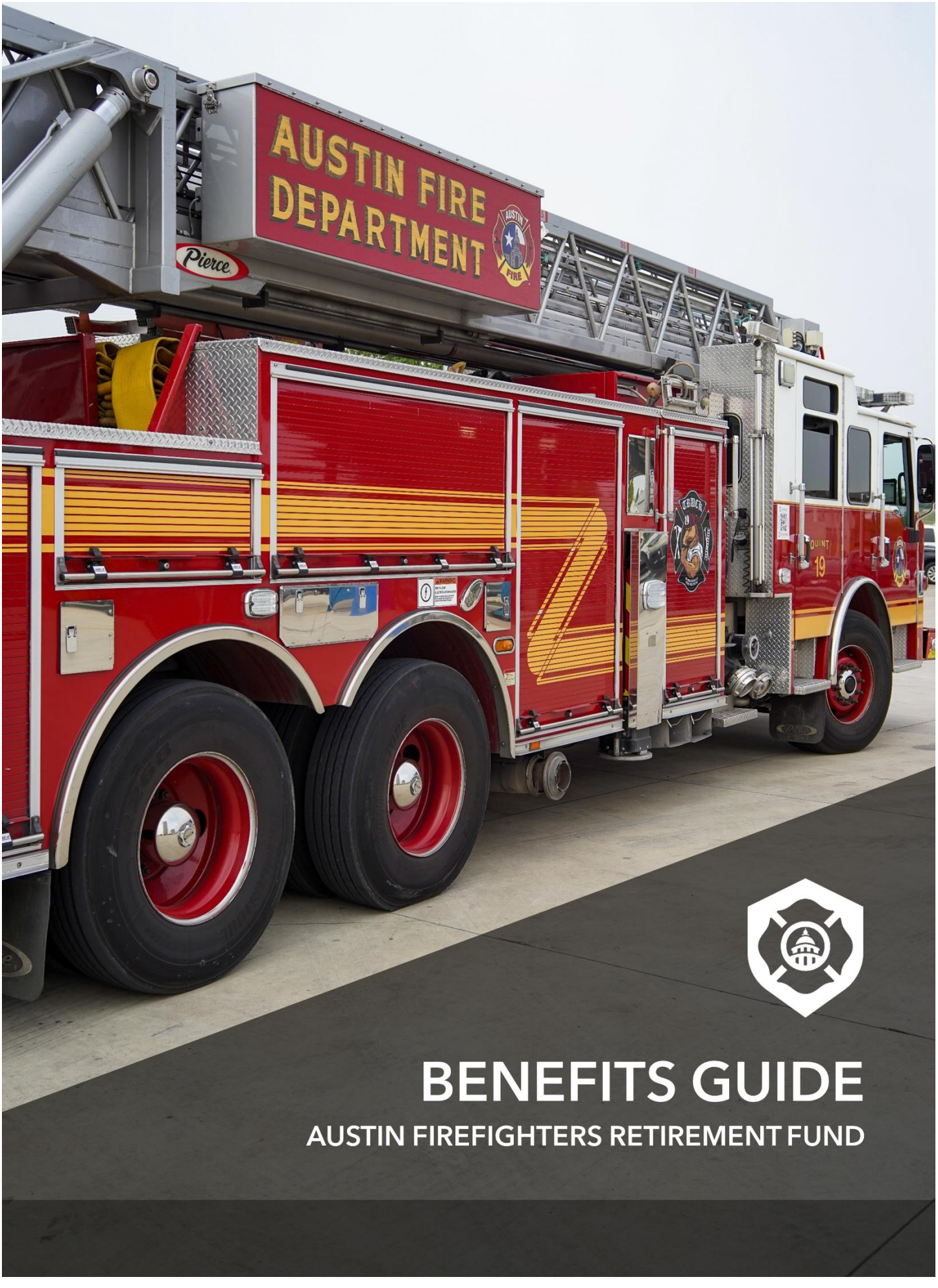


BENEFITS GUIDE

AUSTIN FIREFIGHTERS RETIREMENT FUND

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INTRODUCTION AND OVERVIEW

Since 1942, the Austin Firefighters Retirement Fund ("AFRF" or the "Fund") has provided retirement, disability, death, and survivor benefits to the firefighters of the City of Austin (the "City") and their eligible beneficiaries. The Fund is a defined benefit retirement plan which is governed by *Article 6243e.1, Vernon's Texas Civil Statutes* (the "Act") and administered by the Board of Trustees (the "Board"). The Fund is also a qualified retirement plan under Section 401(a) of the Internal Revenue Code and is subject to certain tax laws that apply to such plans.

This Benefits Guide is intended to be an overview of the general eligibility requirements and the types of benefits provided under the Fund. This Benefits Guide has been written in non-technical terms to help you understand your benefits and assist you in making your retirement decisions, but it is not intended to address all applicable laws and rules or how such laws and rules may apply in specific situations. If there is any conflict or question of interpretation between this Benefits Guide and the Act or the rules promulgated by the Board (the "Fund Rules"), the Act and the Fund Rules, as applicable, will control. In all cases, the final determination of eligibility to receive a retirement benefit from the Fund and the amount of such benefit is subject to approval by the Board, and such a determination will be final and binding.

The information provided in this Benefits Guide is based on the Act and Fund Rules as they exist on July 1, 2026, and is subject to change or modification based on changes in the law or Fund Rules subsequent to such date. This Benefits Guide and other Fund documents, forms, and information can be accessed online at AFRFund.org.

Please note that the Fund is an entity that is separate from the City, and that representatives and employees from the City are not agents of the Fund. The Fund is not responsible for incorrect information that you may be provided by City representatives or employees.

If you have any questions about your rights or benefits under the Fund or information provided in this Benefits Guide, please contact the Pension Office using the contact information below.

AFRF
AUSTIN FIREFIGHTERS RETIREMENT FUND

Office Address | 4101 Parkstone Heights Drive, Ste. 270, Austin, Texas 78746

Phone | (512) 454-9567

Email | Staff@AFRFund.org

Website | AFRFund.org

SECTION I MEMBERSHIP AND SERVICE CREDIT

A. MEMBERSHIP ELIGIBILITY

All commissioned civil service firefighters of the Austin Fire Department (the "Fire Department") who have been certified by the State of Texas as a firefighter become members of the Fund as a condition of employment. Once you become a member, you will remain a member of the Fund unless you terminate service and receive a refund of accumulated contributions.

Fire Cadets are not eligible to be members of the Fund while in the Fire Academy. Cadets do not make contributions to the Fund nor do they earn service credit under the Fund during the period of training prior to becoming a commissioned civil service firefighter.

