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AFRF News

Austin Firefighters Retirement Fund

Letter from the Board

- By Vice Chair Aaron Woolverton

House Bill 2802, passed during the most recent session of the Texas Legislature, represents a crucial milestone for the Austin Firefighters Retirement Fund. Developed through extensive collaboration between AFRF leadership, City of Austin officials, and key stakeholders, the bill was the product of months of negotiation aimed at strengthening the Fund's long-term sustainability while preserving core benefits for active and retired members. Though the final legislation included a few necessary compromises, its passage is ultimately a success that will protect the integrity of the Fund for years to come.

One victory with HB 2802 was the preservation of firefighter representation on the AFRF Board. The bill will increase the number of firefighter board members to four, ensuring a continued strong voice for those who are most directly impacted by board decisions. In addition, the bill will also introduce an independent community member who is unaffiliated with the Austin Fire Department or the City of Austin. This individual must have financial or investment experience; the intent is for this citizen member to contribute a valuable layer of objectivity and professional insight to enhance the board's oversight responsibilities. Another important governance provision will provide the City of Austin with greater flexibility for their positions by allowing the Mayor and Chief Financial Officer to appoint designees to serve on the board.

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Letter from the Board, Continued

Beyond governance changes, the bill largely protects the existing benefits of current active and retired members. The Deferred Retirement Option Plan (DROP) remains predominantly unchanged for Group A members, preserving an important retirement benefit for those nearing the end of their careers. For Group B members, the Forward DROP remains a valuable option, with a maximum participation period of seven years and a competitive interest rate of 4%. These outcomes reflect AFRF's continued commitment to honoring the service of firefighters and ensuring they have access to meaningful retirement options.

The process of passing HB 2802 also required difficult compromises. While AFRF had strongly advocated for a modest guaranteed cost-of-living adjustment (COLA) to help retirees keep pace with inflation, this issue became a major point of contention between the Fund and the City of Austin. In order to move forward with a unified and actionable bill, and to avoid the collapse of the legislative process into two competing and potentially unpassable bills, AFRF agreed to compromise on this point. As a result, the COLA structures now differ by member group. For Group A, the existing COLA formula was retained but is now subject to more stringent financial stability tests. In addition, the COLA will be capped at 1.5% and will not begin until age 67 or five years after retirement. Group B members will receive a performance-based COLA ranging from 0% to 2%, also deferred until age 67 or five years post-retirement, and they will be ineligible to receive a COLA while maintaining a DROP account. These changes reflect a careful balance between financial prudence and the long-term value of member benefits.

Most importantly, HB 2802 prevented the Fund from triggering a mandatory Funding Soundness Restoration Plan (FSRP), which would have been required under state law following the 2024 valuation, completed in July of this year. The bill proactively reduced the Fund's amortization period to 30 years, a key benchmark for actuarial health. The Fund's legacy liability was carved out to be paid off by the City over 30 years for a total cost of $1 billion. Avoiding the FSRP not only spared the Fund from being subjected to more rigid and externally imposed reforms but also ensured the benefit changes were modest and based on input from the members the Fund serves.

In summary, HB 2802 was a major legislative achievement that reflects AFRF's continued dedication to its members and its mission. Though not without compromise, the bill strengthens board governance, maintains key benefits, and secures the Fund's future health. It represents a forward-looking approach to pension reform—one built on collaboration, transparency, and a shared commitment to the financial well-being of Austin firefighters.

2024 Annual Report

The AFRF 2024 Annual Report is now available at AFRFund.org. This report provides Fund members and stakeholders with key information related to the Fund's financial position, including investment performance, funding health, and overall operations and management. It includes the Independent Auditor's Report, the Actuarial Valuation as of December 31, 2024, GASB Statements No. 67 and No. 68, and an overview of the Fund's benefits and historical plan provision changes.

At a high level, the report confirms that the legislative action taken through HB 2802 successfully restored the amortization period to the Pension Review Board's 30-year maximum, allowing the Fund to narrowly avoid triggering the Funding Soundness Restoration Plan (FSRP). HB 2802 also established a durable framework to continue to reduce and better manage the amortization period. Despite a long-term, diversified investment strategy, the Fund reported a net annual investment return of 4.7% for 2024, falling short of the 7.3% assumed rate of return. The Fund ended the year with $1.16 billion in total market value of assets, nearly equal to the prior year's total. The funded status declined to 76.9%, primarily due to two changes under HB 2802: the required reset of the Actuarial Value of Assets (AVA) to the Market Value of Assets (MVA), and the addition of a 0.25% COLA assumption for Group A members. The funded status is expected to decline further in the short term before improving, due to negative amortization. However, the Fund remains on track to improve over the long term, with a projected path to full funding over the next 30 years.

