

A black and white photograph of several Austin Fire Department trucks parked in a row. The truck on the left is a Spartan engine, number 43, with 'ISO CLASS 1' and 'AUSTIN' markings. The truck on the right is a Pierce engine, number 42, with 'AUSTIN' and 'Pierce' markings. Other trucks are visible in the background. The image is used as a background for a document cover.

HB 2802 PENSION REFORM

AUSTIN FIREFIGHTERS RETIREMENT FUND

AUGUST 2025



GOVERNANCE

BOARD STRUCTURE CHANGES UNDER HB 2802



BOARD OF TRUSTEES

Composition

- The board will expand from 5 members to 7 members.
 - One additional firefighter
 - One COA-appointed citizen with pension or investment expertise
- The Mayor will be permitted to assign a designee
- City Treasurer position will be converted to Chief Financial Officer, also permitted to assign a designee
- Chair and Vice Chair will be assigned annually by board election
- Firefighter positions will require representation from at least one active member and one retired member
- Place numbers added to positions for clarity →

BOARD OF TRUSTEES

Composition

Position	Designation
Place 1	COA Mayor or designee
Place 2	COA Chief Financial Officer or designee
Place 3	AFD Firefighter (without specification)
Place 4	AFD Firefighter (without specification)
Place 5	AFD Retired Firefighter
Place 6	AFD Active Firefighter
Place 7	COA Citizen appointed by City Council

BOARD OF TRUSTEES

2025 Election

- Two positions will be up for election (Place 5 and Place 6)
- Active and Retired nominees will be accepted from Sept. 1-15
- All positions will be transitioned to 4-year staggered terms:
 - Nominee with highest vote count during general election (active vs. retired) will receive the 4-year term.
 - Nominee with the second highest vote count during the general election (active vs. retired) will receive the 3-year term.
- If only one candidate is nominated for a position, they will still participate in the election to determine term length

BOARD OF TRUSTEES

Committees

- Three standing committees will be established:
 - Investment Committee
 - Policy Committee
 - Benefits Committee
- Each committee will consist of three board members
- Committee charters will be established by the Board
- All topics discussed in committee meetings will be brought to the full board in an open session for any formal action to occur



CONTRIBUTIONS

ADC FUNDING MODEL UNDER HB 2802



CITY OF AUSTIN

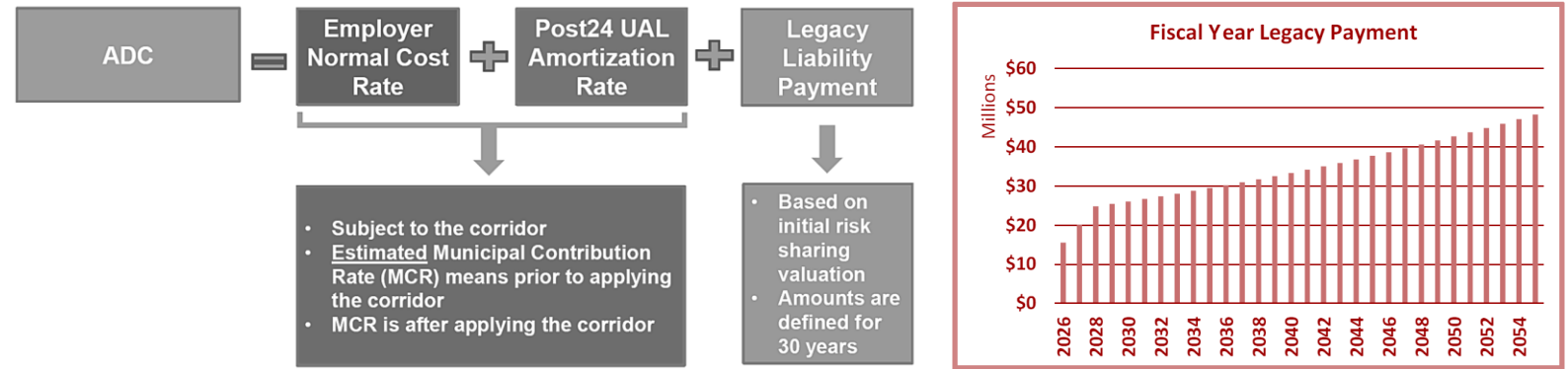
Contribution Changes

Fixed Rate 22.05% → Actuarially Determined Contribution (ADC)
Subject to Corridor