B. SERVICE CREDIT (OR CREDITED SERVICE)

You will earn one month of service credit in the Fund for each month that you make contributions to the Fund as required by the Act. You will not earn service credit for any time during which you are receiving a disability retirement annuity from the Fund or during your participation in the Deferred Retirement Option Plan (DROP).

C. MILITARY SERVICE

If you take a leave of absence from the Fire Department to perform active-duty service with the U.S. armed forces or other qualifying military leave, you will retain your accumulated service credit in the Fund and will have the option to purchase additional service credit for each month during your military leave so long as:

(1) your military service does not exceed 5 years;

(2) you return to service with the Fire Department no later than 180 days after your discharge from military service (except as otherwise provided under the Act);

(3) you leave your accumulated contributions in the Fund while on military leave; and

(4) you file an application with the Fund and complete your military service credit purchase within 5 years of your return. A DD-214 or equivalent will be required.

Military service that was completed prior to January 1, 2026, is eligible for credit without purchase under prior Fund Rules if adherent to requirements above.

Please contact the Pension Office to request the *Military Service Purchase Application Form*.

D. LEAVES OF ABSENCE

Except in the case of military service as described above, you will not receive service credit for any leave of absence from service with the Fire Department. Vacation time and paid leaves of absence during which you continue to make contributions to the Fund are not considered a leave of absence for these purposes. Further,

disability retirement is not considered a leave of absence, and you will not earn service credit while you are receiving a disability retirement annuity from the Fund.

- For leaves of absence of *less than 5 years*, you will retain all accumulated service credit for former service if you leave your contributions in the Fund during such absence.

- For leaves of absence of *5 years or more*:

  - If you have *less than 10 years of service credit* (i.e., you are not vested), the Fund will refund your accumulated contributions and cancel your credited service.

  - If you have *10 or more years of service credit* (i.e., you are vested), you may leave your accumulated contributions in the Fund, and you will be entitled to receive a monthly retirement annuity benefit upon satisfying the eligibility requirements.

E. INDEFINITE SUSPENSION

If you are indefinitely suspended from active service with the Fire Department and you are otherwise eligible to receive a retirement annuity, you may elect to commence your retirement annuity and begin receiving monthly payments from the Fund while you are indefinitely suspended.

However, if you appeal your indefinite suspension and are subsequently reinstated to active service with the Fire Department, retirement annuity payments from the Fund will immediately cease and you will be responsible for repaying to the Fund any retirement annuity amounts paid to you during your indefinite suspension no later than 6 months after the date of your reinstatement.

F. VESTING

You will be considered vested once you accrue at least 10 years of service credit in the Fund. Vesting means you are entitled to a monthly retirement annuity benefit for your lifetime once you satisfy the remaining eligibility requirements. The amount of your benefit and when such benefit may begin to be paid to you will depend on multiple factors, including your total years of credited service, the type of benefit you select, and when you terminate employment from the Fire Department.

SECTION II CONTRIBUTIONS

A. FIREFIGHTER/MEMBER CONTRIBUTIONS

As a member of the Fund, you will contribute 18.70% of your “Compensation” to the Fund each pay period through a payroll deduction. Under the Act’s risk-sharing contribution structure, your contribution rate may increase in a given calendar year if the estimated City contribution rate is greater than the maximum rate allowed under the statutory corridor. However, your rate increase will never exceed more than 2% in total. All contributions that you make to the Fund will be tracked in a recordkeeping account associated with your name and will be considered your accumulated contributions. However, your actual contribution amounts will not be

segregated or held in a separate account for you. Instead, they will become part of the overall assets of the Fund.

Firefighter contributions to the Fund are considered "pickup contributions" which means the City pays the contributions directly to the Fund from your salary as a pre-tax deduction. Because these contributions are deducted from your paycheck before taxes, the benefit payments that you receive from the Fund will be taxed at the time you receive the payments.

"Compensation" for purposes of your contributions to the Fund will include your base pay and any longevity pay. However, compensation does not include any amounts you earn from overtime pay, temporary pay in higher classifications, educational incentive pay, assignment pay, Christmas Day bonus pay, and pay for automobile and clothing allowance, if applicable.

B. CITY CONTRIBUTIONS

The City contribution is determined under the Act's risk-sharing contribution structure, based on an actuarially determined employer contribution model (an "ADEC Model"). Under the ADEC Model, the City contributes each pay period the sum of (1) the actuarially-determined municipal contribution rate for a given year multiplied by pensionable payroll (generally, the compensation of active members) for that pay period, and (2) a separately scheduled legacy liability payment. The City's contribution rate may increase or decrease annually based on an actuarial risk-sharing valuation study.

To help manage volatility, the municipal contribution rate is subject to a statutory corridor based on a projected corridor midpoint. The corridor extends 5% above and below that midpoint. If the estimated municipal contribution rate is above the maximum rate for the corridor, the City's contribution is capped at that maximum rate, and member contributions may increase as described in Section II(A) above.

City contributions paid to the Fund are invested for the benefit of all members and are not attributable to an individual member.

SECTION III SERVICE RETIREMENT BENEFITS

A. GENERAL

The Fund is a defined benefit plan that provides you with a monthly retirement annuity benefit that is payable for your lifetime based on your age, service, and the prescribed formula as set forth in the Act.

After becoming eligible for retirement, you must submit a retirement application form to the Pension Office in order to begin receiving your retirement benefits. The Fund offers multiple forms of benefits for members to choose from based upon their date of first contribution in the Fund. As of September 1, 2025, there are two tiers of Fund membership:

GROUP A – Members who were hired by the Fire Department **prior to January 1, 2026**, have the following benefit options:

- Normal Retirement Annuity – Option 1 (Normal Form of Benefit / Default – Joint & Survivor (75%) Benefit)
- Normal Retirement Annuity – Option 2 (10 Year Period Certain with Survivor Benefit)
- Single Life Annuity – Option 1 (No Survivor Benefit)
- Single Life Annuity – Option 2 (10 Year Period Certain with No Survivor Benefit)

GROUP B – Members who were hired by the Fire Department **on or after January 1, 2026**, have the following benefit options:

- Single Life Annuity (Normal Form of Benefit / Default – No Survivor Benefit)
- Joint and Survivor Option (75% or 50% Survivor Benefit)
- Joint and Survivor Plus Pop-Up Option (75% or 50% Survivor Benefit with Pop-Up Feature)
- 10-Year Certain and Life Option (10 Year Payment Guarantee with No Survivor Benefit)

Actuarially-equivalent annuity options are adopted by the Board and are subject to change. The Pension Office will inform you of the options available to you at the time of your retirement.

