



AFRF
AUSTIN FIREFIGHTERS
RETIREMENT FUND

**MINUTES
BOARD OF TRUSTEES MEETING
MONDAY DECEMBER 11, 2023, 1:00PM**

Board Members Present

Doug Fowler, Vice Chair
Belinda Weaver, Treasurer
John Bass, Trustee
Aaron Woolverton, 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
Shira Herbert, AFRF Accounting & QC Specialist
Amy Thibaudeau, AFRF Benefits Specialist
Chuck Campbell, Jackson Walker
Alyca Garrison, Jackson Walker
Lori Messer, Logic Compensation Group (virtual)
Nichole Arko, Logic Compensation Group (virtual)

Community Members Present

Ed Van Eenoo, City of Austin
Rene Vallejo
Donald Lowe
Tom Dodds
Virtual attendees not listed

Vice Chair Fowler called the meeting to order at 1:03pm.

Public Comments:

No public comments.

Consent Agenda for the following:

- a. Minutes of the regular meeting of November 17, 2023
- b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

Vice Chair Fowler requested a moment of silence to honor the firefighter who had passed. Trustee Bass indicated a minor adjustment that needed to be made within the minutes. Anumeha Kumar explained that the adjustment had already been made to the draft minutes posted to the website. Trustee Weaver motioned to approve the consent agenda with the minutes as amended. Trustee Bass seconded the motion. The motion passed unanimously.

- i. Funding Soundness Restoration Plan (FSRP) Working Group update, including requested presentation on reforms for other city retirement systems by Ed Van Eenoo (Chief Financial Officer, City of Austin)

Anumeha Kumar provided a refresher on the Funding Soundness Restoration Plan, explaining that the Fund had not triggered the requirements for a mandatory FSRP, but had been identified by the Pension Review Board (PRB) as an at-risk plan based on the Fund's 35.6-year amortization period as of the 2022 valuation. Ms. Kumar explained the reasons for the significant increase in the Fund's amortization period, naming the -10.8% investment return for 2022 and the updates made to the actuarial methods and assumptions to reflect potential costs more accurately as two primary factors. Ms. Kumar stated that Fund remained in a stable financial position with a funded ratio

near 86%, but due to the amortization period currently exceeding 30 years and projected to increase, the Fund's actuary expected the FSRP requirement to be triggered in 2025 if no corrective action was taken by the Fund. Ms. Kumar described the board's history of being proactive about managing plan costs and keeping the Fund on a path of sustainability, and explained that in response to the FSRP concern, the board formed a working group to consider the development of a voluntary FSRP. Ms. Kumar identified the benefits of developing a voluntary FSRP, and noted that one aspect would be collaboration and risk-sharing with the AFRF plan sponsor, the City of Austin. Ms. Kumar introduced the City's Chief Financial Officer, Ed Van Eenoo, to the Board and explained that he had spearheaded the City's pension reforms for both the City of Austin Employees Retirement System (COAERS) and Austin Police Retirement System (APRS).

Ed Van Eenoo thanked the Board for inviting him to share the City's perspective and start the conversation about potential financial reforms for the Fund. He stated that the intention of the presentation was just to inform the board of the City's reform philosophy and share the types of reforms that had worked well for COAERS and APRS. Mr. Van Eenoo highlighted the successes achieved with APRS and COAERS, most notably bringing the infinite amortization period of APRS down to 29 years following reforms passed in the 87th legislature. He explained that the two most important parts of the reform philosophy were to honor the benefits promised to the members to the greatest extent possible and to maintain prudent actuarial assumptions. Mr. Van Eenoo then explained the aspects of the reform, which included moving from a fixed-rate funding model to a flexible model, with contributions that vary within a range based upon performance. This funding model, he explained, allows the system to self-correct and stay within PRB funding parameters, even during periods of negative investment returns. Mr. Van Eenoo described some additional features of the reforms, naming benefit levels and funding as having the highest impact on sustainability, along with developing a plan to pay off existing unfunded liability within a set timeframe. Mr. Van Eenoo described the specific features of the reforms for APRS and COAERS, including establishment of tiered systems, adjustment of contribution levels, and adding the requirement of legislative approval for COLAs. Mr. Van Eenoo shared some projections of how actuarially determined funding could positively impact the financial health of AFRF, if implemented by the board. Mr. Van Eenoo concluded his presentation with a reminder that reform would become mandatory if AFRF triggered an FSRP in 2025, and encouraged proactivity to ease the reform process.