- COA contributions based on ADC effective beginning **January 1, 2026**
- December 31, 2024 unfunded actuarial liability (legacy liability) is amortized over 30 years to be fully amortized by December 31, 2055
- Three-year phase-in for legacy liability contribution begins with 2026 contributions
- Any new unfunded actuarial liability (UAL) after December 31, 2024 arising from experience or assumption changes will be amortized over:
 - Increases in UAL: 20 years
 - Decreases in UAL: Greater of 20 years or the largest liability loss layers remaining amortization period

CITY OF AUSTIN

Contribution Changes



2024 Risk Sharing Valuation Study

- Set corridor midpoint for **2026** at **12.62%**
 - Employer Normal Cost Rate: **12.62%**
 - Post-2024 UAL Amortization Rate: **0%**
- Legacy Liability Payment for **2026** is **\$15.4 million**
 - Equates to approximately **12.44%** of payroll
 - Three-year phase-in applies; annual increase of 2.5% after 2028
- Total employer contribution for 2026 will be 25.06%

FIREFIGHTER

Contribution Changes

Fixed Rate 18.7% → 18.7% *Subject to Corridor*

- If COA contributions increase up to the corridor maximum of 5%, firefighter contributions will increase up to 2% to meet the ADC
- If 2% is insufficient to cover the ADC, COA and Board need to determine additional funding solutions

2024 Risk Sharing Valuation Study

- Set rate for **2026** at **18.7%** (corridor did not apply)



BENEFIT STRUCTURE

ESTABLISHMENT OF TWO-TIER SYSTEM UNDER HB 2802





GROUP A

Hired *before* January 1, 2026

Includes Retirees
and Current Actives



GROUP B

Hired *after* January 1, 2026

NOT based on Cadet Graduation
or first Contribution Date

GROUP A

Non-Vested Terminated

- Members terminating before vesting will no longer receive interest on their member contributions beginning on **January 1, 2026.**
- All interest earned through **December 31, 2025** will be paid.

GROUP A

Cost of Living Adjustments

COLA Amount

- Up to 1.5% per year if financial stability tests described below are satisfied and approved by the Board.
- COLA pre-funded at 0.25%
- The Austin City Council may approve a COLA in any format it deems appropriate when one or more requirements prohibit the AFRF Board from granting one.

COLA Eligibility

- Later of age 67 and 5 years after retirement
- Group A members taking early retirement are subject to an Age 69 eligibility condition.

GROUP A

Cost of Living Adjustments

COLA Financial Stability Tests

- Funded ratio gradually increases from 80% to 90%
- Amortization period gradually decreases from 25 to 15 years
- Both tests will be phased in as follows:

Valuation Date	Funded Ratio	Amortization Period
2024 - 2034	80%	25
2035 - 2039	80%	20
2040 - 2044	85%	15
2045+	90%	15

- City's contribution rate \leq corridor midpoint + 4%
- No COLAs may be granted in any year beginning a year and a day after the Fund reports:
 - A negative investment return
 - A five-year investment return below the assumed return

GROUP A

Beneficiary Changes

Post-Retirement

- Two beneficiary changes are still permitted post-retirement
- Actuarial reductions apply
 - Benefit reduction applies to all post-retirement designations
 - Age reduction applies when designee is younger than member
- No automatic benefit for post-retirement marriages
 - Marriages **before September 1, 2025** will automatically become a beneficiary after 24 months (with documentation) under prior Fund Rules. Beneficiary change does not count toward two-change limit.
 - Marriages **after September 1, 2025** will not receive an automatic benefit. Spouses can still be named as a beneficiary with applicable benefit reductions; will count toward two-change limit. Any prior beneficiary designation will remain in place if no change is made.