Once an option is selected and benefits begin, such an election is irrevocable. Upon retirement, you will receive a monthly retirement annuity benefit less required deductions for tax withholding. Additional deductions will be made if you choose to enroll in health, dental, and vision insurance offered by the City or elect other voluntary deductions in accordance with the procedures and forms adopted by the Fund.

Retirement application forms are available at AFRFund.org or through the AFRF Direct member portal. You may also contact the Pension Office for more information or with any questions you have regarding the process for commencing your retirement annuity benefit.

B. ELIGIBILITY FOR RETIREMENT

You will be eligible for normal service retirement once you either:

(1) attain age 50 with at least 10 years of service credit, or

(2) accrue 25 years of service credit, regardless of your age.

If you continue employment with the Fire Department after becoming eligible to retire, you must continue to make contributions to the Fund, and you will continue to accrue service credit, until the date of your retirement.

C. RETIREMENT BENEFITS FOR GROUP A

1. Normal Retirement Annuity

The Fund offers two types of normal retirement annuity benefits for Group A, which provide a joint and survivor benefit – NRA-Option 1 and NRA-Option 2, each as described in more detail below. The normal form of benefit, or default, under the Fund is NRA-Option 1.

If you have additional questions about the normal retirement annuity options after reading through the following sections, please refer to the *Normal Retirement Annuity Election Form (Form NRA)* provided by the Fund for more details on the two options or contact the Pension Office.

a. *Normal Retirement Annuity – Option 1*

The **normal form of benefit** under the Fund is the Normal Retirement Annuity – Option 1 ("NRA-Option 1"). If no election is made by a member, the member will be deemed to have elected the NRA-Option 1. NRA-Option 1 provides for a joint and survivor (75%) annuity benefit which will provide you (the firefighter) with a monthly retirement annuity benefit payable during your lifetime. At your death, your survivor will be entitled to a reduced monthly survivor benefit for his or her lifetime. For purposes of determining who is your survivor, the following rules apply:

- If you are married or have dependent children (children who are not married and under the age of 22), your surviving spouse and/or dependent children will automatically be entitled to receive the survivor annuity benefit for their life (or with respect to dependent children, until the earlier of the date that they reach age 22 or get married).

- If you have no spouse or dependent children, you may designate a beneficiary to receive the survivor annuity benefit for their life.

See *Section VI Survivor (Death) Benefits* for more details on how your survivor's annuity benefits will be calculated.

The amount of your monthly retirement annuity benefit under NRA-Option 1 will be determined by multiplying 3.3% (the "Multiplier") by your "Highest Average Salary" multiplied by your years of credited service at retirement. Your "Highest Average Salary" will be calculated as the average of the highest 36 months of compensation during your entire period of employment with the Fire Department for which you earned credited service.

For example, assume you are a retiring firefighter who is 55 years old with 27 years of credited service and your Highest Average Salary is $5,000.00. Your monthly retirement annuity benefit under NRA-Option 1 would be calculated as follows:

27 (Years of Credited Service)
x $5,000 (Highest Average Salary)
x .033 (Multiplier)
= $4,455.00 Monthly Annuity Benefit

b. *Normal Retirement Annuity – Option 2*

The Normal Retirement Annuity – Option 2 ("NRA-Option 2") is an alternative form of benefit that you may select to guarantee that someone will receive 100% of your monthly retirement annuity benefit for the 10-year period beginning on your date of retirement from the Fire Department or your DROP Effective Date (as defined below), as applicable. The election of NRA-Option 2 is optional.

If you live throughout the 10-year period, all retirement annuity payments will be made to you, and any survivor annuity benefit will be payable as if you had elected NRA-Option 1.

If you die during the 10-year period, your survivor will continue to receive 100% of the amount that you were receiving at your death through the end of the 10-year period. At the end of the 10-year period, your survivor will be entitled to receive a reduced monthly survivor annuity benefit. If you are married or have dependent children, your surviving spouse and/or dependent children will automatically be your survivor for these purposes. If you are not married and have no dependent children, the person you have designated as your beneficiary will be your survivor for these purposes.

Because of the guaranteed 10-year period, the amount of the monthly retirement annuity benefit that you are entitled to receive under NRA-Option 2 at retirement will be actuarially reduced as compared to the amount of the benefit that would be calculated under NRA-Option 1. Please contact the Pension Office or log into your *AFRF Direct* account to request an estimate of your monthly retirement annuity benefit under NRA-Option 2.

2. Single Life Annuity

Upon reaching eligibility for retirement as set forth in Section III(B), you may elect to receive your monthly retirement annuity benefit under the single life annuity form of benefit instead of the standard NRA-Option 1 form of benefit. If you choose this form of annuity, you waive your right to the survivor benefit available under either the NRA-Option 1 or NRA-Option 2. Accordingly, if you are married, you must obtain your spouse's consent in order to elect a single life annuity.

Similar to the normal retirement annuity, you may elect either SLA-Option 1 or SLA-Option 2 (each as defined below). The election of SLA-Option 1 or SLA-Option 2 is optional. Please refer to the *Single Life Annuity Election Form (Form SLA)* for more information.

a. *Single Life Annuity – Option 1*

The Single Life Annuity – Option 1 ("SLA-Option 1") is an alternative form of benefit that you may select which will provide you with a monthly retirement annuity benefit that is payable only during your lifetime. At your death, all benefits from the Fund will cease.

Since the benefit is only payable during your lifetime and does not include a survivor benefit, the amount of the monthly retirement annuity benefit will be actuarially adjusted to an amount that is greater than the monthly retirement annuity benefit that you would receive under NRA-Option 1 or NRA-Option 2, each of which include a survivor annuity benefit. Please contact the Pension Office or log into your *AFRF Direct* account to request an estimate of your monthly annuity benefit under SLA-Option 1.

b. *Single Life Annuity – Option 2*

The Single Life Annuity – Option 2 ("SLA-Option 2") is an alternative form of benefit that you may select to guarantee that someone will receive 100% of your monthly retirement annuity benefit for the 10-year period beginning on your date of retirement from the Fire Department or your DROP Effective Date (as defined below), as applicable.

If you live throughout the 10-year period, all retirement annuity payments will be made to you during the 10-year period and will continue until your death. No survivor benefit will be payable at your death.

If you die during the 10-year period, your survivor will continue to receive 100% of the amount that you were receiving at your death through the end of the 10-year period. At the end of the 10-year period, if you are no longer living, all annuity payments will cease, and no survivor benefit will be paid. If you are married or have dependent children, your surviving spouse and/or dependent children will automatically be your survivor for the purposes of the 10-year period. If you are not married and have no dependent children, you may designate someone as your beneficiary solely for purposes of the 10-year period when you complete your Form SLA.

