF, must be received by the System/Employer prior to the member's death. Only if the member has not filed a BDF with COAERS will the EBDF be obtained from the Employer. If a BDF was not received by COAERS, and the EBDF is obtained, the most recent EBDF will conclusively determine the member's designated beneficiaries for the purposes of COAERS and the payment of death benefits if the EBDF qualifies as a valid form. If no valid BDF or valid EBDF is located, the death benefits will be payable to the member's spouse, if applicable, or to the member's estate, if there is no spouse. If information in the member's file or personal knowledge of COAERS or the Employer's staff indicates the member was married, but the beneficiary designation form indicates otherwise, further examination of the facts must occur. These instances will be addressed on a case-by-case basis.

16.13 Member Designations and Records. Members are encouraged to keep a current BDF on file with COAERS. This is particularly important if the member marries or divorces or there is a change in the custodian of a minor beneficiary. Member file information concerning designated beneficiaries may be obtained by a member or a person having the member's Power of Attorney, if the member or Attorney-in-Fact comes to COAERS with picture identification and, as applicable, an original or court certified copy of a Power of Attorney. Information may also be mailed to a requesting member at the member's address of record with COAERS, or to the person holding the member's Power of Attorney.

16.14 Beneficiary Responsibility. It is the responsibility of the beneficiary to make timely contact with COAERS following the death of a member. COAERS staff will attempt to contact the beneficiary designated on the most current valid BDF on file with COAERS or, if none, the most recent valid EBDF. Once contacted, it is the responsibility of the beneficiary to timely and properly claim benefits.

16.15 Refusal by Beneficiary to Accept Benefits. Although any assignment/transfer of any benefit is prohibited, including a death benefit, a person has a right to decline to be a beneficiary and to refuse the benefit. If a beneficiary refuses to accept the benefit, that person is required to sign a sworn statement of refusal to accept the benefit and a waiver of the funds. In such event, it is permissible for the System to pay to the other beneficiaries of the same class the designated portion of the death benefits that would have been payable to that person. In such event, if there are no other beneficiaries of the same class, the death benefits are distributed to the named Alternate Beneficiaries, or, if none, to the member's estate.

16.16 No Valid Form or No Valid Designations. If no valid BDF or valid EBDF is on file, or if all designated beneficiaries predecease the member or refuse to accept benefits, COAERS staff will contact the COAERS General Counsel, and the benefits will be paid as provided by the Act and State law.

ARTICLE XVII
OPTION SELECTION AND SURVIVOR BENEFICIARY DESIGNATION

17.1 Selection of Annuity Payment and/or Options. The annuity payment options available to members are listed and described in Section 7(l) of the Act as follows:

- **(a)** Life Annuity;
- **(b)** Option I. 100 Percent Joint and Survivor Annuity;
- **(c)** Option II. 50 Percent Joint and Survivor Annuity;
- **(d)** Option III. 66-2/3 Percent Joint and Survivor Annuity;
- **(e)** Option IV. Joint and 66-2/3 Percent Last Survivor Annuity;
- **(f)** Option V. 15-Year Certain and Life Annuity; and
- **(g)** Option VI. Equivalent Benefit Plan, which allows a member to customize a survivor benefit.

17.2 Spousal Consent Required. Section 7(m) of the Act requires spousal consent for the member to select an optional retirement benefit other than I, II, III, or IV. It also requires spousal consent if a married member designates any person other than the spouse as a surviving beneficiary. Since Texas is a community property state, COAERS requires spousal consent for a Life Annuity designation (member only) and all other options except for Option I naming the spouse as the survivor.

17.3 Annuity Payment Selection. Members may select an annuity option during the retirement claim process. The option selected by the member may be changed at any time on or prior to the member's benefit effective date.

17.4 Deferred Annuities. During the retirement claim process, members may select an option to receive a lump sum payment and defer their monthly annuity payment until a later date. However, members must begin receiving their retirement annuity no later than when they become age 72 if the member attained age 70 ½ on or after January 1, 2020.

17.5 Disclosure of Marital Status. During the retirement claim process, members must disclose their marital status, and if married, provide spousal consent for any annuity option, except Option I. COAERS is entitled to rely on the written representation by the member that there is no spouse unless there is a reason to believe or know that such a representation is not true.

17.6 Prohibitions on Survivor Designations. COAERS does not permit:

(a) The member's option selection to be changed after retirement. A survivor's rights vest at retirement so a survivor designation cannot be changed after retirement even if the member is subsequently divorced and a QDRO purports to extinguish survivor rights to a former spouse.