The 89th Legislative Session and House Bill 2802

After eighteen months of negotiations, the Fund reached an agreement with the City of Austin to consolidate their competing bills into a single, joint legislative proposal that reflected meaningful compromises by both parties. The resulting bill, filed as HB 2802, received its first hearing on April 23, 2025, with supportive testimony from representatives of the AFRF Board, the City of Austin, the Austin Firefighters Association, and the Austin Retired Firefighters Association. HB 2802 advanced through both the House Pensions Committee and the Senate Finance Committee with unanimous support. Representative Bucy, the original author of the bill, concurred with the Senate's minor amendments, and HB 2802 was officially approved by both the House and Senate on May 25, 2025. Governor Abbott signed the bill into law on June 20, 2025. Some governance-related provisions took effect on September 1, 2025. Other major provisions including AFRF board expansion and all member-related provisions, such as the implementation of a second benefit tier, will take effect on January 1, 2026. This legislative reform positions the Fund on a path toward long-term financial stability and has protected the Fund from triggering a mandatory Funding Soundness Restoration Plan (FSRP) following the 2024 valuation. By acting proactively, the Fund and the City of Austin were able to shape the reform process with meaningful input from Fund members and negotiate a reform package that preserved competitive benefits for future hires while safeguarding the benefits of current retired and active members.

Member Impact

Retiree Impact | Retirees will experience some impact under the legislative reform. The most notable change is that all post-retirement beneficiary designations, regardless of marital status, will now be subject to the same benefit reduction and actuarial adjustment based on the beneficiary's age. Additionally, discretionary COLAs will be subject to enhanced financial stability testing and capped at an annual maximum of 1.5%. Eligibility for any COLA granted will begin at age 67 for members with at least five years in retirement (age 69 for those who retire early). For DROP participants, the interest crediting methodology will switch from monthly interest crediting to annual 5% compounding.

Active Impact | Members hired by Austin Fire Department (AFD) before January 1, 2026, will be subject to the same changes as retirees described above. Additional changes for active members who terminate and members who take leaves of absence to serve in the US military are listed on the next page.

New Hire Impact | Members hired by AFD on or after January 1, 2026, will participate in the new Group B benefit tier, with a 3.0% multiplier based on the highest average salary over 60 months. Upon reaching normal retirement eligibility, these members will be eligible for a Single Life Annuity only and may participate in the Forward DROP program for up to seven years. DROP accumulation will include annuity payments as well as 50% of member contributions, earning a guaranteed interest rate of 4%. After retirement, DROP balances will earn 4% interest, with a potential reduction to 2% after negative investment years. Performance-based COLAs of 0–2% will begin at age 67 for members with at least five years in retirement, but will be unavailable to members while they maintain a DROP balance.

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ADC Funding Model

Beginning January 1, 2026, the Fund will transition from a fixed rate funding model to an Actuarially Determined Contribution (ADC) model, aimed at reducing the Fund's amortization period. Under this model, employer contributions will be set annually based on actuarial valuations to ensure the amortization period does not exceed 30 years (excluding the legacy liability). Currently, the City of Austin contributes a fixed rate of 22.05%. Under the ADC model, this rate will increase to cover the employer normal cost, any unfunded liability accrued after 2024, and a separate payment toward the legacy liability. The City will phase in the full legacy liability payments over a three-year period. The ADC model incorporates a risk-sharing mechanism, including a ±5% contribution corridor for the City. If the City reaches the upper limit of this corridor, member contributions may increase by up to 2%. While the base member contribution rate remains at 18.7%, it could rise to a maximum of 20.7% during periods of financial strain for the Fund. Additionally, a cost-of-living adjustment (COLA) freeze will be triggered if the City's contribution rate reaches 4% or more above the corridor midpoint. To address the legacy liability, the City will make additional fixed contributions over 30 years, based on the unfunded actuarial accrued liability as of December 31, 2024.

