



## BOARD OF TRUSTEES MEETING REGULAR MEETING AGENDA

Monday, June 26, 9:00am

The regular meeting will be held in the **Board and Commissions Room at Austin City Hall, 301 W 2<sup>nd</sup> Street, Austin, Texas 78701** and will be open to the public. The meeting will also be available to the public through **signin.webex.com/join** with **meeting number 2553 685 9468** and **password June2023**, or through a telephone conference call, **toll-free dial-in number 408-418-9388** with **access code 58632023**. Some non-routine agenda items will have the trustee or individual who requested the item in parentheses.

### Public Comments

Members of the public may address the Board of Trustees on any matter during this portion of the meeting. Public comments may be provided in person at the physical location of the regular meeting, virtually through WebEx, or through the toll-free dial-in number provided above. A sign-up sheet will be available at the physical location of the meeting. The Board requests that any member of the public who desires to address the Board virtually sign up to speak in advance by contacting the Fund at **[staff@AFRFund.org](mailto:staff@AFRFund.org)** **no later than 5:00 p.m. on June 25, 2023**. All parties are asked to limit comments to 3 minutes. No discussion or action will be taken by the Board during public comments.

### To Approve

1. Minutes of regular meeting of May 26, 2023
2. Service retirement benefits for 3 applicants and 1 alternate payee
3. Refund of accumulated contributions for one member

### To Discuss and Possibly Act On

4. Discuss and consider preliminary results of 2022 Actuarial Valuation including the pension modeling tool
5. Discuss and consider vendor selection to perform Compensation Study for the Executive Director (ED) position
6. Discuss and consider QDRO policy to allow member benefit adjustment following the death of an alternate payee
7. Discuss and consider potential legislative change to amend the DROP distribution provision applicable to beneficiaries



8. Update on Request for Proposals (RFP) for vendor selection to perform the Investment Practices and Performance Evaluation (IPPE)
9. Update on wrap up of 88th Legislative Session
10. Executive Director Report, including the following (Discussion Only)
  - a. General comments
  - b. Consent agenda process
  - c. Update on RFI for Depository Bank
  - d. Internal financial statements, transactions, and Fund expense reports for month ending May 31, 2023
11. Roadmap for future meetings
12. Call for future agenda items

**Austin Firefighters Retirement Fund**  
4101 Parkstone Heights Drive, Suite 270  
Austin, TX 78746  
(512) 454-9567

**NOTE:** The Board of Trustees of the Austin Firefighters Retirement Fund may meet in Executive Session on any item listed above in accordance with and as authorized by the Texas Open Meetings Act, Texas Government Code Ch. 551.

**NOTE:** The City of Austin is committed to compliance with the American with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Meeting locations are planned with wheelchair access. If requiring Sign Language Interpreters or alternative formats, please give notice at least 2 days (48 hours) before the meeting date. Please contact our office at (512) 454-9567 for additional information; TTY users route through Relay Texas at 711.

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**AFRF**  
AUSTIN FIREFIGHTERS  
RETIREMENT FUND

**MINUTES  
BOARD OF TRUSTEES MEETING  
FRIDAY MAY 26, 2023, 9:00AM**

**Board Members Present**

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

**Staff and Consultants Present**

Anumeha Kumar, Fund Executive Director  
John Perryman, Fund CFO  
Debbie Hammond, Fund Benefits Manager  
Gina Gleason, Fund Board & Operations Specialist  
Shira Herbert, Fund Accounting Specialist  
Amy Thibaudeau, Fund Benefits Specialist  
Chuck Campbell, Jackson Walker  
Alyca Garrison, Jackson Walker  
Anais Stevens, Jackson Walker  
Laurel Malone, Jackson Walker  
Leo Festino, Meketa  
Aaron Lally, Meketa

**Community Members Present**

Rene Vallejo  
Hilton Crocker  
Virtual attendees not listed

**Vice Chair Fowler called the meeting to order at 9:00am.**

Public Comments:

**Rene Vallejo introduced himself as the president of the Austin Retired Fire Fighters Association (ARFFA). He acknowledged that while the AFRF Board has little say over the health insurance offered by City of Austin Human Resources, he decided to use this platform to speak about the proposed Medicare Advantage Plan after being denied the opportunity to speak on behalf of retirees at the committee assigned to review the proposal. Mr. Vallejo read the letter he sent to City Counsel, in which he expressed frustration with the lack of clear information provided to retirees about the proposed plan, and concern for the level of coverage the plan would offer compared to the supplemental insurance plan currently offered to Medicare-eligible retirees. He expressed distrust with the proposal process and implored that careful consideration be given to the Medicare Advantage Plan. Vice Chair Fowler asked the Fund's legal counsel if he could ask follow-up questions but was not permitted to.**

**Hilton Crocker introduced himself and explained the personal situation which prompted him to speak to the Board. Mr. Crocker stated that his ex-spouse was awarded a portion of his retirement benefits during his divorce and the Fund Administrator at that time had assured him that his full benefits would be reinstated upon her death. Mr. Crocker explained that there had been a misunderstanding, as the Fund had no policy or known precedent in place for that situation. He requested the Board take action to write a clear policy to protect his benefits and those of any future retirees in his situation. Vice Chair Fowler reiterated that the Board was not permitted to engage in any conversation about the request at that time. Mr. Crocker thanked the Board for their consideration.**

I. Minutes of the Regular Meeting on April 24, 2023

**Trustee Woolverton made a motion to approve the minutes of the regular meeting on April 24, 2023. Trustee Bass seconded the motion. The motion passed unanimously.**

II. Service retirement benefits for three applicants and one beneficiary.

**Trustee Bass made a motion to approve the benefits for three applicants. Trustee Woolverton seconded the motion. The motion passed unanimously. Vice Chair Fowler requested a moment of silence for the firefighter who had passed. Trustee Woolverton made a motion to approve the benefits for one beneficiary. Trustee Bass seconded the motion. The motion passed unanimously.**

III. Meketa 1Q23 Investment Performance Review, including the following:

a. Economic and Market Update

**Leo Festino reported that a lot had happened in the economy since the last time Meketa presented to the Board, from the regional banking crisis to an imminent default by the government in the coming weeks. Aaron Lally explained that the banking crisis had mostly resolved, and the only impact was a temporary dip in the markets. He added that the current debt ceiling crisis is primarily political in nature and advised the Board not to make any tactical decisions based upon it. He also noted that inflation is coming back down, and no obvious recession is occurring. Mr. Festino informed the Board that the Fund had a good first quarter continuing off the fourth quarter rebound from 2022. He noted that the overall gains were trailing the Fund's policy benchmark primarily due to the Fund's largest asset class, private equity, reporting on a lag basis. Mr. Festino reported that the rest of the Fund's portfolio performed well and was within policy range, with most managers meeting or exceeding the benchmarks. Mr. Lally further emphasized the Fund's strong performance over the long term despite short-term fluctuations. No motion necessary.**

b. Passive Framework Progress Report

**Aaron Lally reminded the Board about the passive framework that was put into action at the last quarterly meeting with Meketa. He reported that two monthly transactions had been executed since that meeting, the third one was in progress, and that the strategy was going smoothly. Vice Chair Fowler and Trustee Woolverton asked questions pertaining to tracking the progress of the strategy, to which Mr. Lally responded that results are only meaningful over the long term. Trustee Bass echoed the importance of focusing on long-term performance since the Fund exists in perpetuity. Trustee Weaver asked how the transactions were selected, to which Mr. Lally explained both a growth strategy of trimming down high-performing managers and spreading the strategy across asset classes from month to month. No motion necessary.**

c. Annual Asset Study Comparison

**Leo Festino provided an overview of the annual asset allocation report. He informed the Board that Meketa did not have any recommendations for changes this year, but welcomed the Board to consider whether any changes would be appropriate. He further explained that best practice for similar funds had moved away from making yearly changes. Mr. Festino noted that much had happened since conducting this exercise in 2022, including a significant increase in interest rates and a decrease in valuation on many asset classes. He described a favorable outlook on forward-looking return metrics, naming the change in interest rate as the biggest driving factor. Mr. Festino indicated that investors in similar funds had not been making any meaningful changes recently.**

