

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX B – SUMMARY OF PLAN PROVISIONS

Group A Members

1. Membership Requirement

All commissioned civil service and Texas state-certified firefighters with at least six months of service employed by the City of Austin fire department that were hired before January 1, 2026.

2. Salary

Salary (compensation) means base pay and longevity pay. No other forms of pay are included within the pensionable salaries.

3. Average Monthly Compensation

The average of the member's compensation for the 36 months of highest compensation.

4. Service Credit

One month of service credit is earned for each month the member makes the required contribution to the Fund.

5. Member Contributions

18.70% of Salary; subject to increase as needed to ensure the Fund receives the full ADC if City's maximum corridor is reached up to a maximum of 2%.

6. Normal Retirement

Eligibility: Age 50 with 10 years of service or 25 years of service, regardless of age.

Amount: 3.3% of average monthly compensation for each year of service with a minimum of \$2,000 per month.

Normal Form of Payment: Life Annuity with 75% continued to the Surviving Spouse (or designated beneficiary if the participant is unmarried).

7. Early Retirement

Eligibility: Age 45 with 10 years of service or 20 years of service regardless of age.

Amount: 3.3% of average monthly compensation for each year of service.

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8. Disability Retirement

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|--------------|---|
| Eligibility: | Upon approval of disability by the Board of Trustees. |
| Amount: | 3.3% of average monthly compensation for each year of service (but not less than 20 years). |

9. Death while an Active Employee

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|--------------|---|
| Eligibility: | Termination of employment due to death. |
| Amount: | The surviving spouse or designated beneficiary will receive 75% of the member's accrued benefit based on the greater of their service at death or 20 years of service. Each dependent child of a surviving spouse will receive 15% of the Member's accrued benefit, but not less than 9.9% of Average Monthly Compensation, with a reduction if there are more than five surviving dependent children. |

10. Deferred Retirement

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| Eligibility: | Ten years of service. Must also elect to leave their member contributions in the Fund. |
| Amount: | The accrued benefit is payable at Normal Retirement eligibility, with such eligibility determined as if the member had remained employed. |

11. Non-Vested Termination

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| Eligibility: | Less than ten years of service. |
| Amount: | A lump sum of member contributions with accumulated interest through December 31, 2025. Effective January 1, 2026, interest will not be earned on contributions. |

12. Deferred Retirement Option Plan (DROP)

Under this program, a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP)

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account. The monthly “payments” would be an amount equal to what the member’s monthly annuity would have been if the member had retired as of that eligible DROP date. Any eligible cost-of-living adjustments (COLAS) would be applied to the monthly annuity during this DROP period. During the DROP period, the member would have all their pension contributions and applicable annual interest of 5%. When the member retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed (all or part) to the member from the DROP account. After termination, the DROP account continues to earn interest at 5% per year until withdrawn.

In lieu of electing to participate in the DROP before actual retirement, a member who is eligible for normal service retirement may elect to terminate active service as a firefighter and establish the DROP account at termination. Under this “RETRO or BACK DROP,” the firefighter’s DROP account reflects the accrual from the actual termination date back to a date on or after the date they become eligible for normal service retirement.

The maximum period under which a firefighter can participate in a DROP is seven years. A firefighter may elect to establish a DROP account after reaching normal or early service retirement eligibility. Twelve total withdrawals are allowed while the retiree’s DROP account balance remains in the pension plan, with a maximum of four withdrawals in any year. These limits on withdrawals can be altered by board policy as long as such change is determined to be feasible. The withdrawals can either be in the form of a distribution to the retiree (provided the retiree reaches age 50 before retiring) or a rollover into a qualified IRA. The entire DROP balance must be withdrawn from the fund by April 1st of the calendar year following the year the retiree reaches age 70½.

13. Cost of Living Adjustments (COLA) Prior to January 1, 2026

When deemed affordable, eligible pension recipients are entitled to annual cost-of-living adjustments (COLA). COLAs are approved only when the fund’s actuary has advised the Board that such adjustment would not impair the fund’s financial stability based on the COLA Adjustment Policy approved by the Board. The COLAs are to be based on the annual percentage increase in the Consumer Price Index (CPI-U).