GROUP B

Benefit Provisions

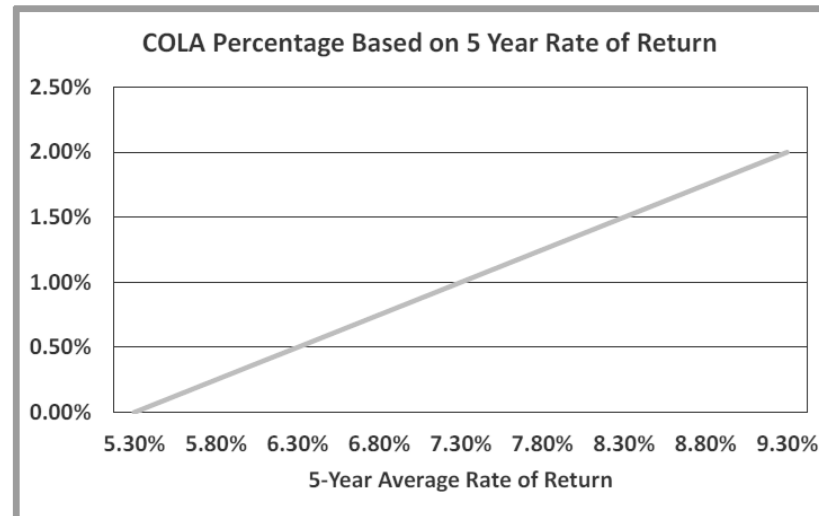
Benefit Component	Provision
Benefit Multiplier	3.0%
Early Retirement Eligibility	Not offered
Normal Payment Form	Single Life Annuity
Average Monthly Salary	60 months
Forward DROP	50% of member contributions are added to DROP
DROP Interest Rate <i>during</i> DROP Period	4.0% per year
DROP Interest Rate <i>after</i> DROP Period	4.0% in any year beginning a year and a day after the Fund reports a positive investment return; 2% otherwise
COLA	Performance-based compound COLA targeting 1% (min of 0% and max 2%)
Non-Vested Termination	Refund of member contributions without interest

GROUP B

Cost of Living Adjustments

Performance-Based COLA

- Group B members receive a variable, pre-funded COLA based on the Fund's five-year average investment return
- The COLA equals 50% of the return above a 5.3% threshold (based on a 7.3% assumed rate minus 2%), with a minimum of 0% and maximum of 2%.
- This design automatically adjusts for market performance, suspending increases during poor investment periods.



MILITARY SERVICE

Optional Purchase for
Group A & Group B

- Military Service Credit may be purchased – up to **5 years**
 - Service purchase price will equal member contributions that would have been made during the military service period
 - City of Austin will also contribute the employer portion of the missed contributions during the military service period
- For **Group A** members:
 - Military service that occurred **before September 1, 2025**, will be credited at the Fund's expense (no cost to member)
 - Military service that occurred **after September 1, 2025**, will need to be purchased as described above.
- Credit must be purchased within **60 days** from the end of active duty and supported by valid documentation.
- Service must have occurred while employed by AFD.



