AUSTIN FIREFIGHTERS RETIREMENT FUND

MINUTES
BOARD OF TRUSTEES MEETING
MONDAY JULY 27, 2026, 8:30AM

Board Members Present
Aaron Woolverton, Chair
Doug Fowler, Vice Chair
Belinda Weaver
John Bass (virtual)
Ryan Alter
Andrew Ratoza
Jie Li

Staff and Consultants Present
Anumeha Kumar, AFRF Executive Director
John Perryman, AFRF CFO
Gina Gleason, AFRF Board & Operations Specialist
Amy Thibaudeau, AFRF Benefits Specialist
Chuck Campbell, Jackson Walker
Laurel Malone, Jackson Walker
Leo Festino, Meketa
Aaron Lally, Meketa
Colin Kowalski, Meketa (virtual)
Lauren Giordano, Meketa (virtual)
Elizabeth Wiley, Cheiron
Heath Merlak, Cheiron
Sean Bender, Montemayor

Community Members Present
David Girouard
Virtual attendees not listed

Chair Woolverton called the meeting to order at 8:32am.

Public Comments:

No public comments.

I. Consent Agenda for the following:

a. Minutes of the regular meeting of June 2, 2026

b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

Vice Chair Fowler made a motion to approve both items on the consent agenda. Trustee Weaver seconded the motion. The motion passed unanimously. Trustee Alter was not present to vote.

II. Receive report on Investment Committee meeting held June 25, 2026, regarding Meketa 1Q26 Investment Performance Report

Leo Festino reported a relatively flat first quarter of 2026, during which the Fund produced a -0.6% return that outperformed its benchmark and aligned with peer performance. He noted that the 1Q26 numbers were now stale and as of June 30, 2026, the markets had made a meaningful rebound to an estimated 6.2% year-to-date return overcoming the 1Q26 deficit. Mr. Festino emphasized that the most important takeaway was that investments had been a net positive contributor to the overall funded status and financial wellbeing of the Fund. He stated that over the past ten years, the Fund had outperformed benchmarks and peers for most years leading up to

2022 when private market investments underperformed versus the stock market, and particularly the S&P 500. Mr. Festino explained that the Fund had strong performance over the past year of 13.3%, led by a strong turnaround and outperformance by small cap managers in US equities that had previously lagged the larger cap stocks. He highlighted two small cap managers, Westfield and Vaughn Nelson, which had performed especially well versus their peers. No motion necessary.

III. Meketa Investment Training, including the following:

a. Asset/Liability Study Introduction

Leo Festino informed the board that asset/liability studies examined plan assets relative to liabilities to assess long-term financial solvency. He stated that peer funds typically conduct these studies every 3-5 years and the last Investment Practices and Performance Evaluation (IPPE) identified the study as an area for board consideration since the Fund had never formally conducted one. Mr. Festino presented the three tiers of service Meketa offered to clients, recommending that the mid-tier would provide the best value for the Fund. He explained the key methodological differences between the deterministic modeling currently used by the Fund, which provided a single fixed-assumption outcome, and the stochastic modeling offered by Meketa's mid and upper-tier services, which used 10,000 randomized simulations to produce a distribution of likely outcomes that encompassed best, worst, and average scenarios. Trustees Weaver and Li asked questions regarding the differences between the tiers offered and the assumptions behind the modeled asset mixes, to which Mr. Lally explained that the additional features of the upper tier service would not add meaningful value given the Fund's current allocation, that Meketa's capital market assumptions were benchmarked annually against peer consultants and banks for reasonability, and that historical stress-testing would be applied through the best and worst-case simulation range. Mr. Festino addressed the enterprise risks that would be evaluated by the study and Anumeha Kumar confirmed that the study would allow the board to focus on priority areas of risk. Trustee Bass questioned which risk metrics the board should prioritize given the way assets and liabilities are measured in Defined Benefit plans within the United States. Mr. Festino noted that the study would include stakeholder surveys to compare individual priorities against the risks that have the greatest impact on solvency, which would also serve to improve alignment, transparency, and communication. Ms. Kumar stated that the Investment Committee would continue the discussion with Meketa regarding a potential asset/liability study. No motion necessary.

b. Private Real Estate vs. Public Real Estate (REITs)