(b) More than one beneficiary to be designated for ongoing joint annuitant survivor benefits except for beneficiaries under Option V, 15-Year Certain option.

(c) A survivor beneficiary designation to be changed after the effective date of retirement.

(d) Certain joint and survivor beneficiary designations that the Internal Revenue Service prohibits under its Minimum Distribution Incidental Benefits statutes and regulations.

17.7 Equivalent Benefit Plan Option Creation and Limitations. Members may design a retirement option subject to limitations from the COAERS actuary. Requests for Equivalent Benefit Plan Option (Option VI) designs must be made 90 days before the member's actual retirement date. Under Option VI, benefit designs will be subject to the following restrictions:

(a) Benefits may not be structured to provide for a decrease in annuity payments at a future date.

(b) If a partial lump sum distribution and a Backward DROP are used in combination, the resulting lump sum payment cannot exceed the equivalent of 60 months of annuity payments under a basic Life Annuity.

(c) The Executive Director may require a member to pay the cost of estimates prepared by the actuarial firm for the System for any estimates in excess of three.

17.8 Designation of Beneficiary – Ongoing Survivor Annuity. As required by the Act, COAERS will maintain a form or forms, either in paper or electronic form, which are required to be used by a member to make an application and a claim for retirement, make a retirement option selection, and designate a survivor beneficiary to receive an ongoing survivor annuity in the event of the member's death. If the member is married and seeks to name a person other than the spouse as survivor beneficiary, spousal consent is required. To be effective and recognized by COAERS, the form(s) must be executed by the member, by a written or electronic signature and submitted on or before the deadline that corresponds with the member's effective retirement date.

17.9 Preselection of Survivor Benefits Prior to Retirement. At any time before retirement, a vested member may preselect a retirement option and at some future time apply to receive benefits at the normal retirement age. A vested member may preselect a retirement option with a DROP (Deferred Retirement Option Program). Such preselection must be made on the designated COAERS form, including notarized signatures of both the member and the member's spouse, if applicable, and filed with COAERS. The preselection may be revoked by the member in writing without the consent of the spouse at any time before retirement. A new preselection will require completion and filing of a new form with COAERS; any new form will require notarized signatures of both the member and the member's spouse, if applicable. Consequently, a former spouse's waiver or consent, provided prior to actual retirement, is not binding on a new spouse. The member retains the right to change the option selected or the survivor beneficiary designated until the member's actual retirement date, subject to the Act and this Policy. An option selection and beneficiary selection becomes effective on the member's actual retirement date and may not be revoked.

17.10 Minors as Surviving Beneficiaries. A member may designate a minor as a surviving beneficiary. A member designating a minor on the COAERS form will be given the opportunity, but will not be required, to designate a custodian to receive benefits for any beneficiary that has not attained the age of 21. If a custodian is designated and such beneficiary remains under the age of 21 at the time of the member's death, the benefits will be paid to the custodian designated for the minor. If such beneficiary has attained 21 years of age when the survivor benefits are payable, the benefits will be paid directly to the beneficiary**.**

17.11 Advice and Access Concerning Selection of Annuity and Surviving Beneficiary. COAERS staff will assist members in understanding their benefit, but cannot provide financial, estate planning, tax, or legal advice to members. When making application for retirement benefits, members are strongly encouraged to obtain independent financial and/or tax advice when making decisions about retirement.

17.12 Pop Up Provision Upon Death of a Survivor. If the person designated as the surviving annuitant under Options I, II, or III, predeceases the retired member, the reduced annuity of the retired member will increase to the life annuity. The adjustment to the retired member's annuity begins with the payment for the month following the month in which COAERS received the death certificate of the deceased survivor annuitant.

ARTICLE XVIII
EMPLOYER DATA

18.1 Reliance upon Employer Data. In order to determine member account balances, pay benefits, and determine actuarial liabilities, COAERS shall rely on data provided from participating employers.

18.2 Contribution Basis. The Act that governs COAERS requires contributions to be made on a 40-hour workweek. Certain job titles for the Emergency Medical Services (EMS) department have workweeks exceeding 40 hours. Therefore, COAERS will determine the hourly rates for these members by dividing the reported contributions each pay period by 80, then by .08.

