

# AFRF News

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Austin Firefighters Retirement Fund

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## Letter from the Board

- By Vice Chairman Doug Fowler

Over the past year, the Fund experienced significant successes as well as some setbacks. Internally, the Fund staff made great progress in the development of our new Pension Administration System and the Board successfully implemented a passive investment strategy that resulted in notable fee savings for the Fund. Externally, the financial markets remained volatile, which resulted in a low investment return for the Fund through September 2023 and contributed to some difficult Board decisions.

Due in part to investment performance and corrections to actuarial assumptions, our amortization period increased to 35.7 years as of the 2022 Actuarial Valuation. The Fund's actuary projected that the amortization period will continue to rise and could become infinite by 2025. The increase in the amortization period has impacted the Fund in two major ways. First, the Pension Review Board issued a notice that AFRF was at risk of triggering a Funding Soundness Restoration Plan requirement in 2025, which would call for mandatory reform to the Fund. Second, the Board was unable to grant a COLA to retirees for 2024, which came as a serious disappointment to both the Board and to Fund members during this period of ongoing high inflation. Finding a solution to offer purchasing power protection to our retirees, while preserving the long-term financial health of the Fund, remains a top priority for the Board in the coming year. I am proud to serve on this Board for another term and would like to thank the membership for their continued trust and support. With confidence, I pass the role of Vice Chair on to Trustee John Bass and look forward to what we can accomplish together in 2024.



## Board of Trustees Election Update

Austin Firefighters Retirement Fund held an annual election to select an active or retired firefighter to serve on the Board of Trustees. The election was conducted by an outside vendor, Yes Elections, and offered the same online voting option that had been implemented in the previous year. The election ran from October 17th through November 6th, 2023. Out of three candidates, incumbent Doug Fowler won 59% of the 606 total votes cast. Chief Fowler began his renewed three-year term in January 2024.

Chief Fowler retired from the Austin Fire Department in 2017 with over 31 years of service. He has served on the AFRF Board of Trustees for a total of three years, holding the position of Vice Chair since February 2021. Chief Fowler ran for re-election on a platform of progress and transparency within the Fund. He has also expressed determination to find a solution to protect retiree purchasing power while maintaining the financial health and stability of the Fund. During his tenure, Chief Fowler advocated for members impacted by past benefit errors and aided in the reform of the pension office, including expanding the staff to fully meet the needs of the Fund and working with the Board to approve an overdue upgrade to the pension administration software.

## Letter from the Fund

- By Executive Director Anumeha Kumar

**Providing exceptional customer service was an area of focus among many competing priorities for the Fund staff in 2023. While 2024 continues to present a great deal of work for both the Board and staff, I am confident in our ability to progress toward a more financially stable future for the Fund while continually modernizing services and providing consistent high-quality support to our members.**

Over the course of a busy and highly productive year, the Fund staff focused on correcting past benefits administration errors. To ensure similar errors would not happen in the future, we implemented a robust system of quality controls and audits, resulting in zero retirement processing errors in 2023. The staff was also proactive in taking on additional workloads to lead and manage the development of the new pension software. In doing so, they reduced costs allocated for external consulting services for the PAS implementation project. Additional long-term fee-savings were achieved through a new flat-rate contract with the Fund's legal counsel and the successful implementation of a passive investment framework, bringing the Fund's total annual budget down by a full 2%.

One of the biggest challenges of 2023 was receiving the FSRP "at-risk" notification from the Pension Review Board. While this is a concern, the Fund is not in crisis. We are, and will continue to be, on a stable financial footing for the near future. Our funded ratio remains strong at 86.9% and our market value of assets continues to exceed \$1 billion. However, our actuary's projections indicated that some changes should be considered to help maintain the long-term financial health of the plan. Over the course of next year, the Board will engage with the membership and the City in careful consideration of different aspects of the retirement system, while honoring the core mandate of the Fund, which is to provide benefit security to current and future members. More information about the FSRP can be found within this newsletter and on the Fund's website at [AFRFund.org](http://AFRFund.org).



