



AFRF
AUSTIN FIREFIGHTERS
RETIREMENT FUND

**MINUTES
BOARD OF TRUSTEES MEETING
MONDAY JULY 24, 2023, 9:00AM**

Board Members Present

Doug Fowler, Vice Chair
Belinda Weaver, Treasurer
John Bass, Trustee
Aaron Woolverton, Trustee

Staff and Consultants Present

Anumeha Kumar, Fund Executive Director
John Perryman, Fund CFO
Debbie Hammond, Fund Benefits Manager
Gina Gleason, Fund Board & Operations Specialist
Shira Herbert, Fund Accounting Specialist
Amy Thibaudeau, Fund Benefits Specialist
Alyca Garrison, Jackson Walker
Anais Stevens, Jackson Walker
Elizabeth Wiley, Cheiron
Heath Merlak, Cheiron
Sean Bender, Montemayor
Wendy Sanchez, Provaliant
Jay Masci, Provaliant (virtual)
Aaron Lallv, Meketa (virtual)

Community Members Present

Don Lowe
Jan Wessen
Joe Cascino
Virtual attendees not listed

Vice Chair Fowler called the meeting to order at 9:01am.

Public Comments:

No public comments.

- I. Consent Agenda for the following:
 - a. Minutes of the regular meeting of June 26, 2023
 - b. Service retirement benefits for 8 applicants, 1 beneficiary, and 1 alternate payee

Vice Chair Fowler requested a moment of silence to honor the firefighter who had passed. Trustee Bass made a motion to approve all items on the Consent Agenda. Trustee Woolverton seconded the motion. The motion passed unanimously.

- II. Discuss and consider adoption of the December 31, 2022 Actuarial Valuation

Elizabeth Wiley introduced herself and Heath Merlak as the Cheiron actuaries. Ms. Wiley provided the Board with an educational overview on basic concepts of pension funding, defining the actuarial valuation, identifying the methods Cheiron used to produce the valuation, and highlighting the implications of the valuation for the trustees as fiduciary decision-makers for the Fund. Ms. Wiley described the Fund as a dynamic entity while the valuation is a static snapshot of a point in time. She explained the Market Value of Assets (MVA) to the Board, in relation to the Funded Ratio. Ms. Wiley named census data as an important contributing factor to the valuation and pointed out the recent

data correction which increased the Fund's liability. Ms. Wiley emphasized that corrected data is important from a risk-management perspective, as it prevents future loss for the Fund. She further explained that Cheiron referred closely to the Pension Statute to ensure that all benefits offered by the Fund were captured accurately in the valuation, with both demographic and economic factors considered as a basis for the assumptions. She noted that she would provide further information with the Experience Study that Cheiron will be conducting following the valuation. Ms. Wiley provided a high-level explanation of Cost Method to the trustees, noting that the Entry-Age Normal method used by the Fund is required by the Governmental Accounting Standards Board (GASB) for financial disclosures and is the most common method used by other public pension plans. Ms. Wiley explained that the Funding Period, or Amortization Period, reflects the length of time it would take for the portion of actuarial liability to be paid off, based on the contributions coming into the Fund. The current valuation puts AFRF at a Funding Period of 35.7 years. This was the first year within the past decade in which the Fund had exceeded the PRB's 30-year maximum guideline. However, she noted, there is no immediate consequence other than to inform future decision-making and a Funding Soundness Restoration Plan (FSRP) would only be triggered if the Funding Period remained over 30 years for three consecutive valuations. Ms. Wiley expressed a high level of confidence with the reported Funding Period following a review of the valuation by the Fund's three actuaries, a standard peer review, and an additional upper-level peer review, all of whom were in agreement about the calculations used. Ms. Wiley provided a reminder to the Board about the recently adopted assumption changes, including mortality improvement, benefit optimization with DROP selections and reflection of past COLAs. Mr. Merlak noted that the Fund added roughly \$70 million in liability with COLAs that had been granted since 2013. Trustee Bass emphasized for the membership that changing assumptions doesn't add cost to the plan, it only allows the Fund to view costs more realistically and make the plan more durable. Ms. Wiley informed the Board that the significant change in the Fund's MVA reflected the volatility of market value, and that the smoothed asset value better indicated the overall progress of the plan. Throughout the presentation, the trustees asked clarifying questions regarding trends with funded ratio in relation to the Funding Period, the present value of benefits, and the FSRP. Ms. Kumar further explained the FSRP, noting that it is a joint requirement for the Fund and the plan sponsor, City of Austin. She stated that if triggered, the Fund would work with both Cheiron and the City to consider a solution. Trustee Weaver thanked Cheiron for their educational presentation and noted the importance of the Experience Study as a starting point for future discussions. Ms. Kumar echoed the sentiment. Vice Chair Fowler moved to adopt the 2022 Actuarial Valuation. Trustee Weaver seconded the motion. The motion passed unanimously.