IMPACT

FUNDING HEALTH UNDER HB 2802



FUND STATISTICS

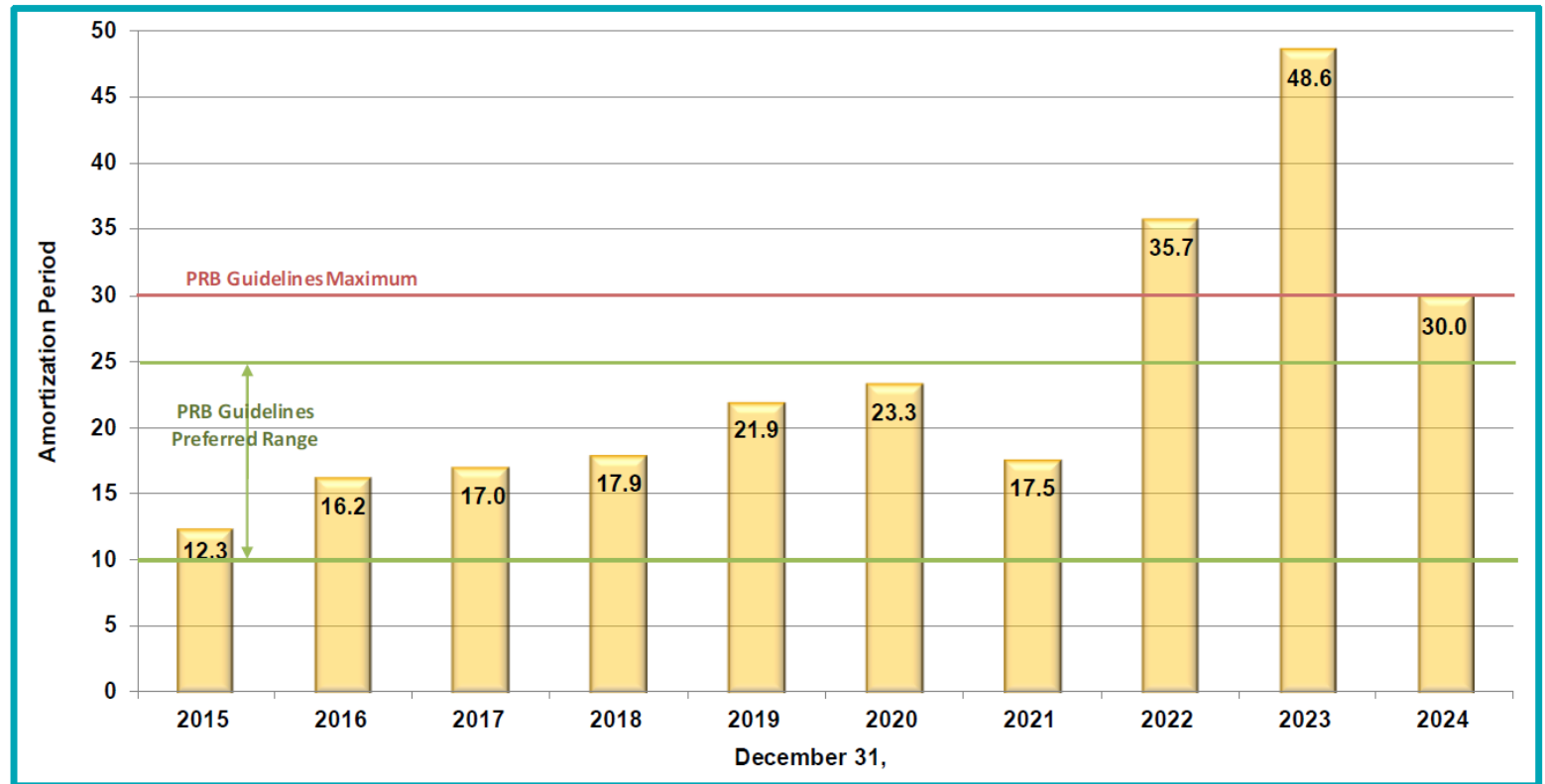
Actuarial Valuation

2023 vs. 2024 Post-Reform

Actuarial Accrued Liabilities	
\$1.499 Billion	\$1.514 Billion
Market Value of Assets	
\$1.160 Billion	\$1.160 Billion
Funded Ratio	
85.6%	76.9%
Amortization Period	
48.6 years	30 years
GASB Depletion Date	
2062	N/A
Investment Return Assumption	
7.30%	7.30%
Actual Investment Return	
8.4%	4.6%
Membership	
2241 Members (1246 active, 995 annuitants)	2281 Members (1249 active, 1032 annuitants)