Because of the guaranteed 10-year period, the amount of the monthly retirement annuity benefit that you are entitled to receive under SLA-Option 2 at retirement will be actuarially reduced as compared to the amount of the benefit that would be calculated under SLA-Option 1. Please contact the Pension Office or log into your *AFRF Direct* account to request an estimate of your monthly annuity benefit under SLA-Option 2.

3. Early Retirement Benefits

You may qualify for early retirement upon either (1) attaining age 45 and accruing at least 10 years of credited service in the Fund or (2) accruing at least 20 years of credited service in the Fund, regardless of age.

If you elect early retirement, your monthly retirement annuity benefit will be calculated the same as a normal retirement annuity (NRA-Option 1 or NRA-Option 2) or a single life annuity (SLA-Option 1 or SLA-Option 2), as elected, but you will not be eligible for cost-of-living adjustments (COLAs) granted by the Board, if any, until January 1 of the year after you attain age 69.

4. Designated Beneficiaries

A beneficiary is the person who will be entitled to receive a survivor annuity benefit from the Fund upon your death. If you are an active or retired member who is unmarried with no dependent children, you may be eligible to designate a beneficiary for the survivor annuity benefit. If you have a spouse or have a dependent child(ren), your spouse or child(ren) will automatically be considered your beneficiary, and you are not eligible to designate another beneficiary.

- If you are an **active** member who is (1) unmarried and has no dependent children and (2) eligible for normal retirement, you may designate or change beneficiaries as often as you wish using the *Beneficiary Designation form for Non-Retired Members (Form 500A)* with no effect on your benefit. Keep in mind that your beneficiary designation may automatically become void if you get married or have dependent children after naming a beneficiary.

- If you are a **retired** member, you are permitted to change your designated beneficiary **up to two times** using the *Beneficiary Designation form for Retired Members (Form 500R)* unless you have dependent children or remain legally married to your spouse at the time of retirement.

Each time you make a change, you must agree to a reduction in your monthly retirement annuity benefit for the change to take effect. The amount of the reduction will be actuarially calculated and based on your age and the age of your designated beneficiary. Please contact the Pension Office for more information about completing your beneficiary designation.

A beneficiary named for purposes of the Fund is different than a beneficiary that you may name for other purposes, including benefits from the City or your 457(b) Deferred Compensation Plan. It is very important that you keep your beneficiary designations current, especially following a divorce or other significant life event. Please contact the Fund for more information on designating a beneficiary.

5. Cost-of-Living Adjustments (COLAs)

The Board may approve a COLA for Group A if the Act's financial stability requirements are satisfied. The amount of COLA, if any, is subject to the limits of the Act, including a "collective adjustment amount" based on 1.5% of eligible monthly benefits unless reduced as determined by the Fund's actuary. The Austin City Council also has the authority to approve a COLA in any format it deems appropriate when one or more financial stability requirements prohibit the Board from granting one.

Group A retirees, except for those receiving an early retirement benefit, become eligible to receive COLAs on January 1 of the calendar year following the later of (1) the year following the attainment of age 67, and (2) the fifth anniversary of their actual retirement date. Group A retirees receiving an early retirement benefit become eligible to receive COLAs on January 1 of the year following the attainment of age 69. Beneficiaries receiving survivor benefits after the death of a Group A member are subject to the applicable eligibility rules under the Act.

D. RETIREMENT BENEFITS FOR GROUP B

1. Single Life Annuity

Upon reaching eligibility for retirement, the single life annuity is the default or **normal form of benefit** offered by the Fund for Group B members. The single life annuity will provide you with a monthly retirement annuity benefit that is payable during your lifetime. At your death, all benefits from the Fund will cease, unless you elected an alternative benefit option that provides a benefit after your death. If no election is made by a Group B member, the member will be deemed to have elected the normal form of benefit.

The amount of your monthly retirement annuity benefit under the single life annuity will be determined by multiplying 3.0% (the "Multiplier") by your "Highest Average Salary" multiplied by your years of credited service at retirement. Your "Highest Average Salary" will be calculated as the average of the highest 60 months of compensation during your entire period of employment with the Fire Department for which you earned credited service.

For example, assume you are a retiring firefighter who is 55 years old with 27 years of credited service and your Highest Average Salary is $5,000.00. Your monthly retirement annuity benefit under the single life annuity would be calculated as follows:

27 (Years of Credited Service)
x $5,000 (Highest Average Salary)
x .03 (Multiplier)
= $4,050.00 Monthly Annuity Benefit

2. Alternative Benefit Options

Group B members may elect one of the following alternative benefit options at retirement. Each alternative option is actuarially equivalent to the single life annuity, which means your monthly retirement annuity benefit will be reduced to reflect the additional benefit feature you select. Alternative benefit options are subject to change. Please contact the Pension Office to confirm the options available to you at the time of your retirement.

a. *Joint and Survivor Option*

This option provides you with a reduced monthly retirement annuity benefit during your lifetime. After your death, your designated beneficiary will receive a monthly survivor benefit for the remainder of their life equal to either 75% or 50% of your benefit, as elected by you at retirement.

b. *Joint and Survivor Plus Pop-Up Option*

This option works similarly to the joint and survivor option, except that if your designated beneficiary dies before you, your monthly retirement annuity benefit will increase, or "pop up," to the amount that would have been payable to you if you had elected the single life annuity.

c. *10-Year Certain and Life Option*

This option provides you with a reduced monthly retirement annuity benefit during your lifetime. If you die within the first 10 years after annuity payments begin, your designated beneficiary will receive 100% of your monthly benefit for the remainder of that 10-year period. If you live beyond the 10-year period, payments continue during your lifetime and cease at your death.

3. Designated Beneficiaries

For Group B members who elect an alternative benefit option at retirement that provides a benefit after their death, they will be able to designate a beneficiary for such benefit with the following limitations. If you are married at retirement, your spouse will be deemed to be your designated beneficiary for that benefit. If you are not married at retirement, you may name one individual to receive the survivor benefit. No post-retirement beneficiary changes or designations are permitted for Group B members. If you die while in active service, survivor benefits may be payable to your surviving spouse and/or dependent children as described below in Section VI.

A beneficiary named for purposes of the Fund is different than a beneficiary that you may name for other purposes, including benefits from the City or your 457(b) Deferred Compensation Plan. Please contact the Fund for more information on designating a beneficiary.

4. Cost-of-Living Adjustments (COLAs)

Eligible Group B retirees will automatically receive an annual COLA, but the amount of the COLA depends on the Fund's investment performance. The COLA is equal to 50% of the percentage by which the Fund's five-year investment return exceeds the "adjustment factor" (which is the Fund's assumed rate of return minus 2%), subject to a minimum COLA of 0% and maximum COLA of 2%. The COLA applies on a compounding basis to your monthly benefit.

