# Austin’s Pensions

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# About the author

Michael Nahas is an expert in investing. He traded stocks on the New York Stock Exchange for a large options trading firm. He has a Masters in Economics from UT-Austin. His thesis was on international bonds and currency futures.

Michael Nahas was formerly Chair of the Economic Prosperity Commission of the City of Austin.

This presentation is *not* an official communication of the Economic Prosperity Commission. The official communication is "Recommendation Number: 20251119-010: Pensions and OPEB Benefits" and "Recommendation Number: 20260415-004: Revision to Pensions and OPEB Benefits which were voted on and approved by the commission.

# Pensions

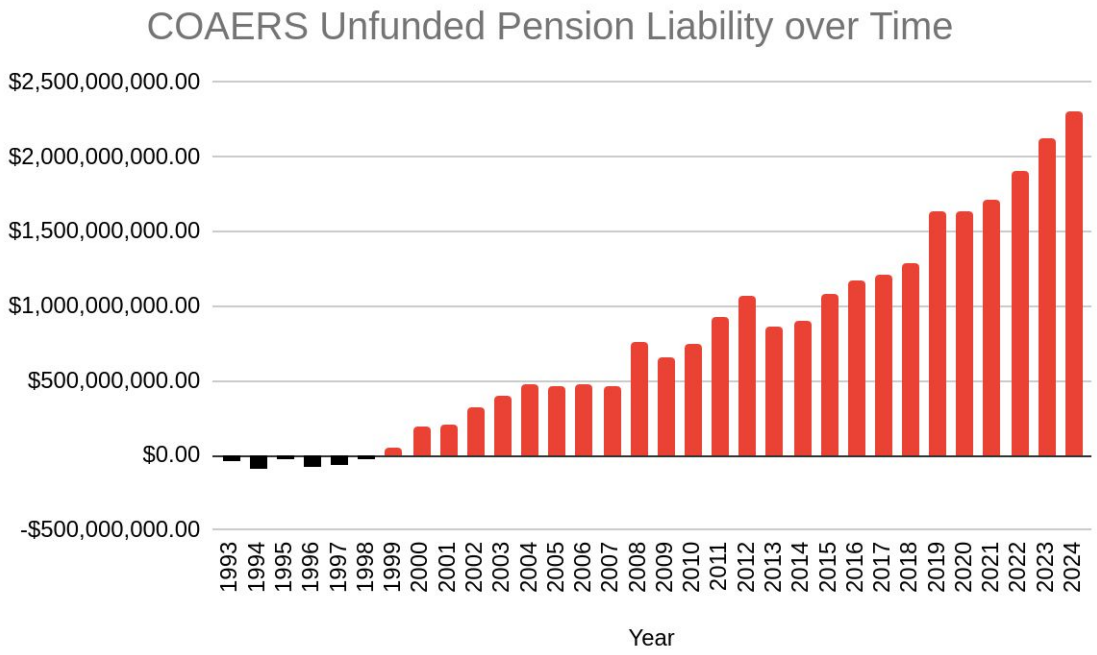
A pension pays money to a retiree.  It replaces their lost salary.

While the employee works, the City puts money into a pension fund.

When the employee retires, the money for the pension should come from the fund.

The target amount in the fund should cover all future pension expenses.

# COAERS underfunded $100 million per year for 24 years



# The total underfunding is $3,100 per resident

Austin has 3 pension funds for police, firefighters, and other employees.

Net Pension Liability on Dec. 31, 2025:

- Police pension: $748,359,557
- Firefighter pension: $291,909,756
- COAERS pension: $2,125,144,694

Total: $3,165,414,007

# Underfunding grows

The target amount for a pension is based on future investment returns.

An underfunded pension misses out on those returns each year.

Thus, each year, the missing returns increase the underfunding.

An underfunded pensions grows just like debt.