Trustee Bass expressed his contentment with the conservative return assumption that the Board had previously adopted, noting its contribution to a margin of safety and an increased likelihood for the Fund to experience gains over the long-term. He voiced support for maintaining that strategy rather than adjusting annually. No motion necessary.

d. Private Equity Planning

Leo Festino reviewed the performance of the Fund's current private market investments through the lens of the Internal Rate of Return (IRR). He noted that the Fund had a positive performance overall, with the biggest gains in the growth sectors and solid gains in diversified offerings. Overall, he explained, the dollar positive impact has been about \$250 million in wealth creation from those portfolios over the last 13-14 years. Mr. Festino recommended that the Board begin to consider making one more private equity investment. Mr. Festino explained that the investments have a finite life and without reinvestment, the Fund's position would move to zero. He provided an overview of the Fund's commitment history during the time Meketa has been working with the Fund, noting that the Fund's commitment model changed in 2016 to focus on fewer commitments of larger size, with the last commitment having been made three years ago. He explained that the best practice in the industry is to allocate money consistently over time and indicated that the Fund is due to make another commitment in order to have exposure to opportunities that come to the market through those providers over the next few years. Mr. Festino recommended the Fund commit at least \$25 million to a primary fund of funds. He provided a brief overview of two options: Constitution Capital and LGT. Trustee Bass and Vice Chair Fowler asked some follow-up questions regarding fee structures. Anumeha Kumar requested that Meketa speak more at the August meeting about the private equity fee structure and possible ways for the Fund to keep its desired diversification level while lowering fees. Mr. Festino followed up to note that the Fund is large enough to bypass fund of funds and invest directly in primary funds, which would save the Fund money but add operational complexity. Aaron Lally concluded Meketa's presentation with a brief overview of the roadmap for the August meeting, including next steps for private equity, operating procedures, and some possible liability analysis. Trustee Weaver followed up on a prior discussion about Highclere, asking if any more discussion had taken place regarding Highclere's performance and fees. Mr. Lally responded that they were on the list to reduce exposure to as part of the passive framework, but no further discussion had taken place around fee proposals. He confirmed that Meketa would have that discussion. No motion necessary.

IV. Proposed updates to Investment Policy Statement (IPS) and Operating Procedures, including addition of passive framework justification

Anumeha Kumar reminded the Board that during the February meeting, they had discussed considering updates to the IPS to include justification for the move to a passive investment structure. Ms. Kumar presented an overview of the broad goals, which included adding a policy benchmark which would be 100% passively investable, adding justification for meeting some of the Fund's asset allocation through passive investments, considering including a minimum passive mandate, and developing an investment fee policy as recommended by the Pension Review Board. Trustee Bass provided further explanation for the goals Ms. Kumar presented. He explained that the Fund started by moving an initial 10% in areas that are the most challenging for active managers to outperform, such as public equity and public fixed income. He questioned whether the Fund would want to establish a target percentage for the future, and whether that should be a mandate included in the policy. He stated the importance of adding language to the IPS to explain the rationale for passive investment and expressed a desire to include a clear separation of duties between trustees and the investment advisor. Vice Chair Fowler asked a question about benchmarking strategies, to which Aaron Lally clarified that peers and benchmarks are different from each other. Trustee Bass provided further clarification to the question. No motion necessary.

V. Update on conducting Investment Practices and Performance Evaluation (IPPE)

Anumeha Kumar provided a refresher of Senate Bill 322 which became state law in 2019, requiring systems with over \$100 million in assets to perform an IPPE. Ms. Kumar described the additional steps that were added to the process during the last legislative session. She indicated that the Fund's last IPPE was performed by Meketa in 2020, under a concession of the law that allowed systems to use their existing consultants. However, she explained that the legislature mandated retirement systems to consider hiring an independent third party to perform the evaluation. Now that the Fund is in the second cycle, Ms. Kumar recommended that the Board engage in an RFP process to hire a third-party vendor to evaluate the performance of the Fund's investment program through an independent lens and to inform some of the changes that the Board will be considering for the IPS. Ms. Kumar described the parameters that would be included in the RFP and stated her goal of issuing the RFP this month. Trustee Weaver praised Meketa's performance but emphasized the intention of the law to conduct an independent review. Trustee Weaver made a motion to issue an RFP for the IPPE. Trustee Woolverton seconded the motion. The motion passed unanimously.