Group B members, or a beneficiary receiving survivor benefits after the death of a Group B member, become eligible for a COLA on January 1 of the year immediately following the later of (1) the year the member or beneficiary attains age 67, (2) 5 years after the member's retirement date, or (3) if applicable, the year in which the member's DROP account is fully distributed.

E. VESTED TERMINATION RETIREMENT BENEFIT

You will be considered vested once you accrue at least 10 years of service credit in the Fund. If you terminate service with the Fire Department after you are vested, but before you are eligible to retire, you will be considered a "vested terminated" member.

As a vested terminated member, you will have the right to receive a monthly retirement annuity benefit on the date you would have attained age 50 or accrued at least 25 years of service credit had you remained in service with the Fire Department through such date, provided that you leave your accumulated member contributions in the Fund. It is your responsibility to contact the Fund if and when you are eligible and ready to commence your retirement benefit.

You will have the same benefit options available to you, and your benefit will be calculated, as described in this Section III.

SECTION IV DEFERRED RETIREMENT OPTION PLAN

The Deferred Retirement Option Plan (DROP) is an alternative form of benefit that you may elect once you are eligible for retirement. The purpose of the DROP is to provide financial planning flexibility to members upon retirement by providing a reduced monthly retirement annuity benefit and a lump-sum benefit, as opposed to only a monthly retirement annuity benefit.

A. GENERAL RULES FOR DROP PARTICIPATION

For **Group A** members to be eligible to participate in DROP, you must be eligible to receive a service retirement annuity as described in Section III(B), an Early Retirement Annuity as described in Section III(C)(3), or a Vested Termination Benefit as described in Section III(E).

For **Group B** members to be eligible to participate in DROP, you must be eligible to receive a service retirement annuity as described in Section III(B).

Your election to participate in the DROP is voluntary. However, once you elect to participate in DROP, the election is irrevocable and cannot be changed.

At the time you elect to participate in the DROP, you must select an effective date for your DROP participation ("DROP Effective Date"). Your DROP Effective Date cannot be more than 7 years prior to the actual date you terminate service with the Fire Department. The period between your DROP Effective Date and the date you actually terminate service is the "DROP Period." You will be considered "retired" as of your DROP Effective Date for purposes of the Fund.

B. PARTICIPATION IN DROP

Group A can become eligible to participate in either the Forward or Retro/Back DROP. **Group B** can become eligible to participate in the Forward DROP only.

1. **Forward DROP**: If you are eligible for retirement but want to continue working, a Forward DROP allows you to elect to "retire" for purposes of the Fund but remain in active service as a firefighter for up to 7 years after you enter the DROP. You will continue to make contributions throughout the DROP Period but will not earn additional service credit. While participating in the Forward DROP, the Fund will begin crediting amounts to your DROP Account as of your DROP Effective Date. If you elect to participate in a Forward DROP, you agree to terminate service with the Fire Department no later than 7 years after your

DROP Effective Date. ***Please note***: If you remain employed beyond the 7-year DROP Period, you must continue making contributions to the Fund until you actually terminate, but you will not earn any additional service credit, and such contributions will not be credited to your DROP account.

2. **Retro/Back DROP**: You elect to enter the DROP in connection with your termination of service from the Fire Department (i.e., at retirement). You will select your DROP Effective Date at retirement which cannot be more than 7 years prior to your actual retirement date. ***Please note***: Group B is not eligible to participate in the Retro DROP.

   Survivor Election for Retro DROP: If you die while in active service with the Fire Department and were eligible to participate in the Retro DROP but had not yet made a DROP election, your surviving spouse or dependent child(ren) may be eligible to elect to participate in the Retro DROP to access the lump sum benefit. Your surviving spouse or dependent child(ren) would also be entitled to a reduced monthly benefit calculated as of the DROP Effective Date selected by such survivor in addition to a lump sum benefit.

C. CALCULATION OF DROP ACCOUNT

In connection with your participation in either the Forward or Retro DROP, an account will be established and maintained in the records of the Fund for your benefit ("DROP Account"). Your DROP Account will be credited according to your group.

The amount of the monthly retirement annuity benefit that will be credited to your DROP Account and that you are entitled to receive upon termination of service from the Fire Department will be calculated based on the normal form of benefit as described above (or such other alternative form selected by you) using your credited service and Highest Average Salary as of your DROP Effective Date. You will not receive credit for any additional service credit or salary increases that you may receive after your DROP Effective Date.

Group A DROP Accounts

Group A DROP Accounts will be credited with the following amounts: (1) the amount of the monthly retirement annuity benefit that you would have received if you had retired on your DROP Effective Date multiplied by the number of months in your DROP Period, (2) 100% of the member contributions that you make or made to the Fund during your DROP Period, and (3) interest. Your DROP Account balance will be credited with 5% compound interest annually both during and after the DROP Period. You will be eligible to receive any COLAs that are granted by the Board, if any, during your DROP Period (even with respect to a Retro DROP). The COLA amount(s) will be applied to the monthly retirement annuity benefits that are being credited to your DROP Account, as applicable.

Group B DROP Accounts

Group B DROP Accounts will be credited with the following amounts during the DROP Period: (1) the amount of the monthly retirement annuity benefit that you would have received if you had retired on your DROP Effective Date for each month of your DROP Period, (2) 50% of the member contributions that you make to the Fund during your DROP Period, and (3) interest. Your DROP Account balance will be credited with 4% compound interest annually during the DROP Period. ***Please note***: For Group B members, COLA adjustments will not be applied to the member's monthly annuity during the DROP Period.

After termination of active service with the Fire Department, the DROP Account continues to earn interest until withdrawn based on the Fund's investment returns. If the Fund reports a positive investment return, the DROP Account will earn 4% interest annually for the following calendar year. If the Fund reports a return of less than 0%, the DROP Account will earn 2% interest annually for the following calendar year.

D. DROP DISTRIBUTIONS

To Members

You may not receive a distribution from your DROP Account before termination of active service as a firefighter. Upon leaving active service and beginning to receive a monthly retirement benefit annuity, you may choose to receive the amount credited to your DROP Account by one of the following methods:

- A single-payment distribution which must be made no later than April 1 of the year after the year in which you attain age 70 ½; or

- Up to 12 total payments, but no more than 4 payments per year, all of which must occur prior to April 1 of the year after the year in which you attain age 70 ½.

In connection with a distribution of your DROP Account, you may elect for all or a portion of such account to be "rolled over" into an Individual Retirement Account (IRA) or other eligible retirement plan. Additionally, you may choose to keep the balance of your DROP Account in the Fund until such funds are required to be distributed as required by Fund rules or applicable law. In all cases, the entire balance of your DROP Account must be distributed from the Fund no later than April 1 of the year after the year in which you attain age 70 ½.