18.3 COAERS Membership Date. It is customary for an employer to begin an employee's employment at the beginning of a pay period. Therefore, in general, each retirement contribution has two weeks of service credit associated with it. If any doubt exists as to the member's correct membership date for eligibility and service credit, Staff will review the date that corresponds with the last day of the pay period for the member's initial COAERS contribution. Staff will then subtract 14 days from that date and then try to find a date in City records (paper or banner) which matches that date. If the result is different from the City's date of hire, Staff may adjust the membership date to the 14^{th} day prior to the contribution date or the corresponding pay period begin date. In this way, the member's membership date will correspond to the member's initial contribution.

18.4 Deductions for COAERS Contributions. A full COAERS employee contribution will be deducted for every pay period in which the employee works.

ARTICLE XIX
BACKWARD DEFERRED RETIREMENT OPTION
AND PARTIAL LUMP SUM PAYMENTS

19.1 Purpose and Scope. The COAERS Board adopted this Policy regarding the Backward Deferred Retirement Option Program (Backward DROP or DROP). The Act establishes the rules governing receipt of a Backward DROP or a Partial Lump Sum payment. The Backward DROP allows eligible members to receive a Backward DROP payment in addition to a monthly retirement annuity at retirement subject to the conditions and limitations in the governing statute and in this policy.

19.2 Eligibility Excludes Proportionate Service. The Backward DROP is only available to active contributory members who have already attained normal retirement eligibility, excluding proportionate service credit.

19.3 DROP Period. The DROP Period is the period between the member's actual retirement date and the date the member was first eligible for normal retirement (excluding proportionate service credit) or the date of the member's last purchase of service (excluding unused sick leave conversion), whichever is later. The DROP Period cannot exceed 60 months.

19.4 Backward Drop Payment. The Backward DROP payment is equal to ninety percent (90%) of the life annuity monthly benefit (after any reductions for lump sum QDRO) multiplied by the number of months in the DROP Period. No interest will be paid on, or added to, the Backward DROP payment.

19.5 Monthly Retirement Annuity. The monthly life annuity for a member electing the Backward DROP program is calculated using the average final compensation and creditable service (including converted unused sick leave) at the beginning of the DROP Period. Members retiring with a Backward DROP option may choose a life annuity or any actuarial equivalent life annuity options.

19.6 Payment. The Backward DROP payment is paid at the same time the first monthly annuity is paid. Backward DROP payments may be rolled over as permitted by the Internal Revenue Code or paid, in part, as a Backward DROP payment and the remainder as a rollover. To roll over a Backward DROP payment, the proper documentation must be completed and submitted no later than the member's actual retirement date.

19.7 Partial Lump Sum Payment. In lieu of a Backward DROP, a member can choose to take a reduced benefit and receive a Partial Lump Sum Payment at retirement. The lump sum payment may not exceed an amount equal to the total amount of 60 monthly life annuity payments. The Partial Lump Sum Payment is paid at the same time the first monthly annuity is paid. The COAERS actuary shall determine the calculations for the administration of the Partial Lump Sum Payment and the corresponding reduction in the member's monthly retirement annuity.

ARTICLE XX
RETIREES RETURNING TO WORK
WITH A PARTICIPATING EMPLOYER

20.1 Purpose and Scope. The COAERS Board adopted this article regarding retirees who return to work for the City of Austin or COAERS (hereinafter collectively referred to as the Employer) after retirement. The Act establishes restrictions on the number of hours and duration of any employment by a member with the Employer after retirement. This policy implements the governing statute and ensures regulatory compliance.

20.2 Responsibilities of the Executive Director and Staff. The COAERS staff shall monitor retiree data and notify retirees and the Employer of any potential noncompliance with the governing statute. The Executive Director shall suspend the annuity of any retiree found to be in noncompliance.

20.3 Responsibilities for Retirees Working for the City of Austin. Retirees working for the City of Austin shall conform work hours to the statutory limits, and shall notify COAERS if their work schedule exceeds the limits of the governing statute or if they wish to voluntarily suspend monthly annuity payments.

20.4 Waiting Period and No Agreement to Return. A member who has not attained the age of 55 at retirement may not work for the City of Austin within 90 days of the retirement date and may not have an agreement (oral or written) prior to retirement to return to work for the City of Austin after retirement. If employment with the City of Austin occurs within 90 days of retirement, the retirement will be invalidated. This restriction will apply to retirees working for any employer covered by the City of Austin Employees' Retirement System. Employees making application for retirement who have not attained the age of 55 at the time of retirement will be required to affirmatively state that they will terminate employment no later than their selected retirement date, and that they have not entered into an agreement (oral or written) to return to work for the Employer after retirement.

