



**AFRF**  
AUSTIN FIREFIGHTERS  
RETIREMENT FUND

**MINUTES  
BOARD OF TRUSTEES MEETING  
FRIDAY JUNE 27, 2025, 9:00AM**

**Board Members Present**

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

**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 (virtual)  
Maisie Sajbel, Jackson Walker  
Leo Festino, Meketa (virtual)  
Colin Kowalski, Meketa (virtual)  
Elizabeth Wiley, Cheiron (virtual)  
Heath Merlak, Cheiron, (virtual)

**Community Members Present**

Diana Thomas, City of Austin  
Max Lars, City of Austin  
Carrie Rogers, City of Austin (virtual)  
Virtual attendees not listed

**Mayor Watson called the meeting to order at 9:00am.**

Public Comments:

**No public comments.**

I. Consent Agenda for the following:

- a. Minutes of the regular meeting of May 23, 2025
- b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

**Mayor Watson requested a moment of silence for the retired firefighter who had passed in May. Trustee Weaver made a motion to approve both items on the consent agenda. Vice Chair Woolverton seconded the motion. The motion passed without objection.**

II. Second reading of proposed changes to the Investment Policy Statement (IPS)

**Mayor Watson stated that the board had voted to approve the Investment Policy Statement on first reading in May, and that three separate readings were required to formally adopt the proposed changes. Trustee Weaver made a motion to approve the IPS on second reading. Vice Chair Woolverton seconded the motion. The motion passed without objection.**

III. Update and consideration of next steps regarding Aether Natural Resources investment

Leo Festino summarized the company wind-down notice sent by Aether Natural Resources and Meketa's corresponding memorandum to the board. He explained that the Fund had committed about \$42.5 million across four vehicles with Aether over the last ten years, all of which were fund-of-funds invested in real assets such as energy and mining. He stated that the funds had performed fine relative to a difficult market environment and described how those funds operated across an average 10 to 15-year commitment cycle. He explained that at this point in the cycle, there would be no further capital calls and that the Fund would await distributions. Mr. Festino explained that Aether's notice, which announced that they would be retaining only three employees to manage the remaining assets of the funds, was consistent with consolidation that had been occurring across the industry. Mr. Festino stated that no action was required from the board other than to wait to receive distributions; he noted that the board had already decided to make a gradual exit from real assets by setting their asset allocation to zero at a prior meeting. Mr. Festino offered an alternative option to attempt to sell the private assets on the secondary market but discouraged that action due to an anticipated discount of 50-70% of fair value, which would equate to an approximate \$12 million cut from the expected distribution amount. He stated that while the Fund could potentially offset that loss through immediate reinvestment, the Fund had never transacted in the secondary space and did not need the immediate liquidity. At the request of Mayor Watson, Mr. Festino reiterated his recommendation to maximize value by waiting for orderly distributions of the remaining positions in each of the funds. He stated that Meketa would continue to monitor those assets and conduct further analysis regarding the secondary market and would follow up with any further recommendations at the August meeting. Trustee Weaver asked if the funds were currently valued fairly and whether Meketa's analysis would include the delta between selling and reinvesting versus continuing to hold the funds. Mr. Festino confirmed that the marked value was fair or conservative, meaning that the exit could be at further gain, and that Meketa's analysis for the August meeting would include different scenarios to determine the break-even point between the two options. Trustee Fowler raised a concern regarding some wording in Aether's notice and asked what strategies could be used to monitor and make decisions regarding providers in advance of receiving such notices. Mr. Festino addressed the concerns and explained that while Meketa had supported the earlier Aether funds as being among the most compelling fund-of-funds strategies in that market space, they had stopped making future investments due to the challenging market environment and reduced investor appetite. Mr. Festino noted that investments in private assets have a 10 to 15-year horizon, during which time there is always risk for the market environment to change. Trustee Fowler and Vice Chair Woolverton voiced their agreement that seeking exit in the secondary market would not be advantageous for the Fund. Anumeha Kumar requested that Meketa provide an overview at the August meeting about their process for conducting diligence on potential investments and monitoring assets once invested. Mr. Festino confirmed the request. Trustee Bass thanked Mr. Festino for his comments and stated that the risk associated with seeking potential excess returns through illiquid investments is something that the Fund should always be mindful of when entering private asset positions of any size. He voiced his agreement that seeking a sale on the secondary market within a difficult environment would not be advantageous to the Fund. No motion necessary.