Member Impact, Continued

Non-Vested Terminated Impact | Members who separate from AFD before (or after) becoming vested in the Fund and seek contribution refund, will no longer receive interest on their refund of accumulated contributions.

Military Service Impact | Members who take a leave of absence from AFD to serve in the US military after September 1, 2025, may purchase up to five years of service credit toward their retirement.

QDRO Impact | Individuals awarded a DROP balance through a Qualified Domestic Relations Order (QDRO) will no longer be eligible to maintain a DROP account. All funds will require immediate withdrawal.

Board Impact | The AFRF Board of Trustees will expand from five to seven members, adding one elected firefighter representative and one community member appointed by the City Council. The Mayor will be allowed to appoint a designee to their position, and the City Treasurer role will be replaced by the Chief Financial Officer, who may also appoint a designee. To accommodate these changes, the 2025 annual trustee election will follow one-time revised procedures. For more details, see the *Trustee Election* section (pg. 5)

The State of the Fund

Investment Performance | Meketa reported a positive 5.9% return for the Fund at the close of the second quarter, following a sharp first quarter recovery from a -19% downturn at the start of the year. The initial decline was driven by heightened market volatility and the negative impact of widespread U.S. tariff increases announced in early 2025. By second quarter-end, the Fund's total value stood at $1.2 billion. At the board's direction, Meketa implemented several active manager changes: Westwood Large Cap Value was terminated with partial reinvestment into the S&P 500; Highclere was terminated with full reinvestment into Dimensional International Small Cap; and a gradual exit from Aether Natural Resources began, in line with the Board's decision to eliminate the asset class. Additional asset allocation adjustments were approved and incorporated into the revised IPS, as outlined below.

Investment Policy Statement | In July, the Board formally adopted a revised IPS following a three-reading approval process, as required by statute. The updated IPS reflects changes to the Fund's asset allocation policy, including the introduction of a new asset class approved by the board at their May meeting. Key allocation changes included a 3% shift from private equity to U.S. public equity; a 2% shift from emerging market debt to investment-grade bonds; and a 3% reallocation from natural resources, eliminated as an asset class, to core infrastructure, the newly added asset class.

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2024 Actuarial Valuation

Cheiron presented the valuation to the board in July, highlighting the positive impact of HB 2802 on the Fund's financial health. The most significant improvement was the reduction in the amortization period from a pre-reform projection of 69.3 years down to 30 years. Historical trends indicated that the number of active members has grown at an annualized rate of 1.5% over the past decade, with the support ratio trending upwards, consistent with expectations for a maturing pension plan. Contribution rates will remain fixed through the end of 2025 with the transition to the ADC model beginning January 1, 2026.

The full Actuarial Valuation includes detailed information on Fund assets, liabilities, and contribution requirements, as well as risk assessment and stress-testing. The report is available at AFRFund.org under the Publications menu.

Risk Sharing Valuation

As part of the recent legislative reform, the Fund will now produce an annual Risk Sharing Valuation Study (RSVS), alongside the Actuarial Valuation, to establish the City of Austin's Actuarially Determined Contribution (ADC) rate schedule. According to Cheiron's initial RSVS, the Fund's unfunded accrued liability was approximately $350 million on a market value basis. This liability will be paid down by the City over a 30-year period, with a three-year phase-in. The total normal cost for the plan was calculated at 31.32%, which, after accounting for firefighter contributions, resulted in an employer normal cost rate of 12.62%. Since there is no post-2024 unfunded actuarial liability in the first year of ADC implementation, the 12.62% employer rate will also serve as the corridor midpoint for 2026, with a risk-sharing range of ±5%. The City's first-year legacy liability payment was set as an additional fixed dollar amount, equivalent to approximately 12.44% of payroll for calendar year 2026. The city's ADC payment will be reviewed annually through the RSVS. The employer contribution rate is expected to decline over time as Group B members gradually replace Group A.

The State of the Fund, Continued

PAS Software Update | AFRF is nearing completion of its Pension Administration System (PAS) implementation. Staff recently finalized User Acceptance Testing (UAT) for the third and final set of software designs, which included actuarial reporting and member portal functionality. The next phase will involve parallel processing, duplicating all transactions from the legacy system in the new system, to ensure all components of the new software are functioning accurately and consistently. Full transition to the new software is scheduled for January 1, 2026, at which point AFRF will begin processing monthly annuity payments in-house. Aside from customization expenses related to HB 2802 benefit changes, the project has remained on schedule and within budget.

