# MINUTES
# BOARD OF TRUSTEES MEETING
# FRIDAY AUGUST 22, 2025, 8:30AM

**Board Members Present**
Mayor Kirk Watson, Chair
Aaron Woolverton, Vice Chair
Belinda Weaver, Treasurer
John Bass, Trustee (virtual)
Doug Fowler, Trustee

**Staff and Consultants Present**
Anumeha Kumar, AFRF Executive Director
John Perryman, AFRF CFO
Debbie Hammond, AFRF Benefits Manager
Gina Gleason, AFRF Board & Operations Specialist
Amy Thibaudeau, AFRF Benefits Specialist
Alyca Garrison, Jackson Walker
Chuck Campbell, Jackson Walker
Leo Festino, Meketa
Aaron Lally, Meketa

**Community Members Present**
Max Lars, City of Austin
Rene Vallejo
Jessica Walton
Virtual attendees not listed

**Mayor Watson called the meeting to order at 8:30am.**

Public Comments:

**No public comments.**

I. Consent Agenda for the following:

a. Minutes of the regular meeting of July 25, 2025

b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

**Trustee Fowler made a motion to approve the consent agenda as presented. Vice Chair Woolverton seconded the motion. Trustee Weaver was not present to vote. The motion passed without objection. Trustee Weaver later requested her vote be recorded in favor of the agenda item. Mayor Watson motioned to record her vote and clarified that it would not impact the outcome. Vice Chair seconded the motion. The motion passed without objection.**

II. Meketa 2Q25 Investment Performance review, including the following:

**Mayor Watson addressed Agenda Item IV prior to Agenda Item II.**

**Trustee Weaver joined the meeting at 8:34am.**

a. Aether Natural Resources Analysis

**Leo Festino addressed this item following Agenda Item II.c.**

**Leo Festino followed up on previous board discussions from the May and June meetings regarding Aether Natural Resources. He recalled for the board that Aether had been the Fund's real assets manager invested in privately owned enterprises, such as energy exploration and mining, which had experienced challenges and decreased demand in recent years. He explained that Aether had decided to wind down the enterprise and would begin to function as a pass-through entity to manage the orderly liquidation of the remaining funds. Mr. Festino stated that the Aether investments had not lost any money but had caused the Fund to suffer opportunity costs. He recalled that at the prior meetings the board had asked questions regarding the decision to sell the positions on the secondary market versus waiting until the funds liquidate in the coming years. Mr. Festino informed the board that Meketa had performed the requested exercises and prefaced that the results were based on general assumptions and indicative pricing rather than on any concrete offers. He stated that the Fund could expect to receive around 60% of value on the secondary market, and that if the Fund were to reinvest those proceeds, it would take approximately seven years to make up for the loss, based on a 7.3% assumed rate of return.**

**Mayor Watson left the meeting at 9:12am. A quorum of three trustees remained on location.**

**Trustee Weaver thanked Meketa for their analysis and questioned how long it would take Aether to liquidate the remaining funds, noting her concern about further opportunity cost. Mr. Festino explained that the funds were mature and the better assets, such as the farm assets, would likely be sold within 6 to 18 months, while the remaining assets, such as the mining assets, would likely linger before being packaged and sold by the general partner at some level of discount. Mr. Lally further clarified that the Fund could expect to receive approximately half of their money within the next couple of years and could reconsider secondary sale for the smaller lingering balance at that point in time. Trustee Bass stated that the secondary value was likely a realistic representation of the remaining present value and questioned the true fair value of the funds. He agreed with Meketa's plan in hopes that the better assets would sell early, then the Fund could seek sale on the secondary market to offload the remaining assets. Trustee Fowler echoed the concerns of Trustee Bass and agreed with the plan to revisit secondary sale after receiving the more immediate distributions. Mr. Festino stated that Meketa would continue to monitor the assets and would notify the board if they uncovered a more lucrative opportunity for monetization. No motion necessary.**