IV. Presentation on conclusion of Texas Legislative Session 89(R), including the following:

- a. Status of the final City of Austin and AFRF joint pension reform bill (HB 2802) for a Voluntary Funding Soundness Restoration Plan (FSRP) and effective dates for certain plan provisions

**Chuck Campbell addressed agenda items IV. a. and b. in tandem.**

- b. Overview of the next steps related to implementation of HB 2802, including review of Fund Rules and policies

Chuck Campbell confirmed the passage of HB 2802 and provided an overview of the next steps that the board would need to take to implement the bill. He explained that immediate action would be required to update the Governance Policy and Fund Rules pertaining to the provisions that would take effect September 1, 2025. Under the Governance Policy, he highlighted the changes to board composition, including the addition of two new positions, an elected Chair, and different appointments that could occur, all of which would need to be addressed in statute. Mr. Campbell stated that he would bring two Governance Policy proposals to the next meeting, the first of which would regard the possible use of committees. He noted that committees had made little sense with the current board size but could be advantageous for certain specific areas with a larger board. The second proposal, he continued, would pertain to the designation of the firefighter member positions as active or retiree positions. Mr. Campbell explained that the current member positions were without designation, but the upcoming election would present an opportune time to designate one active position and one retiree position, due to the added member position. On an administrative level, separate from the legislation, Mr. Campbell explained that Jackson Walker would be revisiting a policy that had been set forth a few years prior in response to a benefit change that had been made with little notice given to the membership. The policy, he continued, added a notice and comment period, which was broadly applied to all policies regardless of their impact on members. Mr. Campbell explained that a cleanup change to that policy would make it applicable only to the appropriate policies that directly affect members, which would also be more consistent with the procedures of state agencies. Mr. Campbell added that the board would also need to make some new rules and suspend others during the transition period of implementing certain legislative changes, which they would discuss in an upcoming meeting.

Anumeha Kumar requested that if the board would like to proceed with designating one member position on the board as active and one as retiree, that they give direction to Jackson Walker and the staff to proceed with drafting those rules, since the nomination period would begin in September. Trustee Weaver stated that there would be value in having one active and one retiree position. Vice Chair Woolverton agreed that the interests of both groups should be represented on the board. Mayor Watson concurred. Trustee Fowler asked if any language would be included to address a potential situation wherein one of the positions had no nominees, to which Mr. Campbell explained that recruitment was the most common approach for other boards that faced those circumstances, but confirmed that he could include exception language. Mayor Watson agreed with adding a provision to suspend the requirement under certain circumstances; he noted that the language could always be revised at a later date. Trustee Weaver asked if Jackson Walker required any board direction regarding committees. Mr. Campbell explained that Ms. Kumar had already presented Jackson Walker with ideas for standing committees, but added that the Chair would have the authority to appoint a committee at any time. Mr. Campbell stated that the board would have further substantive provisions to consider regarding the standard form of benefit for the new benefit tier and the new COLA program but noted that those provisions were not immediately time sensitive and would be addressed in the coming year. No motion necessary.

- c. Other notable bills

Chuck Campbell provided an overview of the information that Jackson Walker had shared in

their pension legislation webinar. He explained that the bill that would have had the most significant impact, SB 312 by Senator Hughes, had not moved during the legislative session. He stated that SB 312 would have put a significant administrative burden on local funds, such as AFRF, by modifying fiduciary standards regarding investment decisions and adding requirements for proxy advisors. He noted that some legislation had passed to regulate proxy advisors but would apply primarily to statewide funds. He stated that the Fund should remain aware of the movement toward increased politicization of public fund investing, in case it trickles down to the local level in the future. He added that there were also some new open meetings rules that passed during the legislative session, which would create additional work for the Fund staff regarding the timeline for preparing meeting materials. No motion necessary.