III. Discuss and consider adoption of the 2022 Financial Audit

Sean Bender introduced himself as the Fund's auditor from Montemayor. He presented his clean opinion that the financial statements were presented fairly in accordance with Generally Accepted Accounting Principles (GAAP). He noted that Montemayor used the Fund's internal controls to aid in the design of their audit procedures, but Montemayor's role did not include an evaluation of the internal controls. Mr. Bender further disclosed that the audit offers reasonable but not absolute assurance; the risk assessment focused on samples from riskier areas rather than testing every transaction. Mr. Bender reviewed the *Communications with Those Charged with Governance* letter, noting that there were no issues to report with management or deficiencies in internal controls. He stated that the Fund used standard accrual accounting, which is routine practice. Trustee Weaver stated her interest in including an evaluation of internal controls as part of the upcoming RFP for auditing services. Ms. Kumar confirmed that the Fund could seek that pricing as part of the RFP. Prior to adoption, Ms. Kumar requested that the trustees include a provision to allow staff to clean up the report prior to submission to the PRB. Trustee Weaver motioned to adopt the audit with permission for staff to make non-technical changes. Trustee Bass seconded the motion. The motion passed unanimously.

IV. Discuss and consider adoption of the 2022 Annual Financial Report

Anumeha Kumar notified the Board that the Annual Financial Report is a requirement of the Pension Review Board due for submission on or before July 31, 2023. Ms. Kumar explained that the report included the Actuarial Valuation and Financial Audit as well as some additional Fund information. Ms. Kumar noted that some aesthetic changes were made to the report this year in line with the Fund's rebranding efforts. Trustee Weaver praised the changes in format and presentation. Ms. Kumar stated that the staff still needed to include a signed copy of the Mayor's letter and requested that the Board permit that adjustment to the report in their adoption. Trustee Weaver made a motion to adopt the 2022 Annual Financial Report with allowance to staff to make non-substantive changes. Trustee Woolverton seconded the motion. The motion passed unanimously.

V. Update on the Electronic Document Management System (EDMS) Implementation

Anumeha Kumar explained that the website was the first phase of the Pension Administration System (PAS) and that the EDMS is now the second phase, currently in progress. Wendy Sanchez introduced herself as the Provaliant consultant who has been helping the Fund with project management throughout the PAS implementation process. Ms. Sanchez provided an overview of the EDMS, explaining that it is an imaging system comprised of two software programs: Kofax Capture for scanning and naming documents and PageCenter X for storage and retrieval. She noted that both programs would integrate into Pension Gold V4 once implemented, enabling members to submit forms digitally through Member Direct. Ms. Kumar emphasized the importance of digitizing the paper copies of the documents that had previously been stored in file cabinets at the AFRF office. She noted that the digitized copies would be housed and processed in a cloud system which is more secure and efficient. Ms. Sanchez further explained the backfile conversion process, describing the steps staff had taken to box and ship the files for Perfect Image to scan. Ms. Sanchez informed the Board that staff would perform detailed quality control (QC) for three boxes, and then QC the remaining boxes at a higher level. She noted that Perfect Image would retain the boxes for one year while the Fund worked on a retention policy. Ms. Kumar informed the Board that staff had begun to receive some training on the two imaging software programs and emphasized the importance of establishing a retention policy. Ms. Sanchez added that the Pension Gold kickoff would take place in August. No motion necessary.