Aaron Lally led an educational session on the real estate asset class, prompted by prior trustee questions, comparing private real estate funds, which the Fund has traditionally invested in, with Real Estate Investment Trusts (REITs). He explained that REITs are publicly listed securities that own real estate and pass income through to shareholders as dividends, while private real estate funds are vehicles that own multiple properties and require an investment manager to handle operational responsibilities, such as leasing and maintenance. He further explained that REITs have higher liquidity and higher volatility because they are traded daily on the stock exchange while private real estate has lower liquidity and lower volatility due to the artificial smoothing attributed to quarterly pricing. Mr. Lally added that asset manager fees for REITs are generally lower because the approach is like purchasing an index of stocks, whereas in private real estate an investment management firm is paid to operate the assets. He noted that the Fund has exposure to some REITs through the S&P 500 and stated that there are benefits to owning both due to their low correlation in movement. Trustee Bass cautioned that the low

correlation and diversification benefit could be due to the smoothed private-market pricing rather than a true economic difference and the reported risk metrics could appear better than the actual underlying risk. He suggested that the Board focus on real economic diversification and value rather than improved accounting metrics. Trustee Li questioned whether REITs hold a more diversified portfolio than private real estate. Mr. Lally confirmed this, noting private real estate exposure is typically concentrated in four sectors (apartments, warehouses, retail, and office), while REITs offer broader sector diversification. No motion necessary.

c. Private Equity Approach

Leo Festino revisited the Fund's approach to private equity investment, which the board had discussed periodically over the past 10-15 years. At the request of the board, he presented a survey of Texas municipal pension funds' private equity approaches, which showed a mix of internal staff management, consultant-led models, and full outsourcing to asset managers. He reported that private equity allocation targets across peers ranged from 5-10% at the low end, up to 20-25% at the high end. AFRF private equity had reached a peak of 20% exposure, with a 15% target, but exposure and target have been reduced to 12%. Mr. Festino reported that Meketa began their role as investment consultant around 2013 when the Fund was building toward its private equity target and that Meketa identified early on that the Fund was over-diversifying in fund-of-funds investments, diluting returns toward benchmark-like performance while still paying active fees. He explained that Meketa had recommended fewer investments in higher-conviction strategies, such as one fund-of-funds every few years and secondary market participation when opportunistic, a strategy which the board adopted and has continued since. Mr. Festino identified a recent theme for the board had been to look for efficiencies in the portfolio and to invest at a lower cost than in the past. He reiterated that fund-of-funds investments remained a simple but expensive structure due to layered fees. Given asset growth and increased market expertise, Mr. Festino proposed revisiting alternative structures for future consideration. He reported that fund-of-funds were diversified with a low resource requirement but had the highest cost and remained illiquid over long terms and offered no customization control, while direct investment in primary funds offered lower cost, more control and customization, but required significantly more staff time and resources to operate, including more frequent decision-making. Mr. Festino stated that primary fund investing would require third-party assistance given the Fund's current size. He explained that the third party could function in either an advisory role where the Fund would retain decision-making authority, or in a discretionary role, where decisions would be fully delegated to the third party, both options with pros and cons associated with cost, control, and resource requirements. Mr. Festino noted that switching future commitments to primary fund investing would generate fee savings likely to exceed prior fee-saving efforts elsewhere in the portfolio and that the existing fund-of-funds investments would remain until their natural wind-down. Trustee Weaver stated the Investment Committee would discuss the options in further detail and bring a recommendation to the full board regarding any change to the current strategy. Mr. Festino briefly addressed co-investments, which would allow the Fund to invest directly in portfolio companies through special purpose vehicles on a no-fee, no-carry basis, which would offer the benefit of significant cost-savings, but would require fast execution and third-party support. He added that the Fund does have some co-investment funds, but is probably underexposed, which has contributed to a relatively expensive private equity portfolio. No motion necessary.

Trustee Alter joined the meeting at 9:56am.

IV. Consider adoption of the December 31, 2025 Actuarial Valuation

Elizabeth Wiley introduced herself and Heath Merlak as the actuaries from Cheiron and presented the December 31, 2025 actuarial valuation, covering funding condition, statutory contributions, risk, and accounting (GASB) results. She began by identifying the three valuation components, describing the funding valuation as an assessment of the Fund's status relative to its objectives and adopted methods required by the Pension Review Board (PRB), the Risk Sharing Valuation Study (RSVS) as the method used to determine the 2027 statutory contributions, and the GASB 67/68 as accounting reports for the Fund and the City of Austin. Ms. Wiley reviewed the Fund's valuation history over the last ten years regarding its funds, assets, and liabilities. She stated that the actuarial liability, the amount the Fund should have on hand to pay earned benefits, clearly reflected the assumptions and methods that had been adopted by the board. She defined the market value of assets (MVA) as the actual money in the bank and the actuarial value of assets (AVA) as a smoothed measurement of those funds, which was used to remove market volatility from contribution calculations. Ms. Wiley reported that the MVA-Funded Ratio increased from 76.9% funded to 81.2% funded due to the positive 2025 investment return, while the AVA-Funded Ratio experienced a minor increase to 77.4% despite the anticipated dip due to the phased-in approach to the new funding method. She explained that the difference between the MVA and the AVA equated to a $58 million buffer against negative experience as the gain is recognized. Furthermore, Ms. Wiley reported that the negative amortization that had been anticipated due to the phased-in City contributions beginning under the tread-water rate did not actually occur due to that strong asset performance. She announced that the amortization/funding period had also improved to 23 years, down from 31 years in the last valuation, and was now within PRB's preferred range.

