City of Auburn FY2027 Retirement

Independent Research Notes

Primary source: City of Auburn FY2027 Mayor & Council Budget Presentation Binder

Source pages: Binder pages 63-77 / Retirement

Underlying study identified by binder: Segal Consulting actuarial benefit study, April 10, 2026

Binder inspected: August 31, 2026

Status: Independent companion notes based on proposed / working budget material

These notes identify what the retirement section supports, where the presentation is useful, and where the available material leaves questions unanswered. A proposed benefit change, actuarial estimate, staff recommendation, adopted plan amendment, and actual future pension cost are treated as different things.

What the binder documents clearly

- The proposal is to increase the GMEBS benefit multiplier from 1.60% to 2.50%, a 56.25% increase in the formula applied to final average salary and years of service.
- The plan snapshot shows 46 covered employees, $2,852,412 in covered payroll, no required participant contributions, five-year vesting, and elected officials not included.
- The actuarial summary shows the recommended annual City contribution rising from $172,669 to $329,264, an increase of $156,595.
- The contribution rate rises from 5.91% to 11.27% of covered payroll.
- The funded ratio is shown falling from 95.87% to 78.47% on an actuarial-value basis and from 108.42% to 88.74% on a market-value basis.
- Staff recommends the enhancement on retirement-security, recruitment, retention, and peer-competitiveness grounds.
- The binder includes three employee examples showing materially larger monthly pensions under the proposed 2.50% formula.

Main gaps and weak points

- **Underlying actuarial study:** The binder summarizes a Segal Consulting study dated April 10, 2026, but the full actuarial report is not included in these pages. Important assumptions such as discount rate, payroll growth, mortality, turnover, asset-return assumptions, amortization method, and projected contribution path cannot be independently reviewed from the binder alone.
- **Annual cost versus 20-year amortization:** The pages clearly show an additional annual contribution of $156,595 and also say the increased cost is amortized over 20 years. The binder does not clearly separate the annual recommended contribution from the underlying liability being amortized. The $156,595 should not be described as a one-time total cost or multiplied into a 20-year total without the actuarial schedule.
- **Funded-status framing:** The binder describes the current 108.42% market-value funded ratio as a financial cushion and the post-enhancement 88.74% position as healthy. Those are presentation conclusions. The figures themselves show the plan moving from above 100% to below 100% on market value and from 95.87% to 78.47% on actuarial value. The full actuarial report is needed to evaluate the significance of that change.
- **Peer data age:** The peer-comparison pages cite a January 2023 GMEBS plan-features source even though the proposal is being considered in 2026. The binder does not show whether the peer plans were re-verified before presentation.
- **Peer selection:** One page describes the comparison as cities with similar population of 5,000-10,000 and workforce size, but the table includes cities such as Fayetteville and Clarkston with populations well above 10,000. The selection method is not fully explained.
- **Competitive-position claim:** The binder says 2.50% would match peer-city standards, but another table shows only about 8% of GMEBS members at 2.50% or above. The conclusion depends heavily on whether Auburn is compared with all GMEBS members or a selected peer group.
- **Recruitment and retention rationale:** The presentation says stronger retirement benefits would help recruitment and retention, but these pages do not include Auburn turnover data, vacancy duration, exit interviews, recruiting metrics, or a compensation study showing retirement benefits are a demonstrated problem.

- **Employee examples are illustrations:** The three examples use selected salaries, service lengths, retirement durations, and an assumed 20% tax rate. They demonstrate the formula but do not establish what any actual employee will receive.
- **Example #2 inconsistency:** The 32-year example correctly shows a gross monthly benefit increase from $2,660 to $4,156, or about $1,496. The following page then says the employee gets an extra about $1,197 in each check and about $958 after taxes. That appears inconsistent with both the gross-benefit table and the prior after-tax calculation, which shows about $1,197 as the after-tax monthly increase.

What should not be concluded

- The $156,595 annual contribution increase should not be described as the plan's complete long-term cost.
- The proposal should not be described as adopted until a vote, ordinance, resolution, or executed GMEBS plan amendment confirms approval.
- The 108.42% current market-value funded ratio does not mean the enhancement has no financial tradeoff; the same analysis shows the ratio falling to 88.74% after the change.
- The peer comparison should not be treated as a current statewide ranking without checking whether the January 2023 source remains current.
- The employee examples should not be presented as actual named employees or guaranteed after-tax retirement income.
- The binder's recruitment and retention statements should be treated as the City's stated rationale, not as proof that the change will reduce turnover.

Records most likely to resolve the open questions

1. The full Segal Consulting actuarial benefit study dated April 10, 2026, including assumptions, liability calculations, contribution projections, and amortization schedule.
2. The GMEBS plan amendment, resolution, ordinance, or Council vote showing whether the 2.50% multiplier was ultimately approved.
3. The current GMEBS Summary of Plan Features or updated peer-plan verification used for the 2026 decision.
4. A written explanation of how Auburn selected the peer cities and whether population, workforce size, geographic market, or other criteria controlled the comparison.
5. A multi-year contribution forecast showing how the City's required retirement contribution is expected to change after the enhancement.
6. Plan asset and liability statements supporting the 95.87%, 108.42%, 78.47%, and 88.74% funded-ratio figures.
7. Any recruitment, turnover, vacancy, exit-interview, or compensation-study material used to support the retention and recruitment rationale.
8. Clarification or corrected worksheet for Employee Example #2, where the gross and after-tax monthly increase language does not reconcile.

Working assessment

This is one of the more detailed sections in the binder. It gives the proposed formula, the number of covered employees, covered payroll, an actuarial cost estimate, funded-ratio impacts, peer comparisons, and multiple employee examples. That is enough to understand the basic tradeoff: substantially larger retirement benefits in exchange for a substantially larger annual City contribution and lower funded ratios immediately after the enhancement.

The strongest part of the section is the cost disclosure. The binder does not hide the $156,595 additional annual contribution or the funded-ratio decline. The weakest part is the presentation around those numbers. Statements that the enhancement is affordable, competitively necessary, and supported by a 20-year amortization are not accompanied here by the full actuarial assumptions, current peer verification, or recruitment/retention data needed to independently test those conclusions.

The peer comparison also deserves caution because its cited source is from January 2023 and its stated population range does not match every city included in the table. That does not make the comparison invalid, but it does mean the selection and freshness of the comparison should be verified before treating it as definitive.

Source note: Primary record is the City of Auburn FY2027 Mayor & Council Budget Presentation Binder retirement section, photographed during public inspection at Auburn City Hall on August 31, 2026. The binder identifies a Segal Consulting actuarial benefit study dated April 10, 2026 and a GMEBS Summary of Plan Features dated January 2023. These notes are independently prepared and are not an official City of Auburn document.