# The missing returns are about $219 million each year

Police pension report, 2025, page 109:

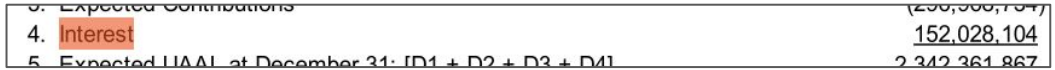
| | | | |
|---|---|---|---|
| 5. | Interest at 7.25% | | |
| a. | On UAAL | $ | 56,740,571 |
| b. | On normal cost | | 1,518,877 |

Firefighters' pension report, 2025, page 116:

| | |
|---|---|
| Benefit Payments | (107,871,865) |
| Interest | 109,236,302 |
| Assumption Changes | 0 |

(Firefighters' pension computes interest on the whole liability  The net requires subtracting expected returns = $1.165B * 7.3%)

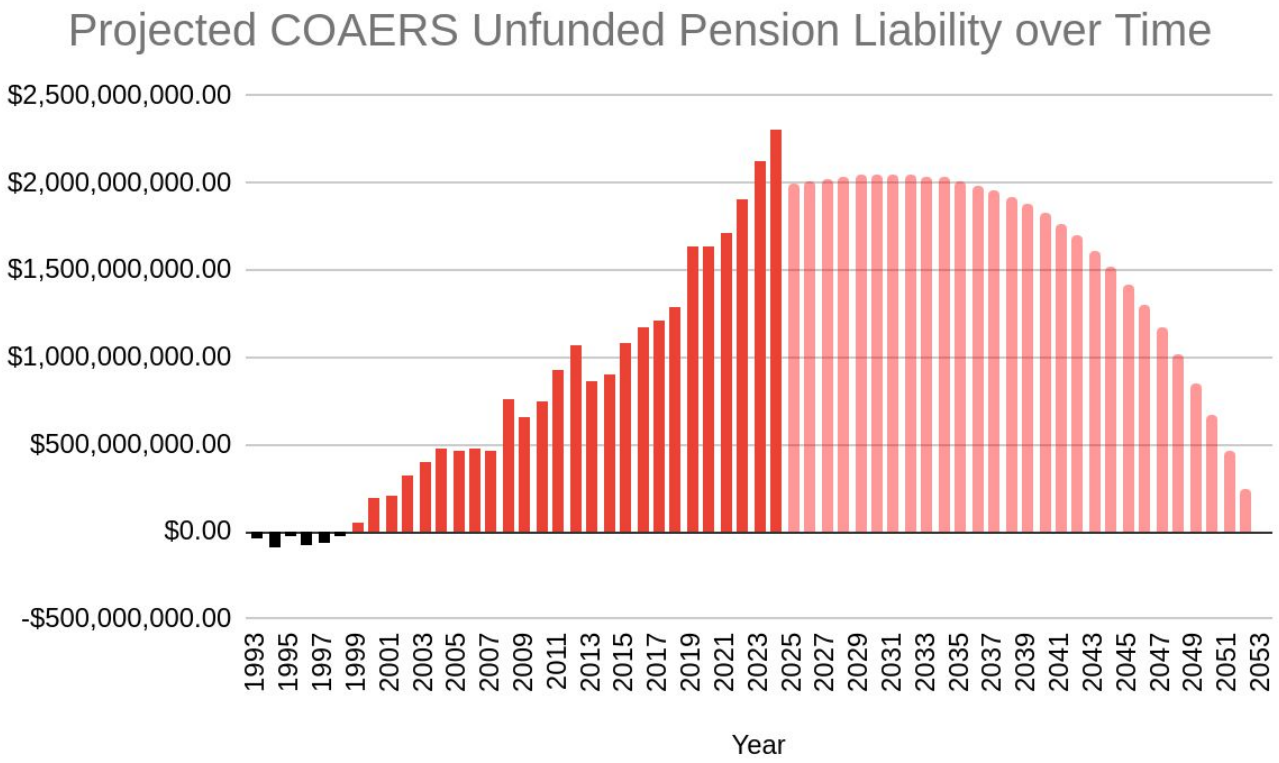
COAERS pension report, 2024, page 102



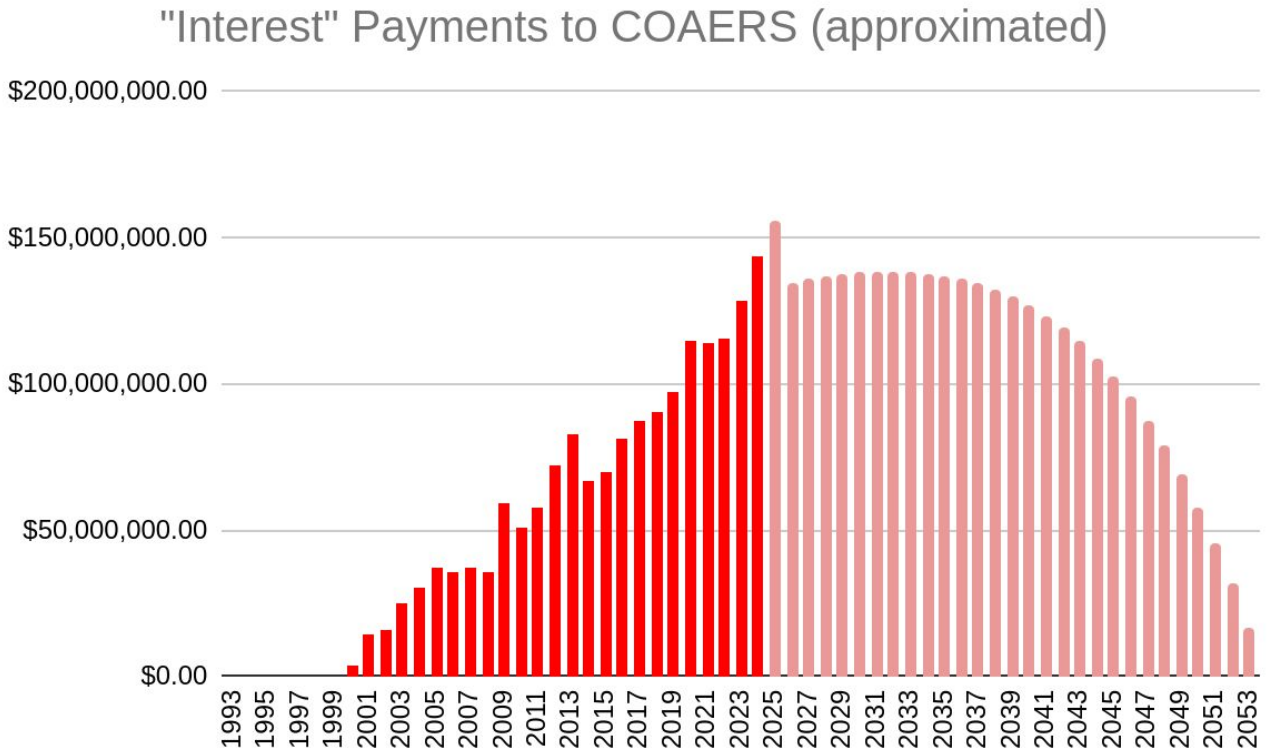
| | | |
|---|---|---|
| 3. | Expected Contributions | (290,966,754) |
| 4. | Interest | 152,028,104 |
| 5. | Expected UAAL at December 31: [D1 + D2 + D3 + D4] | 2,342,361,867 |

Total: $232,908,478 in 2025

# We don’t start paying down the underfunding for 10 years



# Total interest paid for just 1 pension will be $4.7 billion



# Conclusions

Austin has a pension “debt” of $3.1 billion or $3,100 per resident.

Annual “interest” is $219 million or $219 per resident *each year*.

Pension “debt” will not significantly decrease for a decade.

In November 2025, The Economic Prosperity Commission passed an 18-point recommendation for City Council to address these important issues. In April 2026, the EPC passed a second recommendation on the issue.

# References

Economic Prosperity Commission Recommendation 20251119-010

Economic Prosperity Commission Recommendation 20260415-004

Report by Economic Prosperity Commission Working Group (NOTE: This was not voted on by the entire EPC.)

Austin's Annual Comprehensive Financial Report

Austin Police Retirement System reports

Austin Firefighters Retirement Fund reports

COAERS reports

Ranking of cities by per-capita retirement debt