20.5 Suspension of a Retirement Allowance. COAERS shall suspend the retirement allowance of the following members:

(a) A member who resumes employment after retirement as provided in Section 20.4 above;

(b) A retired member who resumes employment after retirement as a regular full-time employee of the City of Austin, COAERS, or an agency of the City; or

(c) A retired member who resumes employment with an employer in a position that is not required to participate in another retirement system maintained by an employer, and who is not a regular full-time employee of an employer, if the member works for, or is compensated by, an employer for more than 1,508 hours in any rolling 12-month period after the member resumes employment with the employer.

20.6 Sick Leave. If a retiree uses sick leave to be paid for time away from work during their part-time employment those hours will be counted towards the 1,508 limit.

20.7 Suspension Effective Date. A suspension of a retirement allowance can begin as early as the retirement allowance payable the last day of the month following the month in which the retired member exceeded 1,508 hours of employment in a rolling 12-month period.

20.8 Suspension Duration. A suspension of a retirement allowance shall be in effect until the member's employment terminates, and the member applies in writing for reinstatement of the retirement allowance and qualifies for retirement.

20.9 Voluntary Suspension. A retired member who resumes employment in a position not required to participate in another retirement system maintained by an employer may voluntarily suspend their retirement allowance. However, such a member must also meet the requirements of Section 20.4 above.

20.10 Events Not Triggering Suspension. A suspension of a retirement allowance will not occur in the following situations:

(a) A member who retires after reaching normal retirement age and continues or resumes employment with the City of Austin in a position that is required to participate in another retirement system maintained by the City of Austin, or

(b) A retiree who is working for the City of Austin as an independent contractor as defined by the Internal Revenue Code.

20.11 Reinstatement of a Retirement Allowance. A member whose retirement allowance is suspended may retire again and reinstate the retirement allowance. The reinstatement of a retirement allowance shall be subject to the following provisions:

(a) COAERS and/or its actuary shall calculate the reinstated retirement allowance based on the member's total creditable service, reduced actuarially to reflect the gross amount of total retirement allowance paid to the member prior to suspension of the retirement allowance.

(b) The reinstated retirement allowance cannot be less than the previous retirement allowance prior to the suspension.

(c) The member cannot change the actuarial equivalent life annuity option they selected at their original retirement date.

(d) The member cannot change the survivor or beneficiary designated under an actuarial equivalent life annuity option at their original retirement date.

20.12 Compliance. The burden of compliance shall rest with the retiree. The City of Austin Employees' Retirement System will provide information to all retirees as to the restrictions on retirees working for the City of Austin, as part of the retirement process; however, it is ultimately the responsibility of the retiree to know the plan provisions relating to returning to work. Absence of notice will not be considered a valid defense.

ARTICLE XXI
ANNUITY DEDUCTIONS FOR
RETIREE INSURANCE

21.1 Purpose and Scope. The Board of Trustees of the City of Austin Employees' Retirement System recognizes that the City of Austin offers insurance-related products to retirees and annuitants and therefore intends, as a convenience to retirees and annuitants, to allow for the deduction of costs associated with insurance-related products authorized by the City of Austin.

21.2 Responsibilities of the Executive Director. Shall be responsible for deducting retiree or annuitant costs from insurance-related products from the monthly annuities of retirees or annuitants.

21.3 Responsibilities of Retirees and Annuitants. Shall be responsible for reviewing insurance related deductions for accuracy and notifying the City of Austin if inaccuracies are discovered.

21.4 Responsibilities of the City of Austin. Shall provide COAERS with the information to allow the proper insurance-related deductions from the monthly annuities of retirees or annuitants.

21.5 Authorization for Deductions from Monthly Retirement Benefits. A retired member or annuitant who is receiving benefits from the System may authorize deductions from their monthly benefit only for certain eligible insurance products established by the City of Austin, provided the benefit amount is sufficient to allow the entire deduction considering any previously existing deductions. No partial deductions are permitted. The System will only recognize instructions received by the City of Austin, and not directly from the member or annuitant. Any discrepancy between the amount actually deducted and the amount which should have been deducted will be resolved by the member or annuitant and the City of Austin.

