AFRF News

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Austin Firefighters Retirement Fund

INSIDE

Letter from the Board

- By Board Chair Aaron Woolverton

In January, the Austin Firefighters Retirement Fund staff completed the transition to a new pension administration system, replacing software that was nearing the end of its functional life. Alongside this, they brought payroll processing in-house, and I'm glad to report the process has run smoothly and error-free since day one. Perhaps most exciting for members: many of you used to have to contact the Fund directly for basic services such as updating your contact information, checking a DROP account balance, and more. Now, much of that information is available to you online through our new member portal, a major step forward in making your Fund more accessible and member friendly.

Our 2025 Annual Report brought good news on several fronts. We posted a very strong annual investment return. Our amortization period, which was once on an at-risk trajectory projected to reach infinite, has improved dramatically and now sits comfortably within the guidelines set by the Texas Pension Review Board. The funded status has also improved on both a market and actuarial basis, which gives us a stronger buffer against any future market downturns.

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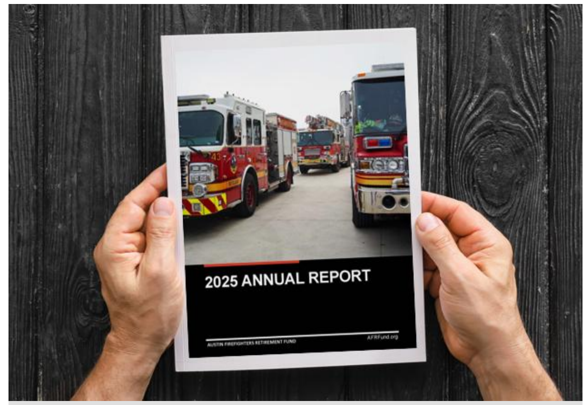
Letter from the Board, Continued

However, to be direct, despite an improvement in the financial health of the Fund, we will not be able to grant a cost-of-living adjustment for 2027. When we pursued legislative reform, we understood this outcome was certain in the near term, but that doesn't make the news any easier to deliver. The encouraging part is that our performance this past year exceeded expectations, and as a result, the outlook for a future COLA looks brighter than it did a year ago.

Since January, our newly formed committees have held several meetings to examine investment, benefit, and policy matters in greater depth than our regular board meetings previously allowed. While we made significant improvements to our funding health through the 2025 legislative session, sustainability is a marathon, not a sprint. The Board of Trustees must continue evaluating its rules and policies to strengthen the Fund's long-term health and to identify efficiencies within plan provisions that could maximize our ability to grant future COLAs.

Accordingly, as chair to the Benefits Committee, we've focused on evaluating potential reforms to bring before the 2027 legislature, including overdue adjustments to the disability and death retirement policies to ensure they align with best practices. We have also worked to give Group B members the ability to choose a retirement option that best suits their personal circumstances. For members who joined the Fund starting in January 2026, the Board approved new actuarially equivalent benefit payment options, including Joint & Survivor elections with or without a pop-up feature, giving newer members greater flexibility in planning for retirement.

Thank you for your trust in the Fund and we continue to build toward a stronger, more sustainable future together.



2025 Annual Report

The AFRF 2025 Annual Report is now available at AFRFund.org. This report provides Fund members and stakeholders with key information related to the Fund's financial position, including investment performance, funding health, and overall operations and management. It includes the Independent Auditor's Report, the Actuarial Valuation as of December 31, 2025, GASB Statements No. 67 and No. 68, and an overview of the Fund's benefits and historical plan provision changes.

At a high level, the report indicates that Fund experience for 2025 exceeded expectations established through the Funding Soundness Restoration Plan process. Legislative reforms to the benefit structure, combined with an annual investment return of 13.7%, well above the 7.3% actuarial target, reduced the Fund's amortization period to 23.0 years, bringing it back within the 30-year maximum guideline set by the Pension Review Board. The funded status, which had been expected to decline further due to a planned period of negative amortization, instead improved as a result of strong investment performance. As required by HB 2802, the Fund's actuarial value of assets (AVA) was reset to match its market value of assets (MVA) in the 2024 Actuarial Valuation; both measures have since risen from that 76.9% baseline, bringing the funded ratio to 77.4% on an AVA basis and 81.2% on an MVA basis. The Fund closed out 2025 with $1.26 billion in total market value of assets, up from 2024.