Member Portal | As part of the PAS implementation, AFRF will roll out a new member portal in phases beginning in 2026. Members will receive invitations to enroll based on their retirement status. Once enrolled, members will be able to easily update contact information, view annuity and DROP details, and generate retirement estimates on demand. Please note that during the parallel processing and system transition period from October through January, staff will produce manual retirement estimates only for members planning to retire within six months of their request date. Those considering later retirements will be asked to wait until after the software transition has been completed.

Trustee Election | Trustees of the AFRF board serve staggered terms, with one position up for election each year. This year's election will follow revised procedures to introduce the recent legislative reforms under HB 2802. The board will expand to include one additional firefighter trustee, with a new Fund Rule requiring both active and retired member representation. In 2025, two trustee positions will be on the ballot. The new firefighter seat will be designated for an active member while the seat currently held by Vice Chair Woolverton will be designated for a retiree. The other two positions (currently held by Trustees Bass and Fowler) will remain without designation. All members may vote for both designated positions. The candidate with the highest vote count during the general election will receive a 4-year term; the second highest will receive a 3-year term. All future elections will follow standard election procedures for 4-year terms. Nominations for both active and retired positions will be accepted from September 1 through September 15, 2025. Voting will take place from October 17 through November 6, 2025, managed by YesElections, AFRF's eternal election vendor since 2022. Watch for your voting materials to arrive by mail or email in early October. Voting materials will include candidate biographies and instructions for digital or paper ballot submission. For any questions about this year's updated election procedures, including nomination, please contact the pension office. Technical questions regarding the voting process should be directed to YesElections using the contact information provided in the voting materials.

2026-2027 COLA Decision | Due to the implementation process for the Fund's legislative reform, the board will not be able to consider COLAs for 2026 or 2027. The Fund will resume financial stability testing in late 2027 to determine if a COLA can be granted in 2028. Under HB 2802, significant reforms were made to the COLA framework. More rigorous financial stability requirements will include an escalating Amortization Period test and Funded Ratio test, two investment return tests (single-year and 5-year average), and a corridor test. For details on member-specific changes and further COLA-related reforms, please refer to *Member Impact* and *ADC Funding Model* (pg.3).

Member Services

Contact Information | Remember to keep your contact information up to date with the Fund, including your phone number, mailing address, and personal email address.

ACH Advice Letters | Effective January 1, 2026, State Street will cease to process monthly annuity payments or issue monthly ACH advice letters by mail. This administrative change is due to the capabilities of the new pension software, which will enable the Fund to process payroll in-house as of that date, and will save the Fund some administrative fees. Members will soon be able to track their payments online through the member portal, which will be launched in phases throughout 2026. Until the portal becomes available, members who require documentation of their monthly payments may contact the AFRF office for payment confirmation. This service will be discontinued once the portal is live and all members are eligible to enroll.

Considering Retirement? | Please contact us for retirement estimates or to schedule a benefits counseling session at least 30 days in advance of your intended retirement date to minimize potential delays. Counseling can be conducted virtually or at the AFRF office.

2025 Retirement Party – Courtesy of Craig Braddock

Important Dates

September
01 | Office Closed for Labor Day
01 | Trustee Nomination Period Begins
15 | Deadline for September DROP Request
15 | Trustee Nomination Period Ends
28 | September Regular Board Meeting

October
15 | Deadline for October DROP Requests
17 | Trustee Election Opens
24 | October Regular Board Meeting

November
06 | Trustee Election Closes
11 | Office Closed for Veterans Day
15 | Deadline for November DROP Request
17 | November Regular Board Meeting
17 | Trustee Election Results Certified
27-28 | Office Closed for Thanksgiving

December
15 | December Regular Board Meeting
15 | Deadline for December DROP Request
24-25 | Office Closed for Christmas

January
01 | Office Closed for New Year's Day
01 | PAS Software Transition Effective
15 | Deadline for January DROP Request
19 | Office Closed for Martin Luther King Day

February
15 | Deadline for February DROP Request
16 | Office Closed for Presidents Day

March
15 | Deadline for March DROP Request

Updates to this calendar can be found on AFRFund.org.

Connect with Us

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