VI. Discuss and consider final adoption of proposed changes to the Code of Ethics

Anumeha Kumar informed the Board that the proposed changes to the Code of Ethics had been posted to the Fund's website following the March board meeting, and no public comments were received. Trustee Woolverton made a motion to adopt the revised Code of Ethics. Trustee Weaver seconded the motion. The motion passed unanimously.

VII. Update on launch of Fund's new public facing website

Anumeha Kumar announced that she was proud of the Fund's new public facing website, which launched on May 17 and had received positive feedback from members. She described the work that Gina Gleason put into modernizing the site, making it easier for members to navigate. Ms. Kumar explained that the website would be managed in-house moving forward and welcomed any comments or suggestions from trustees. Trustee Woolverton expressed satisfaction with the new website and questioned whether the staff would be able to track member usage of the site to identify any frustration points. Ms. Kumar and Ms. Gleason stated that they believed the functionality was available and would look into analytics as they completed the training process with LRS. Trustee Weaver expressed amazement with the new website, noting the improvement of site content over the past year, especially with the inclusion of Meketa's investment reports. Ms. Kumar noted that making the investment reports publicly available will also help streamline staff response to recurring PIA requests. Trustee Weaver asked a clarifying question about email addresses, to which Ms. Kumar confirmed that the staff was currently in the process of transitioning the email addresses to the new domain name and assured that no messages would be lost during the transition. Ms. Gleason confirmed that the membership had been notified of the change in conjunction with the announcement of the new site. Ms. Kumar reviewed the scope and sequence of the overall Pension Gold project. Vice Chair Fowler voiced his appreciation. No motion necessary.

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

a. General comments

Anumeha Kumar indicated that some retirees had expressed concern about not receiving their ACH advice on time. Ms. Kumar stated that the Fund staff takes the processing of payroll correctly and timely very seriously. She clarified that the payroll process is completed by the Fund staff at the beginning of the month, then the custodian bank takes over to issue the payment according to their own schedule. Ms. Kumar further explained that the custodian bank issues payments on the 25<sup>th</sup> day of each month, but slight variation may occur if the 25<sup>th</sup> occurs on a weekend or holiday. She highlighted potential factors for delay, such as the USPS cycle for the ACH advice and the banks of the individual members for deposits received. Ms. Kumar welcomed members to reach out any time they have a question or concern and offered to add a payment schedule to the new website when possible.

Ms. Kumar provided an update on the alternate payee concern expressed by the Fund member who spoke during public comments. She stated that the staff had been working to find precedents and will soon request that the Board consider a policy change to reflect a benefit adjustment in situations like his.

Lastly, Ms. Kumar stated that there had been some confusion and concern surrounding the allowable number of DROP distributions. While the Board had the discretion to approve an increase in distributions for members under Fund statute, alternate payees and beneficiaries are limited in their number of distributions allowed by state law. The Fund would have to go to the legislature to make any changes for those payees. Vice Chair Fowler was familiar with the concerns and agreed to discuss the policy side in June.

b. RFI for Depository Bank Update

Anumeha Kumar notified the Board that the Fund is in the cycle to review their local depository bank and that a Request for Information (RFI) had been sent to six banks for consideration. The banks included national banks like JP Morgan as well as larger regional banks such as Frost and PNC. She stated that she would follow up with a recommendation as soon as she had collected enough information.

c. Update on 88<sup>th</sup> Legislative Session, including SB 1446

Anumeha Kumar informed the Board that the current legislative session was nearing its end. She provided an update on SB 1446, noting that the bill did not make it out of the House floor. Trustee Weaver asked if a special session would be called. Ms. Kumar replied that while it was a possibility, the agenda would be focused, narrow, and unlikely to include SB 1446.

d. Update on retirement seminars

Anumeha Kumar notified the Board that Fund staff had participated in the two recent retirement seminars organized by AFD. She stated that they had a good turnout and went well.