Vice Chair Fowler asked some clarifying questions regarding the tiered system, to which Mr. Van Eenoo confirmed that benefit levels remained the same for existing retirees and only new hires were impacted by the new lower benefit tier, emphasizing that multiple tier systems have become common due to the overall decrease in investment returns since the 1990s. Trustee Bass asked if the variable contribution rate linked to plan performance would incentivize greater risk-taking with investment, to which Mr. Van Eenoo assured the board that he had not experienced that with either systems in which the variable contribution rate had been implemented. Ms. Kumar reminded the board that the Fund was in the process of doing an experience study, which would inform any need for changes to the assumptions. The board thanked Mr. Van Eenoo for his presentation. Ms. Kumar informed the board that the next steps in the process included hosting a virtual member informational session on December 19th and presenting a preliminary update to the PRB during their actuarial committee meeting in January. Trustee Weaver confirmed that only Trustees Fowler and Bass would be attending the informational session due to quorum requirements, to which Ms. Kumar stated that the meeting would be recorded for later viewing by Trustees Weaver and Woolverton. Trustee Weaver asked who would be involved in the PRB presentation and if the board would be able to review the presentation materials beforehand, to which Ms. Kumar stated that she would be attending with one or both working group members

and that she would make the presentation available to the board in advance. No motion necessary.

II. Annual Performance Evaluation of the Executive Director (ED), including report on compensation study by Logic Compensation Group

Lori Messer introduced herself and Nichole Arko from Logic Compensation Group, who had been hired by the board to complete a custom compensation survey for the Executive Director position and make recommendations regarding the level of competitiveness of the Executive Director pay. Ms. Messer explained the five phases of the study, which involved working with the Fund leadership and a subcommittee of the board to establish job descriptions, determine appropriate comparator organizations, and identify the methods for analyzing the data. After assembling and distributing the custom survey, she explained, Logic went through a detailed process to validate the responses received before analyzing the data. Next, Ms. Messer described the compensation philosophy of the Fund, which was to look at the median of the market and add 5% for the Fund to take a slightly leading position. Ms. Messer explained that Logic looked at data from local, statewide, and national pension funds and applied geographic differentials to the results to normalize the cost of labor across regions. Ms. Messer further identified the parameters of the survey and the various factors that they considered in their analysis. She explained that a market index of 100% would indicate that the Fund was exactly in line with the market, anything below 90% would indicate misalignment in a lag position, and anything exceeding 110% would indicate misalignment in a leading position. She then informed the board that their results indicated that the Fund was at 42%, significantly misaligned with market, and that using alternate data cuts had improved the Fund's misalignment minimally. Ms. Messer proposed a salary range of \$274.6K - \$439.4K to realign with the market and the Fund's compensation philosophy for competitive pay. She suggested a two-year phased approach to the salary increase due to the significance of the increase. Ms. Messer also recommended annual adjustments to pay ranges be adopted based on the annual cost of labor changes in the market, annual increases in employee pay to support employer retention, and salary surveys to be conducted every three years to ensure the Fund had kept pace with the market. Trustee Weaver asked questions regarding the inclusion of large statewide systems as comparator organizations and the 60% spread in the proposed salary range. Ms. Messer explained that the statewide systems were included as organizations that posed a risk to the Fund from a retention standpoint. Nichole Arko followed up to note that the 60% spread is a typical range for the position. Ms. Messer added that the range allows flexibility for the Fund and does not oblige the Fund to pay a premium beyond the midpoint. Trustee Bass noted that there was a point in the analysis where Logic took out the largest asset under management plans and there had not been a significant effect on the results. Ms. Arko confirmed that Logic had included those organizations from a recruitment and retention perspective and that removing them from the dataset had minimal impact on the salary midpoint. The board engaged in further discussion on the topic of appropriate comparator organizations and the variety of attributes that should be considered. Trustee Weaver requested that Logic provide additional salary range numbers with the larger statewide systems removed from the data set. Ms. Arko confirmed that Logic would provide the requested information.

The board entered into an executive session at 2:28pm for personnel matters, including to consult with their attorney and to conduct the Executive Director evaluation, pursuant to Government Code Section 551.074. The board resumed open session at 3:15pm with no action having been taken during the closed session. Vice Chair Fowler praised Ms. Kumar for her performance as Executive Director and noted that the board would revisit the salary discussion in January with additional information from Logic. No motion necessary.

Trustee Woolverton left the meeting at 3:15pm, quorum of three.