All distributions from your DROP Account are subject to a mandatory 20% withholding for federal income tax unless the distribution is transferred directly by the Fund to an Individual Retirement Account (IRA) or another eligible retirement plan through a direct rollover.

To Beneficiaries and Alternate Payees

You may designate a beneficiary to receive the balance of your DROP Account upon your death. However, if you are married and want to designate a beneficiary other than your spouse, your spouse must consent to the designation. **The beneficiary for your DROP Account is different than your beneficiary or survivor who is entitled to a survivor annuity benefit under the Fund.**

If you are divorced, your former spouse (an "alternate payee") may be entitled to receive a portion of your DROP Account. The amount to which the alternate payee is entitled (if any) will be determined under the terms of the applicable qualified domestic relations order. (See *Section VIII Divorce and Qualified Domestic Relations Orders (QDROs)* for more information).

DROP distributions from the Fund for alternate payees and beneficiaries will be conducted in accordance with Fund Rules and applicable law, including the required minimum distribution rules under Internal Revenue Code Section 401(a)(9) and are subject to applicable federal withholding.

SECTION V DISABILITY RETIREMENT ANNUITY

A. GENERAL

If you are disabled while you are in active service with the Fire Department, you may be eligible to retire and receive a disability retirement annuity, regardless of whether your disability occurred while you were on-duty or off-duty.

If you qualify for a disability retirement, the disability retirement annuity benefit payable to you is calculated the same as the normal form of benefit, provided that if you have less than 20 years of credited service at the time you are determined to be disabled by the Fund, your disability retirement annuity will be calculated as if you had 20 years of credited service. Your Highest Average Salary will be determined as of your last day of service with the Fire Department.

All determinations regarding your eligibility for disability benefits and reviews of your disabled status will be performed in accordance with the Act and the Fund's *Disability Retirement Benefit Policy*. Such determinations will be final and binding on all parties.

B. INITIAL ELIGIBILITY FOR DISABILITY

You will be eligible to retire and receive a disability retirement annuity if the Board determines that you are unable to perform the duties of your occupation as a firefighter, including an accommodating job within the Fire Department (if available) that pays at least as much as you were earning in your former position.

To be eligible for disability benefits, you must terminate employment with the Fire Department and submit an application for disability retirement on the form provided by the Fund.

Your application for disability retirement should include all relevant medical records and must be accompanied by a statement from your attending physician stating that you are unable to perform the duties of your occupation as a firefighter or an accommodative position.

In connection with your disability application, an independent medical board (the "Medical Board") will review all relevant records and assist the Board in determining whether you are eligible for a disability retirement annuity. In addition, you may be required to undergo an independent medical evaluation by a physician or specialist selected by the Fund at the sole expense of the Fund.

Please contact the Fund if you have questions about the disability retirement application process.

C. REVIEW DURING FIRST 2 ½ YEARS

During the first 2 ½ years of receiving a disability retirement annuity, your disability retirement will not be subject to additional reviews, unless the Board reasonably believes that you have recovered to the extent that you are able to perform the duties of a firefighter. In such case, the Board may investigate and review your disability status and has the authority to terminate your disability retirement annuity if the Board determines that you are no longer disabled.

D. ELIGIBILITY AFTER 2 ½ YEARS

After the first 2 ½ years of receiving a disability retirement annuity, the Board will review your eligibility to continue receiving a disability retirement annuity (the "2 ½ Year Review"). To be eligible to continue receiving a disability retirement annuity after 2 ½ years, you must be unable to perform the duties of any occupation for which you are reasonably suited by education, training, and experience. This standard applies to your ability to be employed (i.e., your earning capacity), regardless of whether you are actually employed.

E. 2 ½ YEAR REVIEW

In connection with your 2 ½ Year Review, the Board will review both your disabled and financial status. You must submit your most recent federal income tax return, proof of employment, and an updated physician's statement from your attending physician. The Board may request additional information to the extent necessary to review and evaluate your application for benefits.

Earned Income Review

The Board will conduct a preliminary review of your financial status to determine whether your disability retirement annuity should be reduced or terminated. If your actual earned income plus your disability retirement annuity equals more than 110% of the current annual base salary of the position you held in the Fire Department, your disability retirement annuity will be reduced by the amount that exceeds 110% ("Excess Income"). If your Excess Income is equal to or greater than the amount of your disability retirement annuity, your disability retirement annuity will be terminated.

Disability Review

In addition, the Medical Board will review all relevant records and assist the Board in determining whether you are eligible to continue receiving a disability retirement annuity. You may also be required to undergo an independent medical evaluation by a physician or specialist selected by the Fund and/or be evaluated by a vocational expert selected by the Fund, in each case, at the sole expense of the Fund. Failure to comply with any requested review may result in the termination of your disability retirement annuity.

Board Determination

If the Medical Board determines that you are no longer disabled and can perform the duties of any occupation for which you are reasonably suited by education, training, and experience, (regardless of whether you are actually employed), the Board will terminate your disability retirement annuity.

If the Medical Board determines that you remain disabled, the Board may (i) continue your disability retirement annuity at its full amount or (ii) reduce your disability retirement annuity if the amount of your disability retirement annuity plus the amount of income that you should be able to earn, based on the results of a vocational evaluation, exceed 110% of what you would be able to earn as a firefighter. The Board has sole discretion to reduce or terminate your benefit and its decision is final and binding.

F. SUBSEQUENT ANNUAL REVIEWS

After the 2 ½ Year Review, annual reviews will be conducted, unless otherwise waived by the Board. Each annual review will involve a review of your earned income and your disabled status as described above. You may also be required to undergo an independent medical evaluation by a physician or specialist selected by the Fund and/or be evaluated by a vocational expert selected by the Fund, in each case, at the sole expense of the Fund. Failure to comply with any requested review may result in the termination of your disability retirement annuity.

SECTION VI SURVIVOR (DEATH) BENEFITS

The Fund provides survivor benefits to members who die while in active service. After retirement, whether a survivor benefit is payable depends on your group (Group A or Group B) and the form of retirement benefit you elected. Your marital status and children will impact who is considered your "survivor" for purposes of the Fund.

Payments to survivors will be conducted in accordance with Fund Rules and applicable law and will be subject to applicable federal withholding. All survivor benefits cease on the death of your survivor (or such earlier time as provided under law).

A. SURVIVING SPOUSE

If you are married at your death, your surviving spouse may be eligible for a monthly survivor annuity benefit payable throughout his or her lifetime. Your spouse's eligibility for a survivor annuity benefit and the amount of that benefit depends on whether you are active or retired at the time of your death. Survivor payments will begin in the month following the month of your death.