- e. Internal financial statements, transactions and Fund expense reports for month ending April 30, 2023

**Anumeha Kumar reported that there had been no significant deviations from the approved budget.**

IX. Roadmap for future meetings

**Vice Chair Fowler questioned whether the Board should start strategizing for the next legislative session, to which Anumeha Kumar agreed that they could begin that discussion. Trustee Weaver asked how soon the Fund should issue the RFP for the IPPE. Ms. Kumar explained that the IPPE would be due to the Pension Review Board in June 2024, and because of the limited timeframe, her intention was to start the RFP process immediately in hopes of bringing a final list of firms for the Board to consider at the June meeting. Ms. Kumar also noted that she would add the initial discussion for the QDRO policy change to the June agenda.**

X. Call for future agenda items

**Vice Chair Fowler indicated that this item had already been covered in in the roadmap discussion.**

**Hearing no objections, Vice Chair Fowler adjourned the meeting at 10:51am.**

**Board Members**

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

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**CONFIDENTIAL INFORMATION**

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# Preliminary December 31, 2022 Actuarial Valuation Results

June 26, 2023

Heath Merlak, FSA, EA, FCA, MAAA  
Coralie Taylor, FSA, EA, FCA, MAAA  
Elizabeth Wiley, FSA, EA, FCA, MAAA



- 12/31/2022 Preliminary Actuarial Valuation
  - Valuation Results
  - Historical Review
- P-Scan



- Results are preliminary – full peer review process is not yet complete
- Results reflect two assumption changes adopted by the Board at the April 2023 meeting:
  - 1) Updating the mortality table to use fully generational mortality with the base PubS-2010 mortality table
  - 2) Assume participants choose the most valuable DROP period

# 12/31/2022 Valuation Results



## Payroll Information for 12/31/2022

	2022
Salary	\$103,197,280
Longevity Pay	\$1,379,631
Total	\$104,576,911
Average Salary	\$87,220
Expected Covered Payroll	\$105,372,248

Note: 2022 pay included 27 pay periods compared to the typical 26 pay periods. For valuation purposes, the 2022 pay is prorated by 26/27 to better estimate the 2023 and future years' pay amounts.





## Key Statistics: Actives

	2021	2022	% Change
Number of Actives	1,175	1,199	2.0%
Average Age	41.5	41.2	(0.7%)
Average Service	12.2	12.0	(1.6%)
Average Salary	\$85,911	\$87,220	1.5%
Expected Covered Payroll	\$102,887,082	\$105,372,248	2.4%

Note: Pay increases for active employees included in both the 2021 and 2022 valuation were expected to be 5.9%. Actual pay increases for this group were 4.0%.

# 12/31/2022 Valuation Results



## Key Statistics: Retired/Disabled/Beneficiaries

	2021	2022	% Change
Number Retired / Disabled / Beneficiaries	924	979	5.4%
Average Age	66.0	66.1	0.2%
Annual Base Benefits	\$59.8 M	\$63.2 M	5.7%
Average Base Benefit	\$64,746	\$64,868	0.2%

# 12/31/2022 Valuation Results



## Key Statistics: DROP

	2021	2022	% Change
Number of DROP	312	331	6.1%
Total DROP Balance	\$151.5 M	\$157.4 M	3.9%
As a % of Trust Assets	11.6%	14.1%	21.6%
Average DROP Balance	\$479,138	\$475,510	(0.8%)

### Reconciliation of DROP Balances

12/31/2021 Balance	\$151.5 M
Deposits	\$18.6
Interest	\$7.6
Withdrawals	<u>\$20.3</u>
12/31/2022 Balance	\$157.4 M

# 12/31/2022 Preliminary Valuation Results



- Market value of assets decreased from \$1.30 billion to \$1.12 billion and reflects the following:
  - ✓ Member contributions of \$19.3 million
  - ✓ Employer contributions of \$22.8 million
  - ✓ Benefit payments of \$81.0 million
  - ✓ Investment return of -11.6% or -\$148.8 million
- Expected return was \$93.8 million (based on 7.3% assumption) resulting in an asset loss of \$242.6 million which will be smoothed over 5 years
- Actuarial value of assets rate of return is 6.3%
  - ✓ 2022 asset performance is offset by strong asset performance prior to 2022