III. Discuss and consider approval of proposed 2024 Budget

Anumeha Kumar presented an overview of the proposed 2024 budget, including changes from the prior year. Ms. Kumar started by reviewing the administrative expenses, stating that staff salaries had not changed. Ms. Kumar praised the hard work and dedication of her staff over the past year and requested funding for staff retention and merit increases, which she explained would be informed by the salary surveys provided by Logic Compensation Group and based on an annual performance evaluation of each staff member. Ms. Kumar proudly stated that no errors in retirement processing had occurred in 2023 due to the robust quality control procedures her staff had implemented. She then indicated a new line item for retiree health insurance, which had been separated out from the staff health insurance line item. Trustee Weaver questioned whether the Fund had a formal policy in place regarding retiree health insurance, since the Fund had no staff retirees until recent years. Chuck Campbell stated that there was no legal policy regarding retiree medical benefits, but the general policy of the Fund had been to align with the offerings made to City employees. Trustee Weaver noted that she would like to revisit the Personnel Policy regarding medical benefits of retired staff for discussion and possible board action. Vice Chair Fowler stated that he was pleased to see the investment management fees and other expenses decreasing. Ms. Kumar explained that building utilities and additional administrative expenses had minimal change, while the projected investment management fees had dropped significantly, due in part to the passive framework the board had implemented. Regarding professional services, she continued, the valuation and experience study were in line with contracted actuarial expenses, but additional line items had been added to accommodate potential additional travel expenses and pension funding research for the Funding Soundness Restoration Plan. For the Investment Practices and Performance Evaluation, Ms. Kumar anticipated that fees would decrease according to contract if the board remained with Callan to perform the next IPPE. Legal fees remained consistent, she continued, thanking Jackson Walker for maintaining their administrative and board meeting related rates. Ms. Kumar noted some additional projects the Fund had requested from Jackson Walker, including a full legal review of the benefits guide and member service forms, and upcoming development of a records retention policy aligned with the newly implemented electronic document management system. Ms. Kumar explained that pension software oversight had been moved to the professional services category and the Fund's contract with Provaliant had been restructured for fee-savings in response to additional work proactively taken on by the Fund staff. Ms. Kumar concluded the proposed 2024 budget, noting that the Fund was still working on renewing the board and director's liability insurance, which may increase from the amount quoted from 2023. Trustee Weaver motioned to approve the proposed 2024 budget with an additional \$25K total, budgeted for staff retention and merit salary increases. Vice Chair Fowler seconded the motion. The motion passed unanimously.

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

a. General comments

No general comments.

b. Pension Administration Software (PG IV) implementation update

Anumeha Kumar informed the Board that the pension administration software implementation was on track and staff had made a significant amount of progress in the design reviews for the first phase of deliverables.

c. Board Meeting Dates for 2024

Anumeha Kumar explained that the dates provided to trustees were tentative, noting her awareness of trustee scheduling conflicts on the proposed May and June meeting dates. Ms. Kumar stated that the January meeting was tentatively scheduled for January 29, pending room reservation confirmation with Austin City Hall. She confirmed a quorum of trustees would be available on that date.

d. Final internal financial statements, transactions and Fund expense reports for month ending October 31, 2023

Anumeha Kumar reminded the board that a draft of the October financials had been presented in the November meeting. She explained that the final numbers hadn't moved much from the draft, aside from the investment numbers. The trustees had no further questions.

e. Draft internal financial statements, transactions, and Fund expense reports for month ending November 30, 2023

Anumeha Kumar informed the board that the November financials were presented in draft form due to the early meeting date, and that the final financial statements would be included in the January report along with the end-of-year December budget statement. Ms. Kumar noted that the budget was currently on track, except for Jackson Walker and Cheiron, which exceeded budget due to the additional work requested by the Fund. The trustees had no questions regarding the draft November financial statements.

V. Roadmap for future meetings

Anumeha Kumar stated that she had mapped out all the 2024 meetings and welcomed any additions or suggestions from the trustees. Trustee Weaver mentioned that the follow-up to the salary survey analysis should be added to the January meeting and requested that the Personnel Policy also be added as a January agenda item for the purpose of discussing Fund retiree health insurance and updating the Executive Director salary range within the Personnel Policy. Ms. Kumar confirmed that both items would be added to the agenda. Chuck Campbell explained that any changes proposed to the Personnel Policy in January would be considered a first approval reading and would not be approved in finality until the March meeting.

VI. Call for future agenda items

This item was discussed in conjunction with the roadmap for future meetings. No additional items were requested beyond those previously noted.

Hearing no objections, Vice Chair Fowler adjourned the meeting at 3:40pm.

Board Members

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