Benefit Payment Options for Group B Members

Under the legislative changes of HB2802, Group B Fund members who are hired by Austin Fire Department on or after January 1, 2026, will be granted a Single Life Annuity as their normal form of benefit upon retirement, pursuant to which the Fund will pay a monthly annuity to the member for life, but with no survivor benefit. To allow for greater flexibility in retirement planning, the Board of Trustees, with guidance from the Fund's actuary, Cheiron, adopted alternative Joint and Survivor benefit payment options at their June board meeting. Members who elect an optional Joint and Survivor benefit will have their monthly annuity benefit reduced to maintain actuarial equivalence to the Single Life Annuity. If a member who selects a Joint and Survivor option at retirement also elects to participate in DROP, the amount credited to their DROP account each month will reflect the member's adjusted annuity payments.

Joint and Survivor (75% or 50%) | This option will allow the member to name a beneficiary who will receive a survivor annuity upon their death. The amount that will be paid to the survivor will be based on the percentage selected by the member at retirement. This benefit will continue for the life of the beneficiary.

Joint and Survivor Plus Pop-Up | This option is the same as the Joint and Survivor (75% or 50%) above with the added provision that if the designated beneficiary predeceases the member, the amount being paid to the member will increase (or "pop-up") to the amount that would have been payable if the member had elected the Single Life Annuity.

Actuarial Matters

2025 Actuarial Valuation | Cheiron presented the valuation to the board in July, reporting that the Fund's actuarial metrics were better than expected due in part to strong asset performance, which offset minor liability losses. The Fund's membership remained relatively steady with a 3% increase to 2,386 total lives covered. In addition to the key valuation results included in the Annual Report (see page 2), the full Actuarial Valuation contains detailed information on Fund assets, liabilities, and contributions, including identification and assessment of risk and stress-testing. The report can be viewed on AFRFund.org under the Publications menu.

Risk Sharing Valuation Study | As part of the legislative reform, the RSVS now establishes the City of Austin's Actuarially Determined Contribution (ADC) each year. The RSVS calculated a normal cost rate of 31.29% for Group A and 24.28% for Group B, resulting in a blended normal cost rate of 31.07%. After accounting for firefighter contributions, the City is responsible for the remaining 12.37% of normal cost, which was adjusted to 12.41% under the corridor mechanism established in the ADC calculation. The City is also responsible for a fixed-dollar municipal legacy contribution amount (MLCA) of $19,825,290 per the 30-year schedule set in the initial RSVS, equal to 15.49% of projected payroll. Combined, these amounts result in an estimated total City contribution rate of 27.9% of payroll. Firefighter contributions were not impacted and will remain at 18.7% for fiscal year 2027.

Board Committees

The expansion of the AFRF Board of Trustees under HB2802 not only created a broader panel of qualified individuals to contribute their knowledge to the decision-making processes of the board but also allowed for the creation of subcommittees. Since January, all three of the standing sub-committees have named their chairs and established goals for the near and long-term future of the Fund.

Investment Committee | Chaired by Belinda Weaver, the Investment Committee evaluated investment strategies in the areas of infrastructure and real estate and conducted manager interviews for IFM Investors and Clarion Partners accordingly. At their February meeting, the full board approved the committee's recommendations to invest in the IFM Global Infrastructure Fund, while deferring further investment in the Clarion Alternative Sectors Fund. At their August meeting, following additional due diligence performed by Meketa regarding the recent lagging performance of international growth strategy manager Baillie Gifford, the committee determined that it would continue evaluating the manager's performance before bringing a recommendation to the full board. Other key priorities for the committee have included reviewing the Fund's private equity program structure, updating the passive framework, and considering the asset-liability study and the Investment Practices and Performance Evaluation (IPPE) in preparation for 2027.

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AFRF Direct Member Portal

In January 2026, the Fund launched a new Pension Administration System (PAS), which has run smoothly and enabled in-house benefit processing to be efficient and error-free. As part of this rollout, staff also guided development of the Fund's first-ever online member portal, AFRF Direct. A panel of retirees, including ARFFA members and Board trustees, conducted a test run this spring. Staff fine-tuned the portal based on their feedback and all retirees became eligible to enroll in June. Because active members required additional features, such as retirement and DROP scenario estimators, their rollout began in late August. As of publication, 884 members have successfully accessed their accounts. If you're an active or retired member who hasn't received enrollment credentials, please contact the Fund for a Personalized Enrollment Number (PIN). We have appreciated your patience throughout this implementation process and are excited to see these modernized tools finally come to fruition.