Heath Merlak reported the key results pertaining to the Fund membership, stating that the population remained relatively steady; total pensionable payroll increased 3.2%; average reported compensation increased by about 1.5%; payees increased by approximately 6% both in headcount and in total annual benefits, and total covered lives increased 3% to 2,386 members and beneficiaries. Mr. Merlak reiterated that the AVA had been reset to the MVA at the beginning of the year per statutory change and following a net cash flow of -$60.9 million, the ending market value was $1.26 billion and the actuarial value was $1.2 billion, which reflected roughly $60 million of unrecognized gains from the Fund's return outperforming its 7.3% assumption for the year. Over a longer horizon, Mr. Merlak explained that the Fund produced an average return of 5.5% over five years and an average return of 7.8% over ten years. He reported that actuarial liability rose 2.5% to $1,552,000,000, which included a small net liability loss of $1.2 million due to fluctuating experience with factors such as retirement rates and mortality, and reported that the unfunded actuarial liabilities (UAL) were approximately $350 million, similar to last year and better than the expected $363 million, due to strong asset performance offsetting the liability loss.

Mr. Merlak reported a Group A normal cost rate of 31.29% and a Group B normal cost rate of 24.28% due to a different benefit structure, resulting in a blended normal cost rate of 31.07% for the 2027 calendar year. After firefighter contributions, he continued, the employer normal cost would be 12.37%, closely aligned with the 12.41% projected by the initial RSVS. Trustee Weaver noted that the legacy contribution amount would also be factored into the City's total contribution. Mr. Merlak confirmed that the employer normal cost did not account for the unfunded actuarial liability that still had to be paid off. Ms. Wiley followed up to describe the two-part City contribution structure which included both a rate-based contribution tied to post-2024

experience and normal cost and a fixed-dollar municipal legacy contribution amount (MLCA) per the 30-year schedule set in the initial RSVS. She explained the corridor mechanism: since the funded ratio of 77.4% is below 90%, the applicable lower limit is the corridor midpoint of 12.41%, so the City's estimated contribution rate is adjusted upward to the midpoint, resulting in a City contribution rate of 12.41% of pensionable payroll, plus the legacy MLCA of $19,825,290, equivalent to ~15.49% of projected payroll, for a combined estimated contribution equivalent to 27.9%. Ms. Wiley added that no adjustment had been triggered for the firefighters, whose rate would remain at 18.7% for 2027. Heath Merlak identified six key areas of risk for the Fund, noting that investment risk was the primary driver of funding volatility followed by the maturity of the plan. He then pointed to two main assumption changes that had been made over the past ten years, which included the discount rate decreasing from 7.7% to 7.3% and the adoption of updated mortality tables that assume mortality improvements throughout the life of each individual participant. He noted that both changes were common for pension plans across the country. Ms. Wiley emphasized that the assumption changes did not change the Fund's liability, just adjusted the way it was recognized. Trustee Li asked some clarifying questions regarding the information presented.

Trustee Bass left the meeting at 11:30am. A quorum of six trustees remained on location.

Mr. Merlak used Cheiron's P-Scan model to demonstrate risk and how various market scenarios would impact the funded ratio and contribution levels. Ms. Wiley pointed out that the model did not account for any future COLAs and reported that as anticipated during the legislative reform process, no COLA could be granted to Group A members for 2026 due to the metrics of being under the 80% AVA funded ratio and 5.5% being under the necessary five-year return average. Mr. Merlak provided a brief overview of the GASB 67/68 reports, noting that pension expense is a reporting metric for the City of Austin which came in at $65.8 million for 2025, down from $80.3 million last year, driven by the statutory changes that needed to be recognized immediately and impacted last year's figure. Vice Chair Fowler made a motion to approve the December 31, 2025 Actuarial Valuation as presented. Trustee Weaver seconded the motion. The motion passed unanimously.