V. Consider preliminary December 31, 2024 Actuarial Valuation, including preliminary Risk-Sharing Valuation

Elizabeth Wiley presented a high-level overview of the structural and benefit changes that went into effect under HB 2802, including the creation of a new tier for firefighters hired starting in 2026. She explained the changes that were made to the COLA structure, eligibility, and assumptions, and described how they applied to the original Group A benefit tier versus the new Group B benefit tier. She provided further information to the board about the mechanics of the performance-based COLA that would apply to Group B and noted that the structure would automatically reduce liability growth during periods of poor investment returns. Ms. Wiley next addressed the changes to the Fund's contribution basis that would take effect as of January 1, 2026. She explained that the City of Austin's fixed rate contribution of 22.05% would be transitioned to an Actuarially Determined Contribution (ADC), subject to a  $\pm 5\%$  corridor to limit the range, while the firefighter contribution would remain fixed at 18.7% with a risk-sharing provision for a  $\leq 2\%$  increase that would only engage if the ADC exceeded the corridor maximum due to a significant deviation from the assumptions. She explained that the structural reform would reflect actual Fund experience, and the actual contributions needed to ensure financial stability. She added that there would be an additional legacy liability payment that the City of Austin would pay down over a 30-year period based upon the unfunded actuarial liability (UAL) of the 2024 valuation. Ms. Wiley described how the initial risk-sharing valuation would be used to determine the legacy payment amount and define the contribution corridors over the next 30 years. Ms. Wiley explained that most assumptions used in the 2024 valuation would be the same as those adopted by the board for the 2023 valuation, but noted that some changes were required under HB 2802. She identified the two types of assumption changes, the first of which pertained to valuing future COLAs and moving from actuarial value of assets to actual market value of assets, and the second of which pertained to valuing the new tier benefit structure and defining a new entrant profile to reflect the anticipated demographics of the new tier, which Cheiron based on the demographics of the 2023-2024 hires.

Heath Merlak next presented a high-level overview of the preliminary valuation results and what the results meant in terms of the contributions. He compared the assets and liabilities from before pension reform to after pension reform. He stated that the pre-reform funded ratio had decreased from the prior year as expected, due to continued recognition of the 2022 market value losses. Mr. Merlak explained that liability had increased following the pension reform, which he identified as a reflection of the new COLA assumption. He stated that the UAL as of 12/31/24 was \$354 million and described the mechanics of how that legacy liability would be paid off by the City of Austin over thirty years. He noted that as the ADC was implemented, the UAL would increase at a rapid rate for the first three years of phase-in, followed by slight growth until approximately 2032, at which point the UAL will begin to decrease. Mr. Merlak next explained how the risk-sharing valuation was used to determine the ADC midpoint and corridors, stating that the midpoint reflected the expected Normal Cost for the next thirty years. He stated that the Normal Cost after

accounting for firefighter contributions was 12.65% for Group A, which would serve as the midpoint for the 2026 calendar year. He explained that Group B members would have a lower Normal Cost of 6.14%, therefore as Group A members retired and were replaced by Group B members, the midpoint would trend downward from 12.65% to 6.14% over time. He noted that those midpoints could change based on any assumption changes or member demographic changes in the future. Mr. Merlak concluded his presentation with an explanation of how the corridor was designed to absorb contribution fluctuations based on Fund asset performance. He described how the corridor would be applied under various scenarios and noted that even when assets outperformed the assumed rate of return, the City of Austin would still pay the corridor midpoint if the funded ratio was < 90%. He stated that the final valuation results may involve some minor tweaks to the liability calculations, but the preliminary results provided a reasonable estimate of contributions for the 2026 calendar year. Mayor Watson and Trustee Fowler thanked Cheiron for their presentation. Trustee Bass added that Jackson Walker had also contributed a significant amount of work behind the scenes for the pension reform; he expressed his gratitude to both firms. No motion necessary.

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

a. General comments

**No general comments.**

b. Pension Administration System (PAS) software update

**Anumeha Kumar informed the board that progress on the pension software had continued as expected. She explained that staff would soon begin working on the pension reform changes to be implemented with the new software and would not be customizing the current software, to avoid duplicate expenses. She noted that she would bring a budget amendment to the board within the next few months to reflect the estimated cost for implementing the plan changes.**

c. Internal financial statements, transactions, and Fund expense reports for month ending May 31, 2025

**Anumeha Kumar stated that there was nothing notable to report. The trustees had no questions regarding the financial statements.**

VII. Roadmap for future meetings

**Anumeha Kumar stated that the policy and rule amendments that were presented by Jackson Walker for legislation implementation would be added to the roadmap. No motion necessary.**

VIII. Call for future agenda items

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

**Hearing no objections, Mayor Watson adjourned the meeting at 10:25am.**

**Board Members**

Mayor Kirk Watson, Chair

Aaron Woolverton, Vice Chair

Belinda Weaver, Treasurer

John Bass, Trustee

Doug Fowler, Trustee