Image courtesy of Doug Fowler

# Voluntary Funding Soundness Restoration Plan (FSRP)

In September, the Fund received a notice from the Pension Review Board indicating AFRF was at risk of triggering an FSRP in 2025 if the Fund's amortization period continued to exceed the 30-year limit for two more subsequent valuations. As a proactive response, the Board created a working group comprised of Trustees Doug Fowler and John Bass to analyze the funding health of the plan alongside the Fund's actuary, Cheiron. The working group and Executive Director Anumeha Kumar hosted two informational sessions for members and invited City of Austin's Chief Financial Officer, Ed Van Eenoo, to present the City's perspective at the December board meeting. The City of Austin serves as the AFRF plan sponsor and is required under state law to share joint responsibility in developing the FSRP. The working group determined that developing a Voluntary FSRP would be the most cost-effective solution and would better situate the Fund for future success, with the knowledge that refraining from corrective action would inevitably trigger the mandatory FSRP in 2025. Details of the Voluntary FSRP are still under development. The working group will host additional informational sessions as they progress through Voluntary FSRP process and will continue to welcome feedback from members. Please see [AFRFund.org](https://AFRFund.org) for updates, notifications of future events, or to view recordings of the December meetings referenced herein.

## The Year Ahead

At the January Board Meeting, the AFRF Board of Trustees elected Trustee John Bass to serve in the Vice Chair position for 2024. Trustee Bass contributes a wealth of investment knowledge to the Board and championed the development of the passive framework strategy implemented in 2023. This strategy resulted in significant investment fee savings for the Fund without impact to returns on the public assets side of the Fund's investment program.

This year, the Board will focus on the development of a Voluntary FSRP. Additionally, AFRF will be reviewing many of their policies and procedures, including the Personnel Policy, Investment Policy Statement, Operating Procedures, Ethics Policy, and Governing Policy. They will also develop administrative policies and procedures, including internal controls, to align with the new PAS and EDMS systems. The Fund will conduct an Actuarial Experience Study and an Investment Practices and Performance Evaluation (IPPE) to inform future financial and actuarial decisions of the Fund, including the development of the Voluntary FSRP.

## The State of the Fund

**Investment Performance** | The economy experienced mild improvement in 2023 over the challenges of the prior year. The Fund's investments return remained low at 2.2% as of September 30, 2023, with a total market value of assets at \$1.1 billion. Despite its volatility, 2023 concluded with a more positive return outlook. The final 2023 investment return numbers will be reported to the Board at its February meeting. Over the course of the year, the Board implemented a passive investment framework, reallocating over \$100 million in public funds from high-fee active managers to passive strategies. This decision resulted in significant fee-savings for the Fund and aided the achievement of an overall budget decrease of 2%.

**2024 COLA Update** | In November, the Fund's actuary presented a Cost-of-Living Adjustment (COLA) Analysis in accordance with the Fund's Benefits Adjustment Policy. Based on the results of the analysis, the actuary recommended that no COLA be granted for 2024 due to the Fund's amortization period exceeding the 25-year maximum set forth in the policy for financial stability assessment. The Board followed the actuary's recommendation in order to preserve the actuarial soundness and financial stability of the Fund. Vice Chair Fowler and the Board trustees continue to work toward an alternative solution to protect the purchasing power of AFRF retirees.

**PAS Software Update** | AFRF successfully implemented the Electronic Document Management System (EDMS) and now retains all member forms in digital format, lending to both streamlined management and more robust security. Following the EDMS implementation, the AFRF staff engaged in an in-depth analysis of the initial Pension Administration System (PAS) software designs to customize the Pension Gold IV base system according to the statutory requirements of AFRF benefits administration. The AFRF staff has been hard at work with the vendor, Levi Ray & Shoup (LRS) to ensure the project remains on schedule and within budget. Completion of the project, including the member portal, remains on target for late 2025.



### In Remembrance

To the families and friends of those who passed away in 2023, the AFRF Board and staff would like to extend our deepest sympathies for your loss and express our gratitude for the years of service they provided to the citizens of Austin.