21.6 Products Eligible for Deductions. The only products that are eligible for deduction are those insurance-related products which may be offered to retired employees through the City of Austin's Human Resources Department and which are offered to retirees as a group. Deductions for all other products, services, or associations are prohibited.

21.7 No Endorsement. The allowance of deductions for certain eligible insurance products, does not under any circumstances, constitute an endorsement for any particular product or company.

ARTICLE XXII
ANNUITY VERIFICATION

22.1 Identification of Death Records. To protect the fund and the interests and benefits of the members, the City of Austin Employees' Retirement System (COAERS) will periodically use a third-party vendor to identify death records for COAERS payees. For any death record, COAERS will suspend the payment and independently verify the validity of the death record.

22.2 Use of Affidavit. In the case of a discrepancy or error in a third-party's death records, COAERS will require the annuitant to complete a notarized affidavit on a form approved and provided by the COAERS.

ARTICLE XXIII
ELIGIBLE ROLLOVER DISTRIBUTIONS

23.1 General Rollover Information. Some payments from COAERS are eligible to be rolled over to a qualified IRA or employer plan. Participants can access a document called "Special Tax Notice – Rollover Options" at www.coaers.org to help them decide whether to do such a rollover. Participants may also wish to consult with a professional tax advisor regarding rollovers before taking a payment from COAERS. More detailed information on the federal tax treatment of payments from COAERS can be found in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.

23.2 Rollover Election. A distributee may elect, at the time and in the manner prescribed by the Board of Trustees, to have any portion of multiple eligible rollover distributions from the Plan scheduled to be made at the same time, directly allocated to multiple eligible retirement plans and treated as a single eligible rollover distribution to the extent permitted by Code Section 72 and 402(c); provided, however, that the Plan's terms permit such rollover, and, provided, further that such rollover does not exceed permissible limits.

23.3 Disbursements Scheduled to be Made Simultaneously. For purposes of determining the portion of a disbursement of benefits from a plan to a participant, beneficiary, or alternate payee that is not includible in gross income under the rules of Code Section 72, all disbursements of benefits from the Plan to the recipient that are scheduled to be made at the same time (disregarding differences due to reasonable delays to facilitate plan administration) are treated as a single distribution without regard to whether the recipient has directed that the disbursements be made to a single destination or multiple destinations. In such a case, allocations of pre and post-tax amounts will be allocated according to the Code and regulations.

ARTICLE XXIV
INTEREST CREDITED TO MEMBER ACCOUNTS

24.1 Purpose. The accumulated deposits standing to the credit of a COAERS member are improved annually through crediting interest at a rate determined by the Board upon the advice of the System's actuary. Interest is credited as of December 31 to amounts standing to the credit of the member on January 1 of the same calendar year. This article establishes the responsibilities, guidelines, and procedures for the interest rate decision.

24.2 Responsibilities of the Actuary. The System's actuary provides advice to the Board regarding the interest rate credited to member accounts.

24.3 Guidelines. The interest rate is set based on fixed income type returns, not returns earned by the entire fund or other more aggressive investment vehicles. Neither the interest rate recommendation by the actuary nor the final decision by the Board should negatively impact the financial soundness of the System.

24.4 Procedure. The System's actuary will provide an interest rate recommendation to the Board. The recommendation will consider the following:

> **(a)** The average yield of 10-Year Treasury Constant Maturities (Nominal), as published by the Federal Reserve in Statistical Release H.15, during the 12 months from November 1 of the prior year through October 31 of the current year; and
>
> **(b)** Historical interest rates established by the Board, and
>
> **(c)** Any other factor relevant to the determination of that year's interest rate.

24.5 Crediting Interest to Member Accounts. Annually, member accounts will receive interest as determined by the Board.

7. Receive report on annual IRS compliance

Presented by Russell Nash and Brad Oxford

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 7:
Receive report on annual IRS compliance

AGENDA ITEM OBJECTIVE
This agenda item is intended for the Committee to receive a report from the COAERS Tax Counsel about the results of the annual review of COAERS compliance with the Internal Revenue Code ("Code") and regulations.

RELEVANCE TO STRATEGIC PLAN
This agenda items aligns with one of the five core competencies of the **COAERS Strategic Plan** *"Dependable Operations: Managing the financial and operation commitments of the system appropriate measurable standards."* The COAERS statutes authorize the Board to adopt any amendment necessary for the retirement system to maintain its status as a qualified plan under the Code.

RECOMMENDATION FOR COMMITTEE ACTION
For informational purposes; no action recommended.