For purposes of the Fund, your spouse is the person to whom you are legally married under the Texas Family Code or other applicable state law. Note that in order for an informal marriage (or "common law marriage") to be recognized under the Fund, you must have a declaration of informal marriage recorded with the state of Texas.

Surviving spouses are determined at the earlier of death or the date of your retirement. If you marry after retirement, your spouse generally will not automatically be considered your surviving spouse for purposes of a survivor annuity benefit. However, Group A retirees may be eligible to name a post-retirement spouse as a designated beneficiary under the rules outlined in Section III(C)(4).

1. Death While Active

If you die while you are in active service, your surviving spouse is entitled to receive a monthly survivor annuity benefit from the Fund for life equal to 75% of the monthly retirement annuity benefit that you would have received if you had retired on the date of your death. The benefit will be based on the normal form of benefit for your group and a minimum of 20 years of service credit.

2. Death After Retirement

If you are a **Group A** member and die after retiring, your surviving spouse is entitled to receive a monthly survivor annuity benefit from the Fund for life equal to 75%, or another percentage in accordance with an alternative benefit election, of the monthly retirement annuity benefit that you were receiving on the date of your death.

If you are a **Group B** member and die after retiring, your surviving spouse is not eligible to receive a monthly survivor annuity benefit from the Fund under the normal form of benefit (single life annuity). If you elected an alternative benefit option at the time of retirement that included a survivor benefit, your surviving spouse will receive a monthly survivor annuity benefit from the Fund according to the terms of your elected benefit. ***Please note***: if your surviving spouse predeceases you and you remarry, your spouse from the subsequent marriage is not eligible for a survivor benefit.

3. Death After Termination of Employment While Vested

The following benefits are only available to **Group A** vested terminated members. Group B members are not eligible to receive the following benefits:

If you die as a vested terminated member (after accruing at least 10 years of service credit and terminating your employment with the Fire Department), your eligible surviving spouse is entitled to an immediate monthly survivor annuity benefit from the Fund for life equal to 75% of the monthly retirement annuity benefit that you were receiving or entitled to receive at age 50, as long as you did not withdraw your contributions after termination.

If you die before attaining age 50, the survivor annuity benefit is payable to your surviving spouse only if you and your spouse were married on the date that you terminated employment with the Fire Department. If you die after attaining age 50, the benefit is payable to your surviving spouse if you and your spouse were married when you attained age 50.

B. SURVIVING DEPENDENT CHILDREN

For purposes of the Fund, a "dependent child" is an unmarried child under the age of 22. If you have one or more dependent children at the time of your death, each child may be entitled to receive a monthly survivor annuity benefit from the Fund depending on your group status (Group A or Group B), your membership status (active or retired), and your benefit elections, if applicable. The benefit will be paid to them until the earliest of such dependent child's death, marriage, or 22nd birthday. The amount of the survivor annuity benefit payable to your children depends on whether you also had a surviving spouse at death or not. Survivor payments will begin in the month following the month of your death.

Without a Surviving Spouse

- **Active members**: If you have dependent children but no surviving spouse at your death in active service, regardless of your group, a total monthly annuity benefit is payable to your dependent child(ren) equal to 75% of the monthly retirement annuity benefit that you would have received, based on a minimum of 20 years of service credit.

- **Retired members**: For Group A members, if you have dependent children but no surviving spouse at your death in retirement, a total monthly annuity benefit is payable to your dependent child(ren) based on the terms of your elected annuity option. If you have more than one dependent child, each dependent child is entitled to an equal share of the total monthly annuity benefit. When one child loses eligibility (e.g., at age 22), the total benefit will be re-allocated among the remaining eligible dependent children until all children lose eligibility. ***Please note***: The dependent child(ren) of Group B retired members are not eligible to receive survivor benefits from the Fund.

With a Surviving Spouse

- **Active members**: If you have dependent children and a surviving spouse at your death in active service, regardless of your group, a monthly annuity benefit is payable to each of your dependent children equal to 15% of the monthly retirement annuity benefit that you would have received, based on a minimum of 20 years of service credit. The combined benefit of all dependent children cannot exceed 75% of your monthly retirement annuity benefit.

- **Retired members**: For Group A members, if you have dependent children and a surviving spouse at your death in retirement, a monthly annuity benefit is payable to each of your dependent children equal to 15% of the monthly retirement annuity benefit that you were receiving. The combined benefit of all dependent children cannot exceed the joint and survivor annuity percentage set in the terms of your elected annuity option. ***Please note***: The dependent child(ren) of Group B retired members are not eligible to receive survivor benefits from the Fund.

C. DESIGNATING BENEFICIARIES

If you do not have a surviving spouse or dependent child who is entitled to receive benefits from the Fund, a monthly survivor annuity benefit may be payable to your designated beneficiary. The ability to designate a beneficiary depends on your group status.

Group A

- **Active members**: If you are a Group A member eligible for normal retirement, you may name a designated beneficiary. If you die while in active service, the monthly annuity benefit payable to your designated beneficiary is equal to 75% (or such lower percentage based on the table below) of the monthly retirement annuity benefit that you would have received if you had retired on your date of death. If you are not eligible for normal retirement, you may not name a designated beneficiary.

- **Retired members**: If you are a Group A retiree, you may name a designated beneficiary. The monthly annuity benefit payable to your designated beneficiary following your death is generally equal to 75% of the retirement benefit that was being paid to you, unless otherwise provided under the terms of the retirement benefit you elected.

Regardless of whether you are active or retired at your death, if your designated beneficiary is 10 or more years younger than you, the survivor annuity benefit for your designated beneficiary will be actuarially reduced. For example, the reduction for a 75% Joint and Survivor annuity retirement benefit is outlined in the table below:

Age Difference (Retiree minus Beneficiary)	Percent Payable to Designated Beneficiary
Less than 10	75%
10 – 14	45%
15 – 19	40%
20 – 34	35%
35+	30%

For more information on the process for designating a beneficiary as a Group A member, see Section III(C)(4) above.

Group B

- **Active members**: If you are a Group B member and die while in active service, you may not name a separate beneficiary to receive an active-service survivor annuity. Any monthly survivor benefit is payable under the surviving spouse and dependent child rules described above.

- **Retired members**: If you are a Group B member and want to provide a survivor benefit after retirement, you must elect an optional form of benefit at retirement that includes a survivor benefit. If you are married at retirement and elect an optional form that provides a survivor benefit after your death, your spouse will be deemed to be your designated beneficiary for that benefit. If you are unmarried at retirement and elect an optional form that provides a survivor benefit after your death, you may name one individual to receive that survivor benefit. Group B members may not make or change beneficiary designations after retirement.