FSRP TRIGGER

PRB Amortization Guidelines



Funding Soundness Restoration Plan

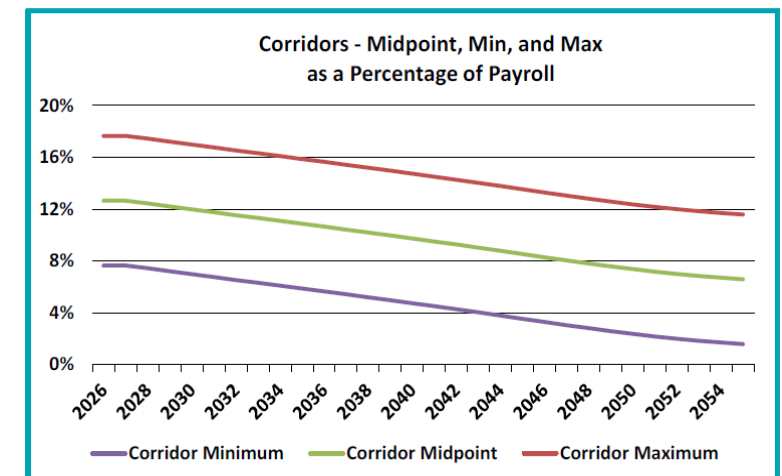
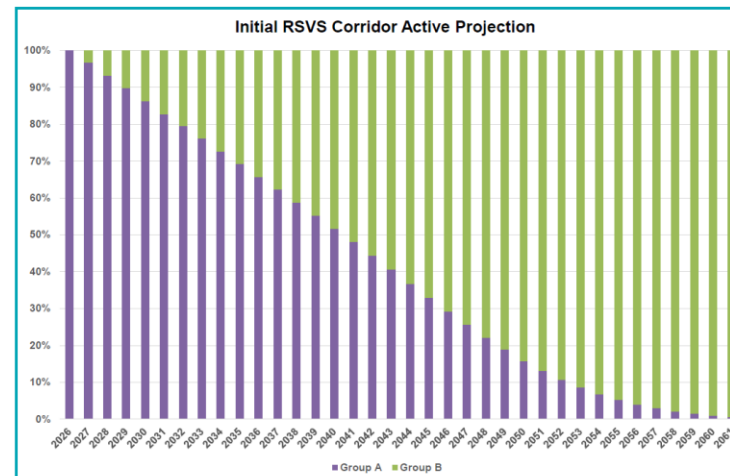
- Mandatory when PRB maximum is exceeded for 3 consecutive valuations
- Trigger avoided in 2024 valuation with HB 2802 pension reform
- Voluntary FSRP

NORMAL COST

Employer Contribution Rates

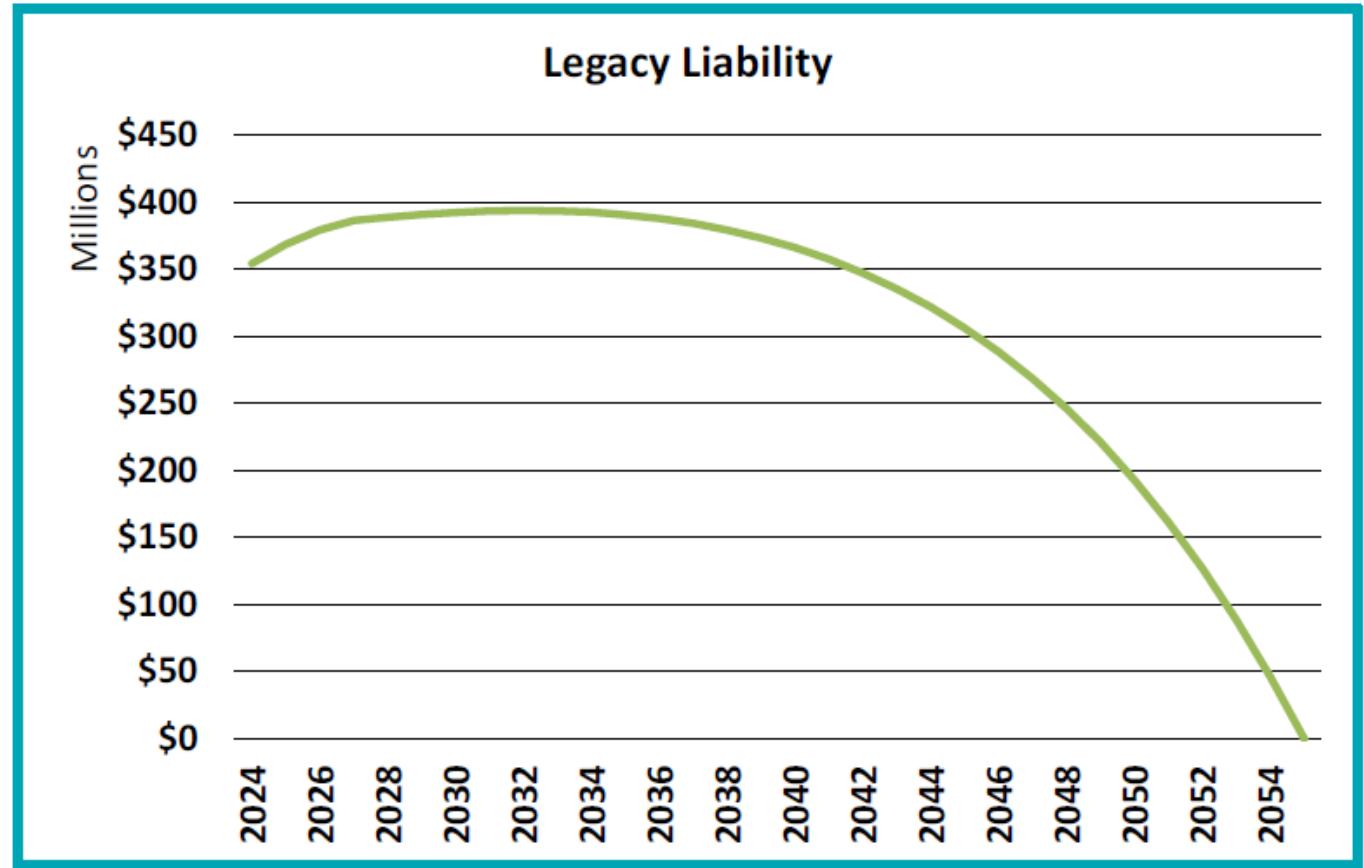
December 31, 2024 Preliminary Actuarial Valuation Results