BACKGROUND
The Board's Benefits Administration policy provides that the COAERS General Counsel and Tax Counsel will provide advice on tax-related matters. Accordingly, COAERS has retained Brad Oxford, from the firm Clark Hill, to annually review federal tax legislation that affects the Plan and suggest changes necessary to maintain COAERS' tax-favored qualified plan status.

Mr. Oxford has reviewed the plan and recent federal legislative changes. His review has resulted in three categories of changes described below.

1. Optional provisions. Staff will work with General and Tax Counsel to determine if any of the optional provisions should be recommended to the Board. Recommendations will be presented to the Committee at its November meeting.

2. Mandatory provisions. Certain federal law changes are mandatory. We will consolidate the mandatory provisions into a Resolution for Committee review and Board approval in November.

3. Mandatory and automatic. No Committee and Board action is necessary.

Mr. Oxford's report is attached.

ATTACHMENT

1. Brad Oxford Memorandum – Requirement Plan Amendments

Clark Hill

MEMORANDUM

TO:	Mr. Russell Nash City of Austin Employees' Retirement System
FROM:	Brad Oxford
DATE:	June 1, 2023
CLIENT MATTER:	A8221 A28260
SUBJECT:	Required Plan Amendments

Issue

You have asked whether there are any amendments that are required to be made in 2023 by recent legislation or by the Internal Revenue Service ("IRS").

Answer

There are no required plan amendments for 2023. However, as discussed below, the recently enacted SECURE Act 2.0 contains certain provisions that are effective in 2023 and later years. Although the Plan does not have to be amended in 2023 to comply with these requirements, the Plan will need to be administered to comply with certain of these requirements from an operational standpoint as soon as these provisions become effective. As noted below, certain provisions of the SECURE Act 2.0 are mandatory and some are optional.

Discussion

A. Required Plan Amendments. Per the Required Amendments List published in IRS Notice 2022-62, there are no required plan amendments for 2023.

B. SECURE Act 2.0. The SECURE Act 2.0, which was signed into law on December 29 2022, contains a number of provisions affecting governmental retirement plans. Some of these provisions are effective immediately upon enactment, some in 2023, and some in later years. Some of these provisions are mandatory and some are optional. Some of these provisions require plan amendments and some do not. Plan amendments are not required to be made until December 31, 2027. However, the Plan must be operated and administered in accordance with the mandatory provisions, as well as any optional provisions that are adopted by the Plan, immediately when these provisions become effective.

1. Provisions Effective Upon Enactment (December 29, 2022).

   a. Qualified Federally Declared Disaster Distributions.

      The Plan may permit a qualified disaster recovery distribution of up to an aggregate $22,000 if made within 180 days after the first day of the incident period applicable to a qualified disaster, if the individual's principal place of residence is within the qualified disaster area and the individual has sustained economic loss due to the qualified disaster. The Plan rely on the individual's certification that the distribution qualifies under this standard. An amount distributed on this basis is not eligible for rollover. In addition, the distribution is not subject to the 10% early withdrawal penalty tax, is taxed over three years, and can be repaid within three years. This provision also permits an increase in loans, and delayed repayment of loans, during the 180-day period following the first day of the incident period.

This provision is optional, and is effective for distributions with respect to disasters the incident period of which begins on or after January 26, 2021.

b. Recovery of Retirement Plan Overpayments.

Under current law, the IRS provides plan sponsors with guidance on the appropriate correction of inadvertent overpayments from qualified 401(a) plans. The IRS guidance (known as "EPCRS") has become more flexible over the years, but it still generally requires the plan sponsor to attempt to secure repayment of overpayments, with applicable interest, and requires notification to the overpayment recipient that the amount of the overpayment was not eligible for rollover treatment. SECURE 2.0 amends ERISA and the Internal Revenue Code to allow a fiduciary the discretion to not seek recovery of inadvertent overpayments from participants and beneficiaries. Significantly, rollovers of overpayments remain valid.

This provision is optional.

c. Public Safety Officer Health Insurance.

Up to $3,000 of distributions from a governmental retirement plan to a public safety officer to pay for health insurance premiums is excluded from gross income, so long as the plan directly pays the insurance company. SECURE 2.0 repeals the direct payment requirement, and allows payments to the employee.

This provision is optional, and is effective for distributions after December 29, 2022.

d. Relief from 10% Early Withdrawal Penalty for Terminal Illness Distributions.