# 12/31/2022 Preliminary (Gain)/Loss Summary



Description	Amount (\$ in Millions)
Unfunded Accrued Liability (UAL), 12/31/2021	\$136.3
Benefit Accrual	29.4
Employer & Employee Contributions	(42.1)
Interest at 7.3%	<u>10.6</u>
Expected UAL, 12/31/2022	\$134.2
Actual UAL, 12/31/2022	\$183.4
Difference	\$49.2

# 12/31/2022 Preliminary (Gain)/Loss Summary



Description	Amount (\$ in Millions)
Expected UAL, 12/31/2022	\$134.2
Asset (Gain)/Loss	11.2
Data Corrections From Prior Year Valuation	3.6
Change in Actuary	13.2
Data corrections from 2021 to 2022 valuation	8.5
Pay Experience	(8.0)
Reflect previously granted COLAs in Active Liability	8.3
Mortality Assumption Change	0.0
DROP Methodology Change	7.7
Other Liability (Gain)/Loss	<u>4.7</u>
Total of All Changes	49.2
Actual UAL, 12/31/2022	\$183.4

# 12/31/2022 Preliminary (Gain)/Loss Summary



2021 to 2022 Data Corrections	Amount (\$ in Millions)
Payment form changes from single life annuity to Joint and Survivor for 20 participants	\$1.7
Beneficiary date of births changed for 71 participants	\$2.6
14 new inactives not valued in the 2021 valuation	<u>\$4.2</u>
Total	\$8.5