For more information on the process for designating a beneficiary as a Group B member, see Section III(D)(3) above.

D. SURVIVING DEPENDENT PARENTS

Only the surviving dependent parents of Group A members are eligible to receive a benefit from the Fund in the event that the member dies with no surviving spouse, dependent child, or designated beneficiary who is entitled to receive a benefit from the Fund. In such case, if you are survived by one or more dependent parents, your dependent parent may be eligible to receive a monthly annuity benefit equal to the monthly annuity amount that would have been payable to a surviving spouse for the remainder of such parent's life.

SECTION VII REFUND/WITHDRAWAL OF CONTRIBUTIONS

If you terminate employment with the Fire Department but are not eligible to retire, you may request a refund of your accumulated member contributions. In connection with a refund of accumulated member contributions, all of your accumulated service credit will be canceled, and you will forfeit all rights to future benefits from the Fund. You will not be entitled to withdraw any contributions made by the City.

A refund of contributions is typically taxable to you when withdrawn. You may elect to have all or a portion of your accumulated member contributions transferred directly to an IRA or other eligible retirement plan in the form of a direct trustee-to-trustee transfer. This process is known as a "rollover." A direct rollover is not a taxable event, so no taxes will be withheld in connection with such transfer.

If you die before retirement and no person is entitled to a survivor's benefit, your estate may request a refund of your accumulated contributions from the Fund.

If you withdraw your contributions and are later rehired by the Fire Department, you will be treated as a new hire and will not be eligible to purchase or reinstate any service credit with the Fund.

SECTION VIII DIVORCE AND QDROS

Any benefits that you accrue during marriage may be considered community property and subject to division by a court in a divorce proceeding. However, if you divorce, your ex-spouse is not entitled to receive any amounts from the Fund unless a court has issued a Qualified Domestic Relations Order (QDRO) as part of your divorce proceedings. All QDROs must be submitted to the Fund to be reviewed and qualified.

Once a qualified QDRO has been approved by the Fund, your retirement benefits (including your DROP Account) will be subject to division between you and your ex-spouse in accordance with the terms of the QDRO.

The Fund requires that members use the Fund's model QDRO forms pursuant to state law. Any QDROs submitted to the Fund that are not based on the Fund's model QDRO forms may be rejected by the Fund. The Fund's model QDRO forms are available on the Fund's website.

SECTION IX BENEFIT APPEALS AND PLAN ADMINISTRATION

A. BENEFIT APPEALS PROCESS

The Fund has established an appeals process to provide members, surviving spouses and children, alternate payees, and other eligible beneficiaries ("Claimants") with an opportunity to appeal an adverse decision of the Board relating to benefits. All capitalized terms used but not defined in this section have the meaning of such term as set forth in the *Appeal of Benefit Determinations* section of the Fund Rules which is available on the Fund's website.

To begin an appeal, a Claimant must send a written Notice of Appeal to the Executive Director. This notice must be postmarked no later than 60 days after the Claimant receives a Notice of Adverse Decision from the Fund. The Notice of Appeal must include all relevant information regarding the Claimant and the Adverse Decision being appealed.

If the Executive Director does not receive a Notice of Appeal or the Notice of Appeal is not postmarked within 60 days after receipt of a Notice of Adverse Decision, the right to appeal the decision will be forfeited.

The Board will review the appeal at one of its regular monthly meetings or a special meeting. The Claimant will receive at least 15 days' notice of such meeting and will have the right to appear before the Board.

The Board will make a final decision or determine that an extension is needed. Once the Board has made a final decision, the Executive Director will communicate the Board's final decision to the Claimant within 15 days.

The Board will perform a full and fair review of all appeals in an independent and impartial manner, and its final decision on appeal will be final and binding on all parties.

B. PLAN ADMINISTRATION

Board of Trustees

The Board is responsible for the governance of the Fund and may make rules and perform any activities necessary for the efficient administration of the Fund. The Board is a seven-member board composed of the City of Austin Mayor (or appointee), the City Chief Financial Officer (or appointee), a citizen appointed by City Council, and four active or retired members of the Fund elected by the members of the Fund.

The Board is responsible for the administration of the Fund and is authorized to hear and determine all matters regarding (1) eligibility to participate in the Fund, (2) eligibility to receive a service, disability, or survivor's benefit and the amount of such benefit, and (3) the dependency status of any child or parent of a deceased member of the Fund. Any determination by the Board is final and binding on all parties.

Fund Staff

The Board has delegated its responsibility for the day-to-day administrative and operational functions of the Fund to the Executive Director, who is hired and overseen by the Board. The Executive Director is responsible for hiring all other Fund staff. Fund staff is available to answer any questions you may have about retirement and your benefits under the Fund. Any questions regarding the Fund should be directed to the Pension Office at staff@AFRFund.org.

Confidentiality

Information contained in records held in the custody of the Fund concerning an individual member, retiree, annuitant, or beneficiary is confidential under the Act and Section 552.101, Texas Government Code (the "Public Information Act" or "PIA") and may not be disclosed in a form identifiable with a specific individual unless (1) the information is disclosed to an individual who is authorized to receive such information under applicable law or (2) the information is disclosed pursuant to a subpoena. Any request for member records should be directed to the Pension Office at staff@AFRFund.org.

SECTION X PAYMENT OF BENEFITS AND TAX INFORMATION

All retirement annuity benefits will be payable monthly and directly deposited into the bank account that you designate from time to time in accordance with the procedures adopted by the Fund.

Distributions from your DROP Account will be made pursuant to your direction, provided that all distributions must comply with the Act, Fund Rules, and applicable law. The Fund has adopted DROP Administrative Procedures, which are available on the Fund's website. Pursuant to those procedures, any requests for a DROP distribution must be made no later than the 15th day of the month in order for a distribution to be processed during such month. If a DROP distribution request is received after the 15th day of the month, such distribution will be processed for the following month.

Your retirement benefits are generally taxable to you upon receipt and subject to applicable withholding laws. You will be asked to complete a *Form W-4P Withholding Certificate for Periodic Pension or Annuity Payments* at retirement to determine the amount of withholding from your monthly annuity benefits. As discussed above, DROP distributions and other lump-sum distributions from the Fund are subject to a mandatory 20% withholding rate. However, you may complete Form W-4R to instruct the Fund to withhold at a rate that is greater than 20% for these distributions.

You will receive a *Form 1099-R Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc*. for each year that you receive a payment from the Fund. This form will also be filed with the Internal Revenue Service as required by law.

This Benefits Guide and any information you receive from Fund staff regarding your benefits from the Fund and any tax implications of such payments is not intended to be legal or tax advice. You are encouraged to seek advice from a professional tax advisor if you have questions about your individual tax situation.