b. 2Q25 Investment Report

**Leo Festino reviewed the two benchmarks used by the Fund, explaining that the dynamic benchmark is more short-term in nature, while the total fund benchmark serves as a long-term strategic benchmark. He stated that 2Q25 was positive overall with a return of 5.9%, which beat the 5.7% dynamic benchmark for the quarter and matched peer performance. Mr. Festino detailed the market conditions that defined the quarter, stating that the quarter had a volatile start due to the noise surrounding tariffs, but markets began to rebound and stabilize within a few weeks as more certainty became available. He further explained that most individual managers performed well versus their peers and stated benchmarks and the Fund remained in compliance with all its targets. On a ten-year annualized basis, Mr. Festino explained that the Fund exceeded peer performance approximately 75% of the time, which was more meaningful than the shorter one-year metrics which indicated that the Fund exceeded peer performance approximately 50% of the time. Mr. Festino reported that the Fund had lagged for the quarter versus its total fund benchmark, but explained that the total fund benchmark had been difficult to beat due to its heavy allocation to U.S. equities, which had performed strongly over the past**

**15 years. Regarding calendar year returns, Mr. Festino reported that the Fund had posted losses for only four of the previous 20 years, which included 2008 and 2022, when both stocks and bonds performed poorly. He stated that the growth of the Fund overall had been strong, increasing from $300 million to $1.2 billion over 15 years. He followed up to note that the Fund had also matured, meaning that cash-flow dynamics had worsened. Aaron Lally provided further explanation, stating that net outflow had increased over the last five years, due in part to market dynamics, but primarily to increased benefit payments. Mr. Festino stated that benefit payments had nearly doubled over 10 years from $45 million to $96 million annually. Mr. Lally emphasized how important it was that the board had taken legislative action to reform its contribution structure and prevent the Fund from furthering the negative cash-flow trend. He next addressed private equity, stating that despite a recent slump, there were merits to the asset class and it had created significant value for the Fund over the long-term. Mr. Festino reported that the trailing net performance of domestic equity had lagged despite positive performance by the three holdings in the Fund's US equities book, which included one index fund and two small cap products, and noted that outperforming in US equities would have required a very concentrated tech portfolio over recent years. Mr. Lally stated that many pension programs had been discussing the merits of keeping small cap, but explained that markets would eventually turn. Mr. Festino provided an example of the internet stock and tech boom in the 1990s eventually reversed in the early 2000s; he emphasized the importance of maintaining diversification within a portfolio. Regarding overseas investments, Mr. Festino stated that all managers had beaten their peers and benchmarks except for TT, so Meketa would continue to monitor their performance. No motion necessary.**

c. Core Infrastructure Education

**Aaron Lally recalled for the board that Meketa had made some recommendations for asset allocation changes in May, which the board formally adopted into their Investment Policy Statement at the July meeting. Mr. Lally stated that one of the changes was to eliminate the private natural resources target and start a core infrastructure allocation in its place. He explained that core infrastructure included assets for everyday use, such as roads and cell towers, which have become privatized and owned by large asset managers instead of the local municipalities. Mr. Lally stated that pension plans had increasingly invested in those products and presented the merits of the asset class, which included inflation protection, diversification from stock and bond markets, a cash-yield component, and some defensive risk. Mr. Lally further explained how core infrastructure funds were run, including fee structures, liquidity, and strategy classifications. Regarding strategy, Mr. Lally recommended that the Fund invest in the lower risk core infrastructure option, which would include established assets in North America and Europe with stable, predicable cash flows. He explained how two recent challenging market environments, COVID and 2022, had provided a real-world stress test for the asset class, during which core infrastructure had continued to produce stable returns while other asset classes suffered. Mr. Lally informed the board that the next steps would be for Meketa to return with a comparison of strategies and then schedule interviews for possible allocation. Trustee Weaver asked a question to clarify the timeline. Trustee Bass expressed a concern that the diversification effect may not be as strong as it appeared to be due to lagged appraisal and asked if Meketa had any concerns with the asset class on a moving forward basis. Mr. Lally stated that he was cautious about the growth of the asset class, since it had experienced rapid growth in recent years. No motion necessary.**