VI. Discuss and consider action regarding full redemption of assets due to Sanderson Asset management closure

Anumeha Kumar informed the Board that one of their international equity managers, Sanderson Asset Management, had provided notice of their intention to wind down their business operations and close their investment program by the end of the year due to internal management issues. Ms. Kumar further explained that Sanderson's performance had improved since they last spoke to the Board, and that the Fund would not lose any money through the closure. The Fund's investment consultant, Meketa, recommended that AFRF submit a full redemption as soon as possible and transfer the proceeds to an MSCI Index fund. Vice Chair Fowler made a motion to submit for a full redemption of Sanderson assets at the next available liquidation window and transfer the proceeds to the SSGA MSCI EAFE Index in continuation of the passive framework previously approved. Trustee Weaver seconded the motion. The motion passed unanimously.

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

Anumeha Kumar provided an overview of the reports required for annual submission to the PRB, including those covered during previous agenda items. She identified the PRB 1000 as an important report that tracks annual returns over a 10-year period and noted that the documents in the Board packet were included for informational purposes. No motion necessary.

VIII. Discuss and consider the 2023 Board of Trustee Election, including establishing an “Election Period”

Anumeha Kumar updated the Board on the upcoming Trustee Election. She explained that the Fund would follow the same process, starting with the issuance of the nomination letter to the membership in mid-August. In the case of a contested election, Ms. Kumar stated that YesElections would manage the voting process again. She requested the Board permit a three-week election period as they had in the previous year and noted the election period would be initiated earlier this year to avoid conflict with the Thanksgiving holiday. No motion necessary.

IX. Update on Request for Proposals (RFP) for vendor selection to perform the Investment Practices and Performance Evaluation (IPPE), including notice for a “No Contact” period

Anumeha Kumar informed the Board that the RFP for IPPE had been issued. She stated that the no-contact period, a new requirement of the Ethics Policy, had commenced and the Board was now prohibited from communicating with any potential vendors. She indicated that the RFP had been posted to the Fund’s website and had been circulated through a list of vendors who had either performed IPPEs or responded to RFPs for IPPE work for other public retirement systems in Texas. Ms. Kumar stated that she would come back to the Board with recommendations and an opportunity for trustees to interview potential firms in August. No motion necessary.

X. Update on RFI for Depository Bank

Anumeha Kumar provided an update on the RFI for Depository Bank, noting that the RFI had been reissued to a broader audience following a lack of response to the initial RFI a few months prior. She reported that the banks who did respond were unable to offer the collateralization that the Fund requires in addition to FDIC insurance. Ms. Kumar recommended that the Fund cease to pursue the RFI and remain with Sunflower Bank for the time being. Trustee Weaver voiced her support for the decision, noting that collateralization above the FDIC insurance limit is required by state statute. No motion necessary.

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

a. General comments

No general comments.

b. Internal financial statements, transactions and Fund expense reports for month ending June 30, 2023

Anumeha Kumar explained that staff had been tracking the budget and the Fund was staying around the 50% spending threshold for most items, except for the additional funds paid to the previous actuary for work done with the COLA.

XII. Roadmap for future meetings

Trustee Weaver questioned whether the PRB training and reporting item was just a personal update for trustees, to which Anumeha Kumar confirmed that it was based on a previous Board request. She noted that trustees were mostly in compliance with the Minimum Educational Training (MET) requirements and that she would provide further update in August.

XIII. Call for future agenda items

No requests for future agenda items.

Hearing no objections, Vice Chair Fowler adjourned the meeting at 11:49am.

Board Members

Mayor Kirk Watson, Chair

Doug Fowler, Vice Chair

Belinda Weaver, Treasurer

John Bass, Trustee

Aaron Woolverton, Trustee