Distributions to an employee who is a "terminally ill individual" are not subject to the 10% early withdrawal penalty tax and can be repaid within three years. For this purpose, a terminally ill individual means an individual who has been certified by a physician as having an illness or physical condition that can reasonably be expected to result in death in 84 months or less after the date of the certification. The employee must furnish sufficient proof to the plan administrator that the employee qualifies under this standard. This provision does not create a new distribution right under retirement plans, so a participant would need to be eligible for a distribution under an existing rule.

This provision is optional, and is effective for distributions made after December 29, 2022.

2. Provisions Effective in 2023.

a. Increase in the Required Beginning Date.

The SECURE Act 2.0 increases the age at which retired participants must commence payments from retirement plans. Generally, under current law, a participant must begin receiving required minimum distributions (RMDs) from a plan no later than April 1 of the calendar year following the later of the calendar year in which the employee attains age 72 (increased from 70 ½ under SECURE 1.0), or the calendar year in which the employee retires. SECURE 2.0 replaces "age 72" with the "applicable age," which is determined as follows:

i. For employees who turned age 72 before 2023, the applicable age is age 72 (or age 70 ½ if they were born before July 1, 1949.

ii. For employees who will turn age 72 after 2022 and age 73 before 2033, the applicable age now is 73.

iii. For employees who will turn age 74 after 2032, the applicable age now is age 75.

This provision is mandatory, and is effective for RMDs made after 2022 for employees who turn age 72 after 2022.

b. Automatic Portability Transactions.

Under current law, the Plan may make mandatory cash-outs of the small account balances of terminated participants (accounts under $5,000, which increases to $7,000 under SECURE 2.0). Accounts over $1,000 must be rolled to a default IRA if the participant does not make an affirmative election with respect to the account. Beginning in 2024, SECURE 2.0 allows employers to contract with a service provider that will automatically transfer a default IRA to a participant’s new employer-sponsored retirement plan, unless the participant elects otherwise. The automatic transfer will be subject to a 60-day advance notice requirement, fee disclosures, individual opt-out rights, post-transaction notice requirements, and audit requirements. The objective of the change is to consolidate small account balances and reduce leakage from the retirement system.

This provision is optional, and is effective on December 29, 2023.

3. Provisions Effective in 2024.

a. Surviving Spouse Election to be Treated as Employee.

SECURE 2.0 extends to a surviving spouse the irrevocable right to elect to be treated as the deceased employee for purposes of the RMD rules and, if the surviving spouse is the sole designated beneficiary, applies the uniform life table in determining the distribution period.

This provision is mandatory (if elected by the surviving spouse).

b. Increased Dollar Limit for Mandatory Distributions.

Under current law, the Plan cannot generally force-out distributions to terminated participants if their account balance (or the value of their accrued benefit) exceeds $5,000. SECURE 2.0 increases the force-out limit to $7,000. Notwithstanding, distributions exceeding $1,000 are still required to be rolled over to an IRA if the participant does not consent to receive the distribution in cash.

This provision is optional, and is effective for distributions made after 2023.

4. Provisions Effective in 2027.

   a. Exclusion from Gross Income of Disability Related Retirement Payments for First Responders.

   Under current law, a retiree's disability benefit that is excluded from income under Code Section 104(a) under a statute in the nature of worker's compensation loses its tax exemption at normal retirement age if the disability benefit converts to a normal retirement benefit. Under SECURE 2.0, for first responders, the service-connected disability benefit under a pension or annuity retains its tax-exemption even if the benefit converts to a normal retirement benefit.

   This provision is mandatory.

5. Provisions that do not Require Plan Amendments.

   a. Reduction in RMD Excise Tax Penalty.

   Under current law, participants are subject to a 50% excise tax on the amount of an RMD that they fail to take by the applicable deadline. SECURE 2.0 reduces the penalty tax to 25%. The penalty tax is further reduced to 10% if the failure to take the RMD is corrected within a two-year window period as specified in SECURE 2.0.

   This provision is effective in 2023, is mandatory and automatic, and no plan amendment is necessary.

   b. Distributions to Public Safety Officers.

   Under current law, the 10% early withdrawal penalty does not apply to distributions that are made to an employee who separates from service after age 55. This age is reduced to 50 for qualified public safety officers with respect to distributions received from a governmental plan. SECURE 2.0 expands this exception to apply to distributions made to qualified public safety officers who separate from service after the earlier of (i) age 50 or (ii) 25 years of service under the plan. In addition, SECURE 2.0 expands the definition of a "qualified public safety officer" to include governmental corrections officers and forensic security employees.