AFA and ARFFA Leadership

The Board of Trustees honored a leadership transition for the Austin Firefighters Association and the Austin Retired Fire Fighters Association at their February meeting. After 17 years as AFA president, Bob Nicks passed the torch to David Girouard, a 30-year veteran of the department, who took office on January 13, 2026. Meanwhile, Rene Vallejo, who served as an advocate on behalf of the Fund through many changes including the 2025 legislative reform, handed the ARFFA presidency to Jan Wesson noting her work ethic and commitment to the association. The board and staff are grateful for the years of partnership with both Nicks and Vallejo and look forward to continued collaboration under the new leadership.

Board Committees, Continued

Benefits Committee | Chaired by Aaron Woolverton, the Benefits Committee has focused on reviewing the Fund's disability program, including an examination of applicable statutory requirements and current policy provisions relative to peer systems. The committee is now considering potential legislative reforms to the disability and death benefit structures, with the goal of bringing them into closer alignment with best practices for defined benefit plans.

Policy Committee | Chaired by Doug Fowler, the Policy Committee has reviewed post-retirement beneficiary designation provisions, including the designation process, to confirm that all requirements and internal procedures are being carried out as intended. The committee has contributed to the identification of legislative priorities for 2027.

Board Election Update

The AFRF Board of Trustees operates on a staggered election schedule, with a single seat coming up for a vote annually. This year's election concerned Place 3, a seat open to both active and retired Fund members. After the Fund's statutory nomination window closed on September 15, 2026, incumbent Doug Fowler emerged as the sole nominee. He accepted the nomination and the election will be cancelled in accordance with the Fund’s governing statute. Chief Fowler will start a renewed four-year term in January 2027. 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 six years, during which time he served a critical role in reforming and modernizing the pension office and advocating for enduring Fund health though legislative reforms.

State of the Fund

Investment Performance | Meketa reported a strong 7% return for the Fund at the close of the second quarter, following relatively flat first quarter performance. Over a one-year rolling period, Fund performance stood at 14.5%, driven in part by the strength of U.S. small cap equities, which had lagged large cap stocks in recent years but rallied strongly over the past year. Over a ten-year rolling period, the Fund returned 8.5% annualized, though shorter-term performance has trailed the broader stock market. Importantly, the Fund's diversification continues to provide stronger downside protection during market corrections.

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Member Services

Contact Information | Remember to keep your contact information up to date with the Fund, including your phone number, mailing address, and personal email address. Updates can be made easily online through the AFRF Direct member portal at AFRFDirect.org without need to obtain forms through the pension office.

Payment Receipts & 1099s | The Fund's custodian bank, State Street, ceased to issue monthly payment receipts when the Fund began processing payroll in-house in January 2026. These monthly receipts are now available through AFRF Direct. As early notice, when 1099 tax forms are mailed in January 2027, they will also be available for download through AFRF Direct. If you have not yet accessed your account, please contact staff to enroll.

Participant Statements | Annual participant statements for active firefighters will be provided through AFRF Direct and will cease to be provided through Workday starting in January 2027. If you would prefer to receive a hard copy by mail, please contact the pension office with your request.

Considering Retirement? | Please contact us to schedule a benefits counseling session at least 30 days in advance of your intended retirement date to minimize any potential delays. Counseling can be conducted virtually or in person at the AFRF office. Unlimited retirement and DROP benefit estimates can now be produced on demand through AFRF Direct.

State of the Fund, Continued

2027 COLA Determination | The COLA benefit structure was revised through HB 2802. During their Actuarial Valuation presentation in July, Cheiron indicated that a COLA could not be supported for 2027 due to the failure of two required financial viability tests: the actuarial funded ratio of 77.4% fell short of the required 80% minimum and the five-year actuarial investment return average of 5.5% fell short of the minimum required rate of 7.3% (the assumed rate of return). This outcome was anticipated as part of the legislative reform implementation process. However, if future investment returns remains strong, a COLA could become feasible sooner than previously expected.

Important Dates

September
28 | September Regular Board Meeting

October
15 | Deadline for October DROP Requests
19 | October Regular Board Meeting

November
11 | Office Closed for Veterans Day
15 | Deadline for November DROP Request
16 | Investment Committee Meeting
16 | November Regular Board Meeting
26-27 | Office Closed for Thanksgiving

December
14 | December Regular Board Meeting
15 | Deadline for December DROP Request
24-25 | Office Closed for Christmas

January
01 | Office Closed for New Year's Day
15 | Deadline for January DROP Request

Updates to this calendar can be found on AFRFund.org.

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