FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 28, 2022

Board of Trustees
Austin Firefighters'
Relief and Retirement Fund
4101 Parkstone Heights Drive, Suite 270
Austin, TX 78746

Re: Austin Firefighters' Relief and Retirement Fund
Updated COLA Adjustment Policy Analysis

Dear Board:

It is our understanding that the Board is considering the adoption of a Cost-of-Living Adjustment (COLA) that will provide increased monthly benefits to all eligible retirees. As stated in Section 9.04 of the Fund's Act, satisfaction of actuarial soundness and financial stability of the Fund must be met prior to any post-retirement adjustments being implemented.

To fulfill this requirement, the Board adopted the enclosed COLA Adjustment Policy which sets forth the criteria that must be satisfied prior to any COLAs being granted.

As stated in the COLA Adjustment Policy, the applicable determination period for the increase in the CPI-U under Section 9.04(a-2)(1) shall be the 12-month period ending on the September 30 of the initial year of the projection. We have determined that the increase in the CPI-U for this determination period was 8.2%.

As provided by Meketa, the Board's investment advisor, the Fund's year-to-date investment return through September 30, 2022 was -14.5%. We have performed the COLA Adjustment Policy analysis and determined that, based on the criteria outlined in the enclosed policy, a COLA (payable January 1, 2023) will not be supported.

For informational purposes, we have included two exhibits which show the results of the projection analysis, assuming a -14.5% return through September 30, 2022 and that no COLA is granted for eligible retirees.

The enclosed COLA Adjustment Policy also sets forth the criteria for a "de minimis" cost-of-living adjustment. We have determined that, for eligible retirees, a 0.15% COLA payable on January 1, 2023 would be supported. Applying the de minimis cost-of-living adjustment increases the amortization period (determined as of January 1, 2022) by 0.2 years, which satisfies the COLA Adjustment Policy requirements. The de minimis cost-of-living adjustment has no impact on the normal cost rate as a percentage of covered payroll.

Please note that for purposes of this analysis we have relied upon the same census data, actuarial assumptions and Fund provisions utilized for performance of the December 31, 2021 actuarial valuation, unless otherwise stated. The actuarial measurements included are based on the actuarial asset values as of December 31, 2021 and would be different if market asset values were used instead of actuarial asset values. Also, please keep in mind that future actuarial measurements may differ significantly from current measurements due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions
- Changes in actuarial assumptions
- Increases or decreases expected as part of the natural operation of the methodology used
- Changes in plan provisions or applicable law

Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

Please note the contents of this analysis and the December 31, 2021 actuarial valuation report are considered integral parts of the actuarial opinions. In reviewing the results presented in this study, it should be noted there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the December 31, 2021 actuarial valuation report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

I certify that I am familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein.

If you have any questions regarding this analysis, please let me know.

Sincerely,

Bradley R. Heinrichs, FSA, EA, MAAA
Enclosures

Austin Firefighters' Relief and Retirement Fund

10-Year Projection of Estimated Results

Current Plan Provisions and Assumptions (No COLA Payable on January 1, 2023)

Determined as of December 31, 2021

Plan Year Ending	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031
Amortization Period	18.5	19.2	22.8	31.5	60.3	55.7	51.7	48.9	45.5	41.1
Funded Ratio (AVA / AL)	89.2%	88.9%	87.6%	85.3%	81.9%	82.1%	82.3%	82.6%	82.8%	83.2%

Austin Firefighters' Relief and Retirement Fund

COLA Adjustment Policy - Actuarial Soundness Projection Test
Current Plan Provisions and Assumptions (No COLA Payable on January 1, 2023)

Determined as of December 31, 2021

Plan Year Ending Assumed MVA Return [1]	12/31/2022 -12.98%	12/31/2023 7.30%	12/31/2024 7.30%	12/31/2025 7.30%	12/31/2026 7.30%	12/31/2027 7.30%	12/31/2028 7.30%	12/31/2029 7.30%	12/31/2030 7.30%	12/31/2031 7.30%
Criteria 1 (Amort < 25?)	**Pass**	**Pass**	**Pass**	**Fail**	**Fail**	**Fail**	**Fail**	**Fail**	**Fail**	**Fail**
Criteria 2 (AVA/AL Fund Ratio > 80%?)	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**	**Pass**
RESULT	**Pass**	**Pass**	**Pass**	**Fail**	**Fail**	**Fail**	**Fail**	**Fail**	**Fail**	**Fail**

[1] Based upon a -14.5% net-of-fees investment return as of September 30, 2022 and assuming the actuarial annual rate for the three month period October 1, 2022 through December 31, 2022 we utilized a -12.98% return in Calendar 2022.

AUSTIN FIREFIGHTERS' RELIEF AND RETIREMENT FUND

COLA ADJUSTMENT POLICY

The purpose of this policy is to provide the actuarial basis for the determination of the collective adjustment amount available for cost-of-living adjustments under Section 9.04 of the Act. Satisfaction of actuarial soundness and financial stability of the Fund must be met prior to any post-retirement adjustments under Section 9.04 of the Act.

Subject to the terms of the Act, including without limitation, Section 9.04(a-4) and (b-1), a projection to measure the liabilities associated with a cost-of-living adjustment under a specified set of actuarial assumptions will be performed to demonstrate the soundness and stability of the Fund over an extended period following such adjustment.

The period for the projection will be a ten-year period beginning with the effective date of most recent actuarial valuation (which must be no more than 12 months prior to the effective date of the cost-of-living adjustment). Such projection will be based on the actuarial methods and assumptions typically utilized by the Plan, except for the following:

- The investment rate of return assumed for the experience on plan assets for the initial year of the projection will be equal to the product of the actual rate of return on Plan assets realized from January 1 through September 30 of such year and the Plan's actuarial rate of return for the period October 1 through December 31 of such year.
- The applicable determination period for the increase in the CPI-U under Section 9.04 (a-2)(1) shall be the 12 month period ending on the September 30 of the initial year of the projection.

Actuarial soundness and financial stability for purposes of adoption of a cost-of-living adjustment will be demonstrated by satisfying the following two parameters for all years in the projection period.

1) The funding period to amortize the unfunded accrued actuarial liability after the cost-of-living adjustment may not exceed 25 years for any year during the ten-year projection period;
2) The funding ratio (determined as the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) after the cost-of-living adjustment would not be less than 80% for any year in the ten-year projection period;

A "de minimis" cost-of-living adjustment will not be considered to adversely impact actuarial soundness or financial stability of the Fund and will not subject to the requirements stated immediately above. A cost-of-living adjustment will be defined as de minimis if the following criteria are satisfied:

1) The increase in the normal cost rate arising from the cost-of-living adjustment is 0.1% of covered payroll or less; and
2) The increase in the funding period to amortize the unfunded accrued actuarial liability is 0.2 years or less.