V. Consider adoption of the 2025 Financial Audit

Sean Bender introduced himself as the Fund's auditor from Montemayor. He presented his clean opinion that the financial statements were presented fairly in accordance with Generally Accepted Accounting Principles (GAAP). Mr. Bender disclosed that the audit offered reasonable, but not absolute, assurance that the financial statements were presented fairly based on the evidence gathered pertaining to assets, liabilities, revenues and expenses. He stated that it was a clean and routine audit, consistent with the prior year, without any new accounting principles or auditing standards. The only new addition, he explained, was a paragraph that clarified that the audit only covered the financial statements and not the other information contained in the Annual Report. Mr. Bender indicated his intent to issue the audit report earlier next year pending coordination with all parties. He reviewed the accompanying *Communications with Those Charged with Governance* letter, noting that it contained no negative commentary regarding management or internal controls. Vice Chair Fowler made a motion to approve the 2025 Financial Audit as presented. Trustee Weaver seconded the motion. The motion passed unanimously.

VI. Consider adoption of the 2025 Annual Financial Report

Anumeha Kumar presented the 2025 Annual Financial Report, noting that it compiled the Actuarial Valuation and GASB reports, the Financial Audit, additional investment commentary from Meketa,

and a chart of benefit changes that included the pension reform resulting from the last legislative session. Ms. Kumar explained that the original version distributed with the board packet had included an incomplete chart of benefit changes that had since been reviewed by Jackson Walker in conjunction with the Benefits Guide and updated for the final report. She clarified that the revised plan provision language was not considered substantive for purposes of the Board's adoption. Trustee Weaver asked how the report would be distributed to the membership, to which Ms. Kumar clarified that it would be posted to the website and submitted to the PRB, but would not be distributed in hard copy format unless specifically requested. Vice Chair Fowler made a motion to approve the 2025 Annual Financial Report as discussed. Trustee Alter seconded the motion. The motion passed unanimously.

VII. Update on Pension Review Board (PRB) Report Submissions

Anumeha Kumar provided an update on the required annual submissions to the PRB, listing the Annual Financial Report, the Actuarial Valuation, the Financial Audit, and the Investment Returns and Assumptions Report (PRB-1000) as those that would be submitted for the July 31 deadline. She noted that the Fund would also be submitting an updated Benefits Guide to reflect the recent legislative changes. In reference to the comment made by the auditor, Trustee Weaver asked about the anticipated timelines for reporting next year. Ms. Kumar explained that due to the shift from a fixed-rate employer contribution to an actuarially determined employer contribution (ADEC), which is variable, additional time would be needed to allow for communication and discussion with the City of Austin if concerns arose regarding the projected contribution rate. Ms. Kumar stated that the Fund would begin the groundwork with the auditor and begin coordination with Cheiron and Meketa in February or March with the target of board approval by early June. She cited alignment with the City's annual budgetary timeline as the main driver for an adjusted schedule. No motion necessary.

VIII. Consider the 2026 Board of Trustees Election, including establishing an "Election Period"

Chair Woolverton explained that the motion for this item would be to establish a three-week election period beginning on October 16, 2026, and ending on November 5, 2026, to elect either an active or retired member to Place 3, the position currently held by Vice Chair Fowler. Trustee Weaver made a motion to adopt the election period. Trustee Li seconded the motion. The motion passed unanimously. Anumeha Kumar clarified that the nomination period was set in statue for September 1 through September 15, 2026, and that if no nominations were received aside from Vice Chair Fowler, the board would not be required to hold an election.

IX. Consider approval of proposed mid-year Amended Operating Budget for 2026

Anumeha Kumar postponed this agenda item pending further negotiation with the software vendor, LRS, regarding the cost of implementing the final legislative changes into the new software which would need to be completed by the end of the year. She stated that the item would be moved to the August agenda. No motion necessary.

X. Receive report on Benefits Committee meeting held on July 14, 2026, including the following (Closed Session):

The board entered closed session at 11:56am pursuant to Texas Government Code Section

551.0785 for deliberations involving the medical records of recent disability applicants. The board resumed open session at 12:31pm with no action taken during the closed session.

a. Update on 30-Month Review for Continuation of Disability Retirement Benefit for Applicant #2023-01

Chair Woolverton announced that there would be no action on the item. No motion necessary.

b. Periodic review of Disability Benefit for Applicant #2023-02

Chair Woolverton made a motion to direct staff to hire a vocational evaluator to determine the amount Applicant #2023-02 is capable of earning in an occupation outside of the fire department. Vice Chair Fowler seconded the motion. The motion passed unanimously.

c. Update on Disability Benefit Review for Applicant #2025-01

Chair Woolverton announced that there would be no action on the item. No motion necessary.

d. Disability Review Log Discussion and Recommendation

Chair Woolverton made a motion to waive the periodic reviews of the disability benefit for the disability retirees on the Disability Review Log with greater than fifteen years since the commencement of their disability retirement benefit and to direct staff to establish a review schedule for the remaining disability retirees on the log. Trustee Li seconded the motion. The motion passed unanimously.