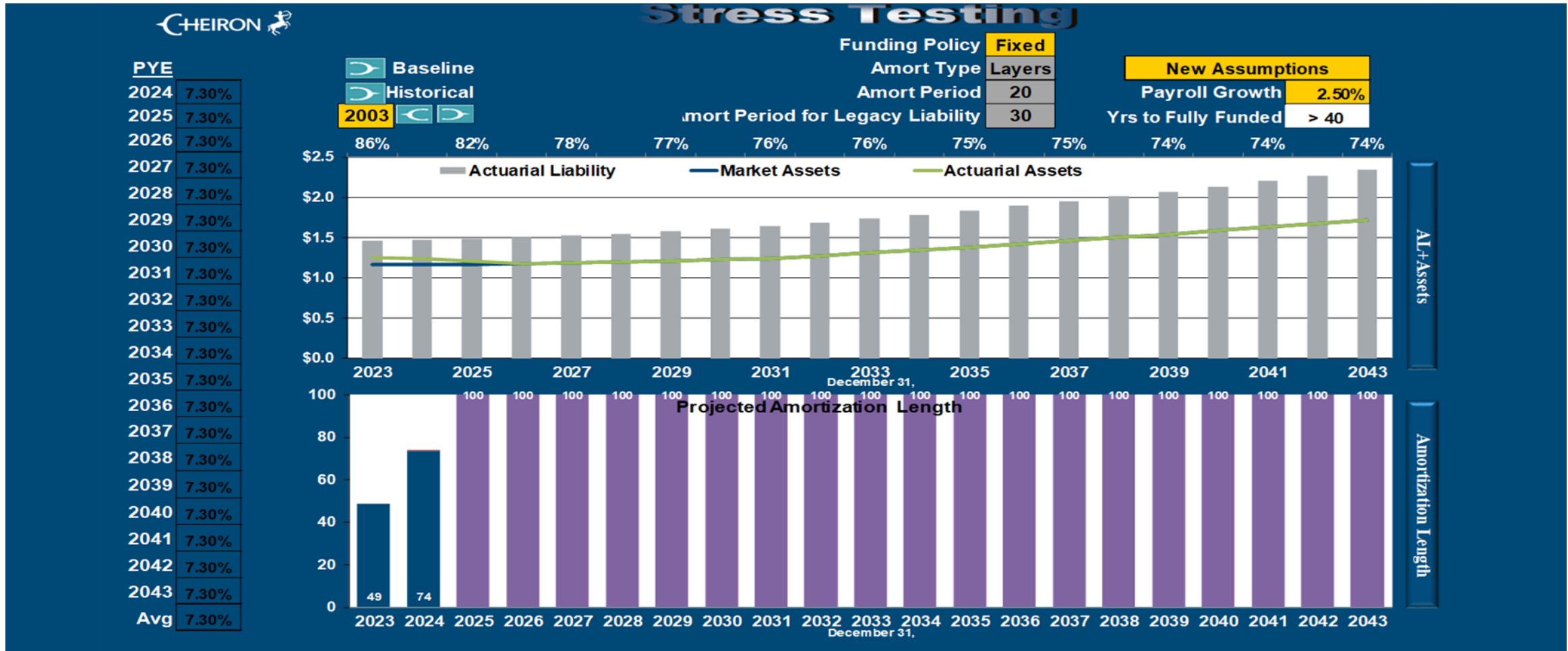
	Before Pension Reform	After Pension Reform Group A	Group B
Normal Cost	29.90%	30.10%	23.59%
Administration Expense	<u>1.25%</u>	<u>1.25%</u>	<u>1.25%</u>
Total Normal Cost	31.15%	31.35%	24.84%
Firefighter Contributions	<u>18.70%</u>	<u>18.70%</u>	<u>18.70%</u>
City Normal Cost	12.45%	12.65%	6.14%