d. Private Markets Monitoring Progress

**Leo Festino followed up on a prior request from the board to provide further information about the process that Meketa engaged in to monitor private markets and private investments. He made a brief presentation to summarize how Meketa operated internally, including the structure of the team that provided private markets oversight. Mr. Festino stated that Meketa was continuously reviewing opportunities in private markets, many of which were re-up opportunities from existing managers raising a next fund in a series of funds. He explained that Meketa typically reviewed a thousand private markets funds, of which approximately a hundred would be added to clients' portfolios. Mr. Festino further explained the stages involved in Meketa's due diligence process, which included manager questionnaires, refence checks, site visits, committee votes and legal reviews, over a timeframe that ranged from six weeks to many months. He stated that theirs was a proven process that had been utilized for over 25 years. Mr. Festino added that Meketa also performed annual benchmarking for their clients to comment on performance across all investments. No motion necessary.**

e. Annual Private Equity Pacing Analysis

**Aaron Lally provided an overview of the Fund's private equity pacing in terms of investments versus distributions received. He explained that the investment pacing had been most significant from 2015 through 2020 and had flattened out in recent years as the program matured, while the capital received had accelerated since 2020. Mr. Lally described the program as cash-flow positive, which meant that exposure was decreasing. He added that the cumulative value created had been $245 million, most of which had been used as a source of capital to pay benefits rather than being reinvested. Mr. Lally stated that the private equity program was in good shape and that there would be no need for the Fund to make any private equity commitments for the next couple of years, due in part to the reduced private equity target. He explained how Meketa had worked with the Fund when they first came onboard to streamline the early private equity program and establish a consistent investment cycle, which would restart with a new phase in the next few years. No motion necessary.**

III. Update on proposed changes to the Governance Policy

**Anumeha Kumar provided an updated copy of the Governance Policy to the board in reflection of the changes requested by Trustee Weaver at the July meeting. She stated that the new version of the Governance Policy would allow for the Board Chair to solicit feedback from trustees during an open meeting prior to assigning any committee roles. Ms. Kumar stated that the proposed changes to both the Governance Policy and the Fund Rules had been posted to the Fund's website to solicit member feedback prior to final approval of the proposed changes. She noted that no comments had been received to date. No motion necessary.**

IV. Consider approval of Voluntary Funding Soundness Restoration Plan (FSRP) to PRB

**Anumeha Kumar explained that for the administrative purpose of submitting a Voluntary FSRP to the Pension Review Board (PRB), the board would need to formally approve the Memorandum of Understanding (MOU) that the Fund and the City of Austin had previously signed to take joint legislative action through House Bill 2802. Vice Chair Woolverton made a motion to approve the Voluntary FSRP as presented and further set forth in HB 2802 for submission to the PRB. Trustee Fowler seconded the motion. Trustee Weaver was not present to vote. The motion passed without objection. Trustee Weaver later requested her vote be recorded in favor of the agenda item. Mayor Watson motioned to record her vote and clarified that it would not impact the outcome. Vice Chair**

**seconded the motion. The motion passed without objection.**

V. Consider vendor review schedule

**Anumeha Kumar provided the trustees with the vendor review schedule that had been laid out according to the process set forth in the Governance Policy. She explained that the board had completed reviews of the actuary, depository bank, and legal counsel in 2022 and 2023, which resulted in changes to the actuary and depository bank, but no change to the legal counsel. Ms. Kumar provided an overview of the reviews that were currently due or coming due in the next year. She stated that the custodian bank would be up for review in 2026. She noted that there were no current issues or concerns with the custodian bank and explained that it would be a significant endeavor to consider making a change to that vendor. She welcomed the board to engage in that conversation next year. Ms. Kumar stated that the investment consultant was currently up for review. She recalled for the board that they had hired a third-party to perform an Investment Practices and Performance Evaluation (IPPE) in 2024 to review Meketa's work and the Fund's investment program, which served as a robust evaluation that resulted in a positive report with no concerns. She offered for the board to either treat the IPPE as the review, or to engage in further evaluation. Lastly, Ms. Kumar informed the board that the independent auditor, who had worked with the Fund since 2015, had been up for review in 2024, but was postponed due to the extensive work being put into the legislation and software development. She offered for the board to either proceed with the review of the auditor or to further postpone the review until the conclusion of the legislation rulemaking and software implementation. Ms. Kumar indicated that the Governance Policy did not require the board to partake in a formal RFP process for each vendor review; she stated that a discussion regarding vendor performance could be sufficient to meet the evaluation requirement. Vice Chair Woolverton asked if the vendor review schedule would be amended to reflect the IPPE serving as the investment consultant review, to which Ms. Kumar confirmed that the board had that option. Trustee Weaver agreed that the IPPE should serve as review of the investment consultant and voiced support for delaying the review of the auditor until the software implementation had been completed. Trustee Fowler asked if the software would be fully implemented by the end of 2026, and after receiving confirmation, voiced support for completing that project before moving onto any vendor review. Ms. Kumar stated that she would bring an updated vendor review schedule to the September meeting. No motion necessary.**