XI. Update on Securities Litigation matter (Closed Session)

The board remained in the closed session that began at 11:56am pursuant to Texas Government Code Section 551.071 for consultation with the Fund's attorney. The board resumed open session at 12:31pm with no action taken during the closed session. Chair Woolverton announced that Ms. Kumar had recommended not to seek lead plaintiff status regarding the securities litigation matter, so there would be no action on the item. No motion necessary.

XII. Consider priorities for 2027 Legislative Session

Anumeha Kumar provided a high-level update on potential priorities for the 2027 legislative session. She reported that a member information session was held, hosted by the Austin Firefighters Association (AFA), to discuss potential 2027 legislative priorities with membership; the session also covered technology improvements, the overall health of the Fund, and clarification regarding City of Austin contributions. Ms. Kumar noted that although the Fund recently underwent significant legislative reform in 2025 and is currently in a strong financial position, the board has historically taken a proactive approach to continue identifying potential vulnerabilities and areas for improvement. Ms. Kumar identified potential best-practice refinements related to disability and death benefits, specifically making a distinction between on-duty versus off-duty disability retirement and death benefits and modifying how the on-duty disability retirement benefit is calculated by shifting from a service-credit-based method to a percentage-of-salary calculation to allow for tax-free treatment of the benefit. She emphasized the proposed changes were not expected to materially impact the overall financial health of the Fund but would align

plan provisions with best practices. Ms. Kumar reported that no legislative framework had been developed yet, but feedback from the session was positive. Chair Woolverton expressed his support for moving forward with continued efforts toward ensuring the long-term stability of the Fund. Vice Chair Fowler made a motion to authorize the Executive Director to work with the appropriate committees to prepare the 2027 legislative session framework to address disability and death benefit changes as discussed. Trustee Weaver seconded the motion. The motion passed unanimously.

XIII. Executive Director Report, including the following (Discussion Only)

a. General comments

No general comments.

b. Pension Administration System (PAS) software implementation update

Anumeha Kumar reported steady progress on the PAS implementation, on track for completion by the end of this year. She stated that the retiree member portal has been rolled out and was well received, with PINs distributed to all retirees to enable portal access, and close to 400 retirees already registered with an anticipated increase in usage during tax season. Ms. Kumar reported that staff were working to ensure that the active member portal could be launched by the end of August; retiree payroll was continuing to be processed in-house without issues; the final major software changes of incorporating the new military leave service purchase feature and COLA-related system changes nearing completion, and no further PAS updates were anticipated after the conclusion of the year. Trustees Weaver and Ratoza asked questions regarding user training and the statements and information provided within the portal. Ms. Kumar responded that instructions were distributed with the retiree PINs and that staff had provided assistance over the phone as needed, but no user concerns had been raised post-sign-up. She further replied that retirees would receive monthly annuity pay stubs via the portal while active members would receive annual contribution statements, and that she would ensure that the City's variable contribution rate would be posted either on the website or through the portal annually. David Girouard noted that he would help to address recurring pension-related questions, such as the City contribution rate, through AFA's new website and app.

c. Internal financial statements, transactions, and Fund expense reports for month ending May 31, 2026

Anumeha Kumar addressed this item with Item XIII.d.

d. Internal financial statements, transactions, and Fund expense reports for month ending June 30, 2026

Anumeha Kumar reported that the financial statements for May and June had been in line with the approved budget. She followed up on the office flooding incident, explaining that insurance had covered a portion of the repair costs and that the Fund incurred an expense of approximately $3,000-$4,000. Ms. Kumar noted that through the process, staff had discovered that the legacy insurance had been renters insurance instead of homeowners insurance and that staff were now working to update the policy to ensure proper coverage; the change was not expected to result in a significant increase in insurance premiums

XIV. Roadmap for future meetings

The trustees had no questions or requests regarding the roadmap.

XV. Call for future agenda items

No future agenda items were called for.

Hearing no objections, Chair Woolverton adjourned the meeting at 12:49am.