Members who retire under Early Retirement are only eligible for COLAs once they would have reached Normal Service Retirement eligibility had they continued their employment. The COLAs provided over the last ten years are as follows:

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| Effective Date | COLA |
|----------------|-------|
| 12/31/2024 | 0.00% |
| 12/31/2023 | 0.00% |
| 12/31/2022 | 0.00% |
| 12/31/2021 | 5.40% |
| 12/31/2020 | 1.40% |
| 12/31/2019 | 1.70% |
| 12/31/2018 | 2.30% |
| 12/31/2017 | 2.20% |
| 12/31/2016 | 1.50% |
| 12/31/2015 | 0.00% |

Effective January 1, 2026

The COLA amount, up to 1.5% per year, may be approved by the Board if the financial stability tests described below are met. Participants are eligible for any approved COLA upon reaching the later of age 67 and 5 years after retirement (age 69 if retired under early retirement).

The financial stability tests that must be satisfied, including the liability of the proposed COLA are:

1. Funded ratio on an AVA basis \geq 80% for years 2024 – 2039, 85% for years 2040–2044, and 90% for 2045 and later
2. Amortization period \leq 25 years for years 2024 – 2034, 20 years for years 2035–2039, and 15 years for 2040 and later
3. City's contribution rate \leq corridor midpoint + 4%
4. No COLAs may be granted in any year beginning a year and a day after the Fund reports:
 - a. A negative investment return
 - b. A five-year investment return below the assumed return

Note that the Austin City Council may approve a COLA in any format it deems appropriate when one or more requirements prohibit the AFRF Board from granting one.

14. Changes Since Last Valuation

With the passage of HB 2802 / SB 2345, non-vested terminations no longer receive interest on their contributions after January 1, 2026 and COLA eligibility, COLA amount, and financial stability tests were changed.

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Group B Members

1. Membership Requirement

All commissioned civil service and Texas state-certified firefighters with at least six months of service employed by the City of Austin fire department that were hired on or after January 1, 2026.

2. Salary

Salary (compensation) means base pay and longevity pay. No other forms of pay are included within the pensionable salaries.

3. Average Monthly Compensation

The average of the member's compensation for the 60 months of highest compensation.

4. Service Credit

One month of service credit is earned for each month the member makes the required contribution to the Fund.

5. Member Contributions

18.70% of Salary; subject to increase as needed to ensure the Fund receives the full ADC if City's maximum corridor is reached up to a maximum of 2%.

6. Normal Retirement

Eligibility: Age 50 with 10 years of service or 25 years of service regardless of age.

Amount: 3.0% of average monthly compensation for each year of service with a minimum of \$2,000 per month.

Normal Form of Payment: Life Annuity

7. Disability Retirement

Eligibility: Upon approval of disability by the Board of Trustees.

Amount: 3.0% of average monthly compensation for each year of service (but not less than 20 years).

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8. Death while an Active Employee

| | |
|--------------|---|
| Eligibility: | Termination of employment due to death |
| Amount: | The surviving spouse or designated beneficiary will receive 75% of the member's accrued benefit based on the greater of their service at death or 20 years of service. Each dependent child of a surviving spouse will receive 15% of the Member's accrued benefit, but not less than 9.9% of Average Monthly Compensation, with a reduction if there are more than five surviving dependent children. |

9. Deferred Retirement

| | |
|--------------|---|
| Eligibility: | Ten years of service. Must also elect to leave their member contributions in the Fund. |
| Amount: | The accrued benefit is payable at Normal Retirement eligibility, with such eligibility determined as if the member had remained employed. |

10. Non-Vested Termination

| | |
|--------------|-------------------------------------|
| Eligibility: | Less than ten years of service. |
| Amount: | A lump sum of member contributions. |

11. Deferred Retirement Option Plan (DROP)

Under this program, a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP) account. The monthly "payments" would be an amount equal to what the member's monthly annuity would have been if the member had retired as of that eligible DROP date. During the DROP period, the member would have 50% of their pension contributions and applicable annual interest of 4%. When the member retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed (all or part) to the member from the DROP account. After termination, the DROP account continues to earn interest until withdrawn at 4% per year if the Fund reports a positive return. If the Fund reports a return less than 0%, the following calendar year the DROP account earns 2% per year.

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12. Cost of Living Adjustments (COLA)

Performance-based COLA targeting 1% per year based on the Fund's asset returns for the previous five years. COLA amount equals 50% of the amount by which the five-year average return exceeds the assumed rate of return reduced by a 2% threshold (subject to a 0% minimum and 2% maximum). Participants are eligible for the approved COLA upon reaching the later of age 67 and 5 years after retirement.

13. Changes Since Last Valuation

Group B created by passage of HB 2802.