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

a. General comments

**No general comments.**

b. Newsletter update

**Anumeha Kumar stated that the fall newsletter was in progress and would be released in September.**

c. Board of Trustees election update

**Anumeha Kumar informed the board that staff had begun their work with the election vendor, and a copy of the nomination letter had been sent to the membership outlining the election timeline and procedures. She stated that the nomination period would be open from September 1st through 15th for two firefighter positions designated for an active member and**

**a retiree. She provided a brief overview of how term-length would be determined as the board transitioned into four-year terms for elected trustees.**

d. Pension Administration System (PAS) pension reform implementation update

**Anumeha Kumar provided a high-level overview of the PAS implementation status and timeline in consideration of the recent pension reform changes that would need to be integrated into the software. Ms. Kumar informed the board that staff and the software vendor, LRS, were in the completion stage for the third and final deliverable of the base software development. She stated that during November and December staff would enter the parallel processing period in which all software functions would be performed in both the legacy software and the new software to confirm the integrity of the new software prior to its release. She explained that parallel processing was anticipated to be a very demanding time for staff, and therefore from October through January, the membership had been asked to limit any benefit estimate requests to retirements within a six-month timeframe. Ms. Kumar revisited the cost-saving measure that staff had taken through their decision to bring payroll in-house. She noted that State Street would continue to function as the custodian bank to process the payments. Ms. Kumar further explained that LRS had been working on the first stage of integrating the pension reform changes into the new software. She detailed that the first stage entailed any changes that were clearly laid out in statute and would need to be implemented by January 1, 2026, such as DROP interest crediting and the base benefit structure for Group B. She explained that the two additional stages would pertain to any changes impacted by board rulemaking, such as military service purchase, additional benefit payment options for Group B, and the actuarial tables that apply to Group B benefit calculations. Ms. Kumar added that there were still a few additional administrative pieces to the software development that staff were still working on, such as workflows and correspondences, but all necessary components for the software were on track to meet the January 1, 2026, deadline. Ms. Kumar explained that one component that had to be delayed due to the additional reform work was the rollout of the Member Direct portal. She stated that the current goal was to provide retirees with access to the portal by April 2026 and to provide active members with access by August 2026. Ms. Kumar provided an overview of Member Direct's security features and functionality and informed the board that LRS would provide a warranty period for both the software and the portal through the end of 2026. Trustee Weaver asked if the membership had been consulted regarding Member Direct, to which Ms. Kumar explained that the functionality of the portal would have to remain within scope of the project, but she would provide further education to both the membership and the board later this year regarding its base functions and security controls.**

e. Mid-year budget update

**Anumeha Kumar presented an amended operating budget to the board for their consideration prior to adoption at the September meeting. She explained that the operational costs had increased to reflect three components: the final cost of the legal fees and actuarial fees associated with the legislative work through June 2025, a slight increase to the election vendor expense in reflection of the second position added to the ballot, and the cost associated with integrating pension reform changes within the PAS software. She added that the additional cost to the PAS software would be divided into three parts, with the amended budget reflecting only the first part, which pertained to changes that needed to be made by January 1, 2026. The trustees had no questions or concerns regarding the amended operating budget.**

f. Internal financial statements, transactions, and Fund expense reports for month ending July 31, 2025

**Anumeha Kumar stated that there was nothing notable to report beyond the operating budget amendments addressed in the previous agenda item. The trustees had no questions regarding the financial statements.**

VII. Roadmap for future meetings

**The trustees had no questions or requests regarding the roadmap.**

VIII. Call for future agenda items

**No future agenda items were called for.**

**Hearing no objections, Vice Chair Woolverton adjourned the meeting at 10:07am.**