   This provision is effective for distributions made after December 29, 2022, is mandatory and automatic, and no plan amendment is necessary.

   c. Expansion of EPCRS.

   SECURE 2.0 expands the IRS correction program known as EPCRS to allow more types of errors to be corrected through a self-correction process and to expand the program to inadvertent IRA failures. Self-correction is very helpful for plan sponsors if available because it allows them to correct inadvertent errors in plan administration without first submitting the proposed correction to the IRS for approval (and paying a related filing fee). Under SECURE 2.0, most inadvertent errors are eligible for self-correction if (i) substantially corrected before the error is identified by the IRS on audit, and (ii) corrected within a reasonable period of time after the failure is identified. The IRS is directed to update EPCRS consistently with this provision within two years of enactment of the Act.

This provision is effective December 29, 2022, is automatic and no plan amendment is necessary.

Please let us know if you have any questions or if you would like to discuss any of these matters further.

RBO:rl

8. Discuss and consider disability retirement application – Russell Nash

A. Convene into Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to review disability retirement application #2304

B. Reconvene from Executive Session pursuant to sec. 13, art. 6243n, and sec. 551.0785 Texas Government Code, to make recommendations as determined appropriate by the Committee on disability retirement application #2304

Presented by Committee Chair Thomas

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 8:
Discuss and consider disability retirement application

A. Convene into Executive Session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to deliberate on disability retirement application ref.#2304

B. Reconvene into public session and make recommendations as determined appropriate by the Committee regarding disability retirement application ref.# 2304

AGENDA ITEM OBJECTIVE
The objective of this agenda item is designed to provide a hearing for a COAERS member's initial application for disability retirement benefits.

RELEVANCE TO STRATEGIC PLAN
This agenda item meets with the core competency established in the **COAERS Strategic Plan** "Dependable operations: Managing the financial and operational commitments of the system within appropriate measurable standards" as this item fulfills the Trustee's statutory duty to hear initial applications for disability retirement benefits.

RECOMMENDATION FOR COMMITTEE ACTION
No action is allowed while in Executive Session; action may be considered upon reconvening into public session. The Medical Consultant opinion is included in confidential packet material.

ATTACHMENT
1. Medical opinion and selected disability application information (CONFIDENTIAL)

NOTE: This packet contains confidential medical information that must be protected.

COAERS
CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

June 15, 2023
DISABILITY RECOMMENDATION

Disability retirement application #2304

The Disability Committee recommends that Board

☐ Approve ☐ Deny

Retirement application #2304.

____________________________________ _______________________________________
Diana Thomas Date
Committee Chair

The physician recommends that Board

☐ Approve ☐ Deny

Retirement application #2304.

_______________________________________ _______________________________________
Harold Skaggs, M.D. Date
Physician

9. Review key meeting takeaways and call for future agenda items

COAERS

COMMITTEE MEETING
Agenda Item Information Sheet

AGENDA ITEM 9:
Review key meeting takeaways and call for future agenda items

AGENDA ITEM OBJECTIVE
This standing agenda item provides Trustees the opportunity to review the key takeaways from the meeting.

RELEVANCE TO STRATEGIC PLAN
This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.** It is an industry best practice to review key meeting takeaways to summarize what was accomplished at the meeting as well as ensure Staff has clear direction on further work and future agenda items.

RECOMMENDATION FOR COMMITTEE ACTION
Trustees will review key meeting takeaways and delineate next steps.

2023 Benefits and Services Committee Work Plan

<u>Scheduled Quarterly Meetings</u>

1. January meeting
   - ✓ Disability applications

2. March meeting
   - ✓ 12/31/2022 Actuarial Valuation
   - ✓ Disability applications TBD

3. June meeting
   - ✓ Funding Policy with City of Austin
   - ✓ Adopt Benefits Resolution for IRS compliance
   - ✓ Disability applications TBD
   - ✓ Benefits Policy and Benefits Operating Procedures
   - ✓ Risk Sharing Valuation Study

4. August meeting
   - Funding Policy with City of Austin
   - Actuarial service provider review
   - Benefits Policy and Benefits Operating Procedures
   - Disability applications TBD

5. November meeting
   - Medical consultant provider review
   - Disability continuation review
   - Disability applications TBD
   - 2024 Committee Work Plan