LEGACY LIABILITY

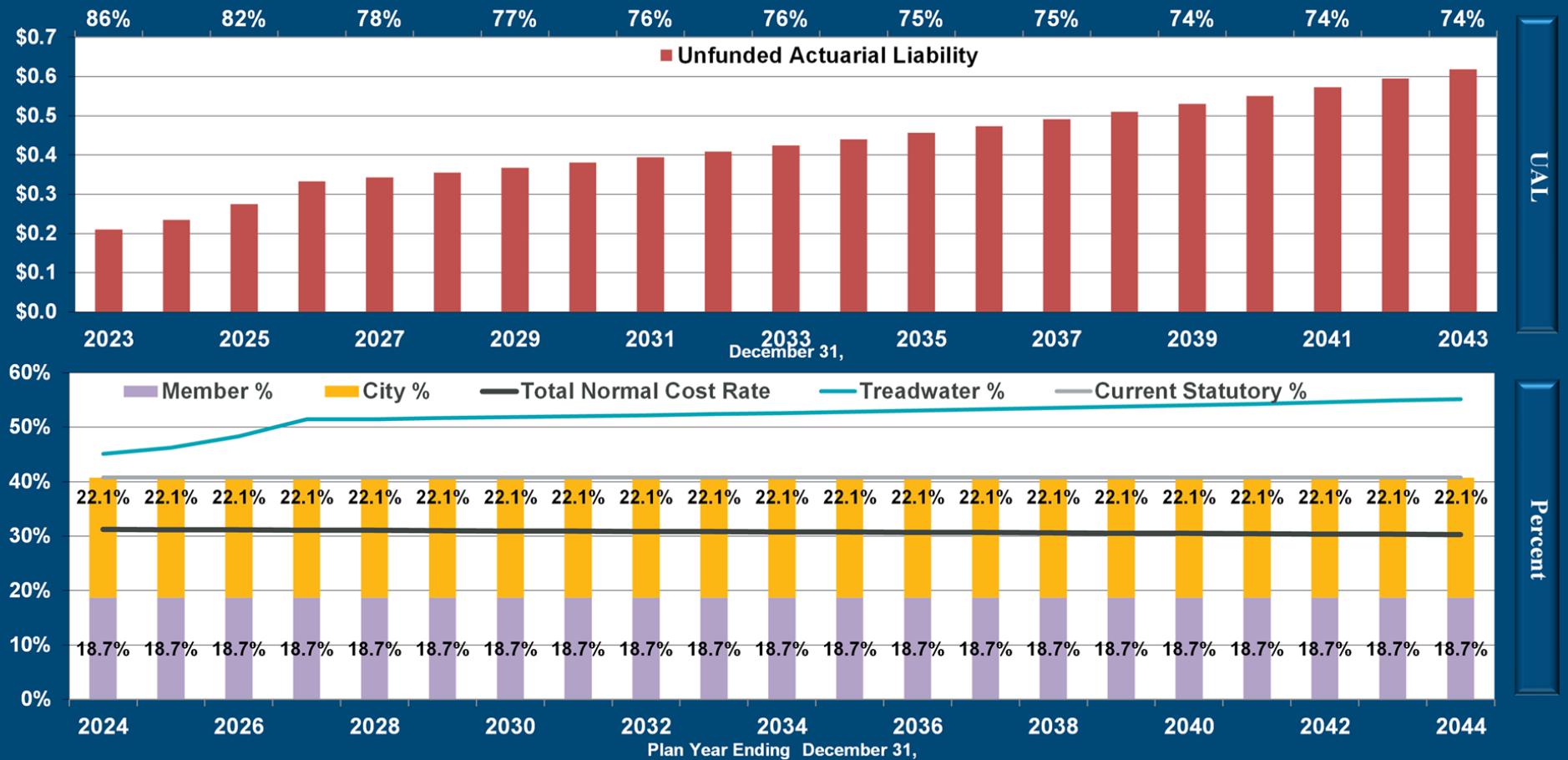
Fully Paid by 12/31/2055





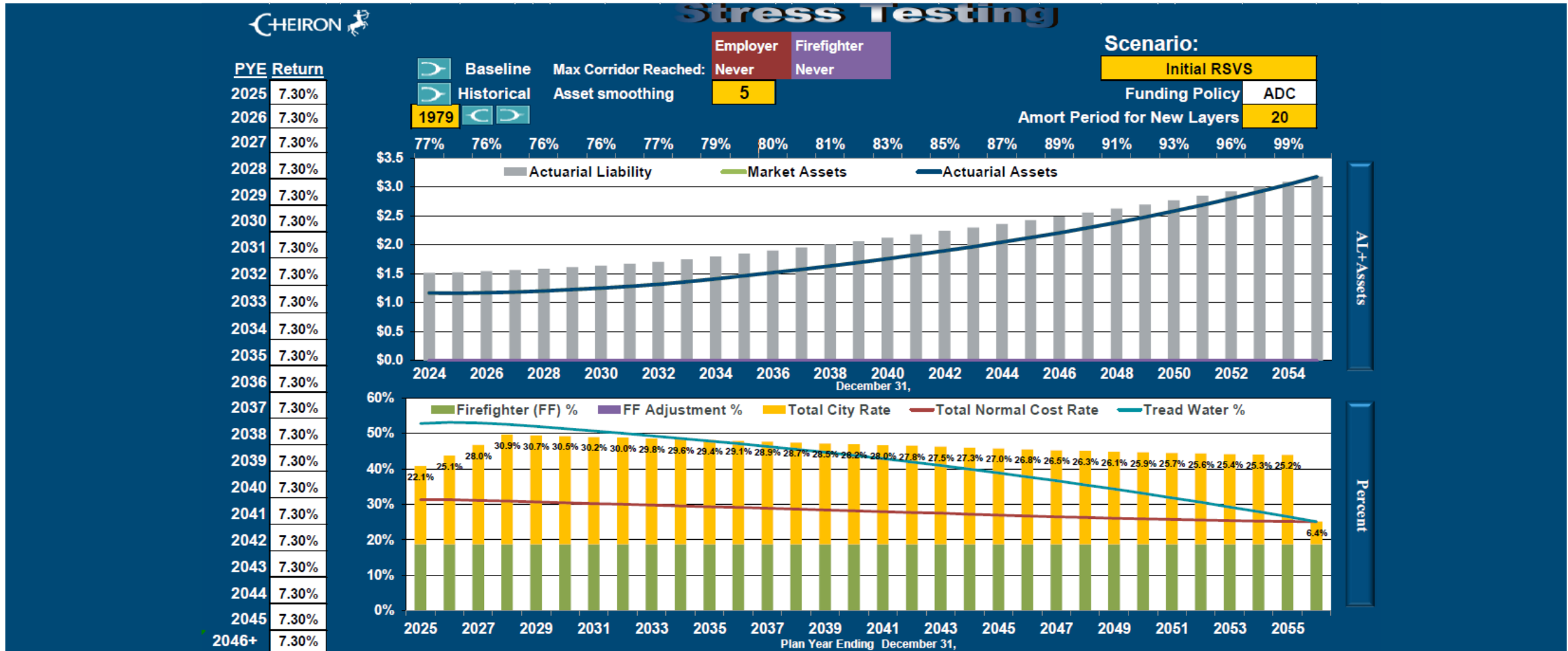
PRE-REFORM AMORTIZATION & STRESS TEST

Cheiron data, 12/31/2023



PRE-REFORM ACTUARIAL PROJECTION

December 31, 2023 - Assumes assets return 7.3% each year



POST-REFORM ACTUARIAL PROJECTION & STRESS TEST

July 25, 2025 - Assumes assets return 7.3% each year