**Calvin Banks** | 1958-2023

**William Dailey** | 1938-2023

**William Durfor** | 1945-2023

**Charles Erlandson** | 1946-2023

**Earl Hestilow** | 1930-2023

**Frederic Kelly** | 1940-2023

**Travis Maher** | 1973-2022

**Doug McCarty** | 1929-2023

**Danny Richards** | 1954-2023

**Tommy Rutledge** | 1942-2023

**Freddie Smith** | 1931-2023

**Gary Walker** | 1943-2023



### The State of the Fund, Continued

**Cyber Security** | Ensuring the protection of member data is always a top priority for the Fund. To enhance cyber security protection, staff engages in thorough training and encourages Fund members to utilize a secure portal when submitting personal information. The Fund's contracted IT service also conducts routine penetration testing to identify risks and vulnerabilities and promptly address concerns to deter any potential crises that may arise.



### Congratulations 2023 Retirees!

The AFRF Staff would like to formally congratulate you on your retirement. We thank you for your many years of service to the citizens of Austin! AFD will host its annual retirement party on May 7, 2024, at the Creedmoor Community Center. Please join us in honoring these new retirees!

Donald Bissell	Randall Freytag	Mason O'Neal
David Brietzke	Jay Grooms	Tye Prange
Lance Carsno	John Gunn	Alvin Rosales-Thompson
Carmen Coursey	Julie Hall	Matthew Rush
Preston Curtis	Toby Heidel	Vicente Serrano
Erin Dempsey	Blaine Kruger	Brent Sjolseth
Elizabeth Donelson	Allen Mynk	Brandon Wade
Scott Esau	Bob Nicks	Keith Wilhelm
Clifton Farmer	Danny Nixon	David Williams
Jorge Felix	Marlon McCormick	Christopher Wilson

### Member Services

**Contact Information** | Please keep your contact information up to date with the AFRF staff, including your phone number, mailing address, and personal email address.

**1099-Rs** | State Street Retiree Services has completed the mailing of 1099-Rs for 2023. Please contact AFRF if you require a digital copy or a correction to be made to your 1099-R. Members who moved out of state in 2023 will likely receive two 1099-Rs to reflect income earned while in each state. Combining the totals reported on both forms will provide the annual amount needed for tax filing. If there is any issue with the time periods reported for two states, please contact AFRF for state code correction.

**Annual DROP Statements** | For members who participate in the DROP program and have an active balance in their account, an annual DROP Statement was mailed to your address on file with AFRF in January. If you did not receive your statement, please contact the pension office to confirm that your contact information is up to date.

**Website** | As a reminder, AFRF released a completely redesigned website in 2023. AFRFund.org is easy to navigate and contains helpful resources for members, including current news, upcoming pension payment dates, member service forms, benefit guides, financial reports, board meeting information and recordings, answers to FAQs, and more!

**Considering Retirement?** | Contact us for retirement benefit estimates or to schedule a benefits counseling session. Counseling can be conducted virtually or at the AFRF office.

### Important Dates

#### February

- 02** | 1099-R Corrections Begin
- 15** | Deadline for February DROP Request
- 19** | Office Closed for Presidents' Day
- 23** | February Regular Board Meeting

#### March

- 15** | Deadline for March DROP Request
- 25** | March Regular Board Meeting

#### April

- 15** | Deadline for April DROP Request
- 26** | April Regular Board Meeting

#### May

- 07** | Annual AFD Retirement Party
- 15** | Deadline for May DROP Request
- 27** | Office Closed for Memorial Day
- 24** | May Regular Board Meeting

#### June

- 15** | Deadline for June DROP Request
- 19** | Office Closed for Juneteenth
- 21** | June Regular Board Meeting

#### July

- 04** | Office Closed for Independence Day
- 15** | Deadline for July DROP Request
- 29** | July Regular Board Meeting

#### August

- 15** | Deadline for August DROP Request
- 23** | August Regular Board Meeting

#### September

- 02** | Office Closed for Labor Day
- 15** | Deadline for September DROP Request
- 30** | September Regular Board Meeting

Updates to this calendar can be found on [AFRFund.org](https://www.AFRFund.org).



### Connect with Us

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