# 12/31/2022 Valuation Results



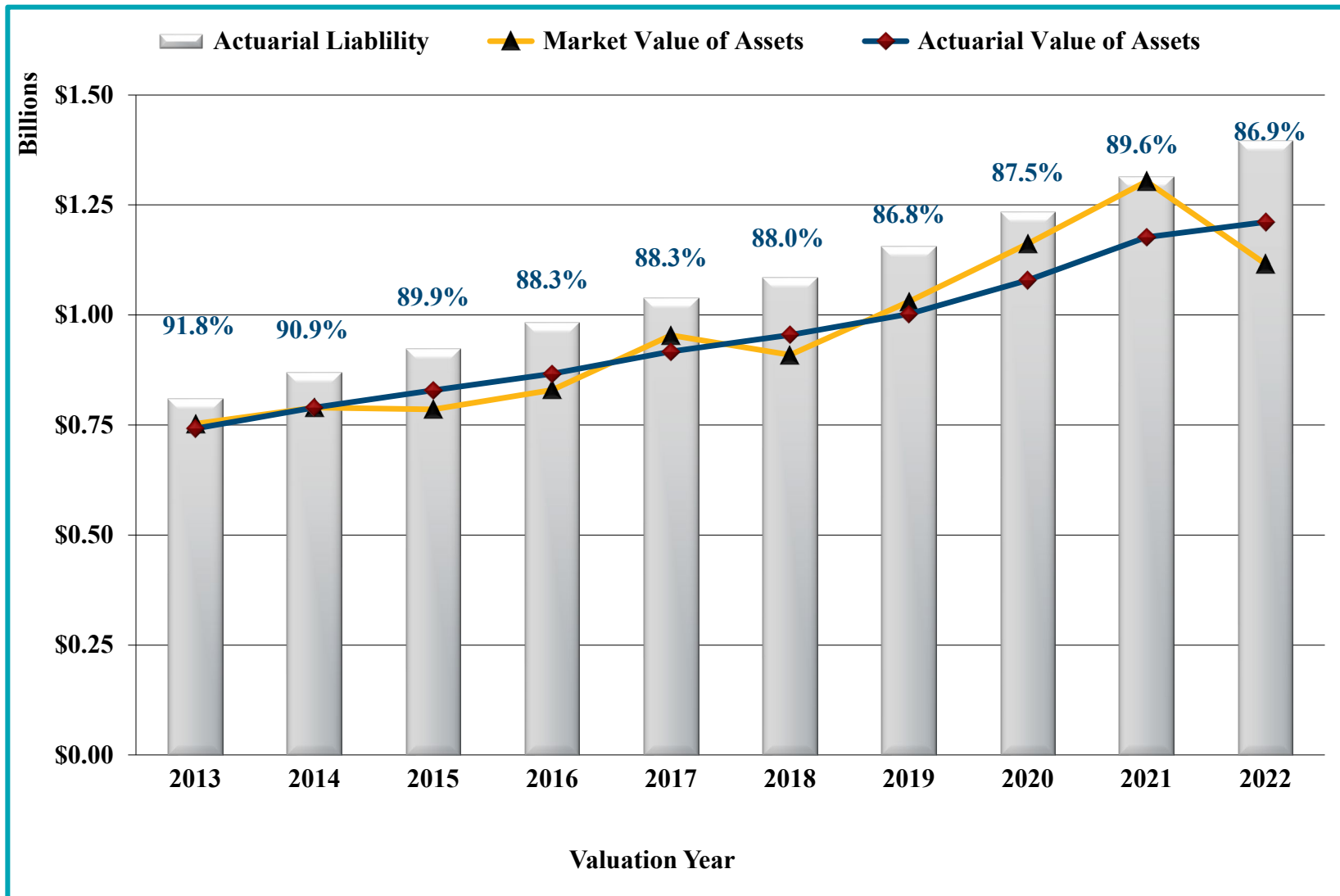
## KEY RESULTS

(\$ in millions)

Valuation Date	12/31/2021	12/31/2022
Actuarial Accrued Liability	\$ 1,313.3	\$ 1,394.7
Actuarial Value of Assets	<u>1,177.0</u>	<u>1,211.3</u>
Unfunded Actuarial Liability	\$ 136.3	\$ 183.4
Funded Ratio (AVA/AL)	89.6%	86.9%
Market Value of Assets	\$ 1,303.5	\$ 1,115.8
Funded Ratio (MVA/AL)	99.3%	80.0%
Normal Cost (mid-year)	\$30.4	\$32.4
Covered Payroll	\$102.9	\$105.4
Normal Cost as of % of Payroll	29.6%	30.7%
Effective Amortization Period	17.5	31.2



# Historical Review



\*Percentages = Actuarial Value of Assets/Accrued Liability

June 26, 2023

# P-Scan Modeling

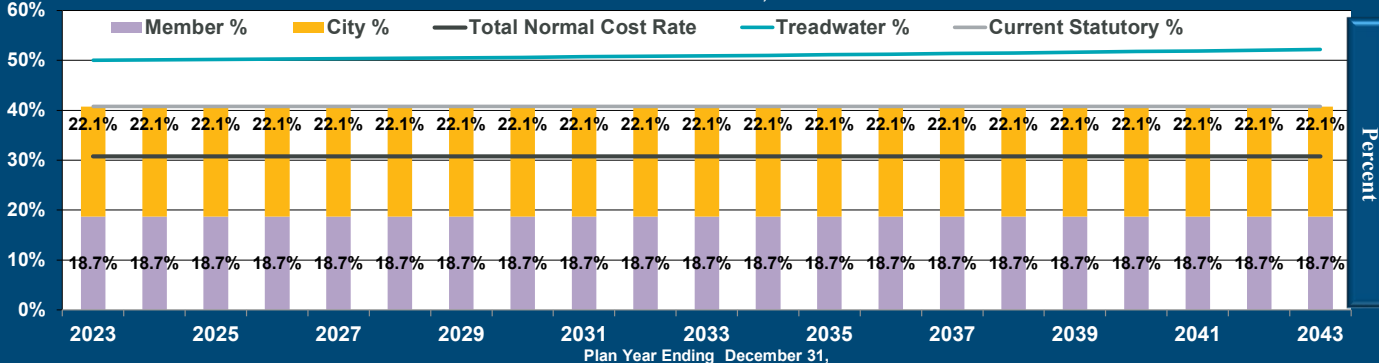
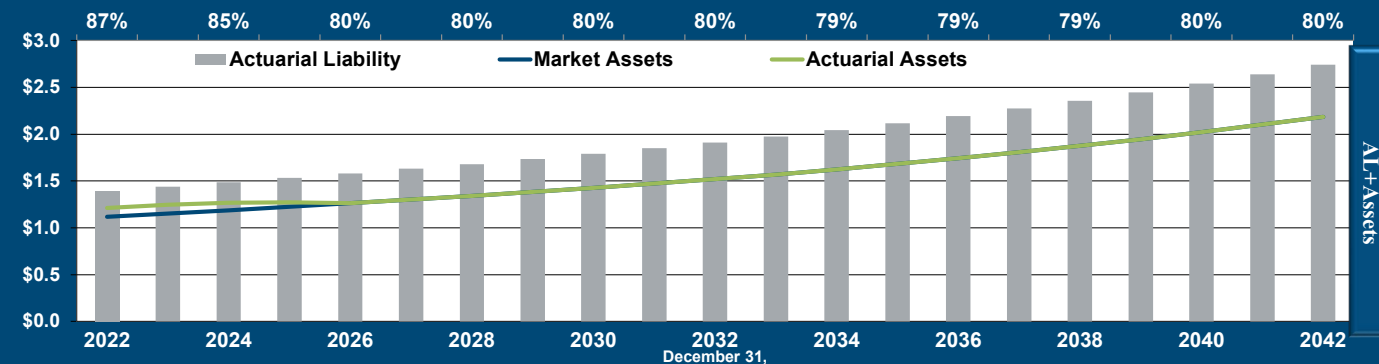


## Stress Testing



PYE	Contr. %
2023	7.30%
2024	7.30%
2025	7.30%
2026	7.30%
2027	7.30%
2028	7.30%
2029	7.30%
2030	7.30%
2031	7.30%
2032	7.30%
2033	7.30%
2034	7.30%
2035	7.30%
2036	7.30%
2037	7.30%
2038	7.30%
2039	7.30%
2040	7.30%
2041	7.30%
2042	7.30%
Avg	7.30%

Employee Contribution	18.70%	Funding Policy	Fixed	Discount Rate	7.30%
		Amort Type	Layers	2022 Baseline	
		Amort Period	20	Payroll Growth	3.00%
				Yrs to Fully Funded	> 40





The purpose of this presentation is to present preliminary actuarial valuation results for the Austin Firefighters Retirement Fund. This presentation is for the use of the Board and Fund staff.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Austin Firefighters Retirement Fund. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions, data, and methods are those used in the preparation of the Actuarial Valuation Report as of December 31, 2022 unless noted within this report. The assumptions reflect our understanding of the likely future experience of the Fund, and the assumptions as a whole represent our best estimate for the future experience of the Fund. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the Fund could vary from the results contained within this report.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices, and our understanding of the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

As part of the review process for this presentation, we have performed a number of tests to verify that the results are reasonable and appropriate. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations, or known weaknesses that would affect this report.



Cheiron utilizes and relies on the actuarial software program known as ProVal for the intended purpose of calculating liabilities and projected benefit payments. ProVal is a product of Winklevoss Technologies. The projected expected results of future valuations in this report were developed using P-Scan, our proprietary tool for the intended purpose of developing projections.

This presentation was prepared exclusively for the Austin Firefighters Retirement Fund for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

A handwritten signature in black ink that reads "Heath Merlak".

Heath Merlak, FSA, EA, FCA, MAAA  
Principal Consulting Actuary

A handwritten signature in blue ink that reads "Elizabeth Wiley".

Elizabeth Wiley, FSA, EA, FCA, MAAA  
Consulting Actuary

A handwritten signature in blue ink that reads "Coralie Taylor".

Coralie Taylor, FSA, EA, FCA, MAAA  
Consulting Actuary

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**MATERIAL FOR BOARD DISTRIBUTION ONLY**

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election for the child. If the surviving dependent children make an election under this subsection:

(1) the board of trustees shall cause to be paid jointly to the dependent children in a lump sum, as soon as administratively possible after the fund receives notice of the election, an amount equal to the credits the member's DROP account would have received, including interest, if the member had established the DROP account after becoming eligible for service retirement, but not less than the credits the DROP account would have received, including interest, based on 20 years of service credit; and

(2) the amount of the benefit payable to the dependent children under Section 7.05(a) is 75 percent of the benefit the member would have been entitled to receive if the member had established the DROP account on becoming eligible for service retirement, but based on not less than 20 years of service credit.

**Sec. 8.07. PAYMENTS FROM DROP ACCOUNT AT MEMBER'S DEATH.**

(a) The provisions of Article 7 relating to death benefits of qualified survivors do not apply to amounts credited to a member's DROP account. Instead, a member who participates in the DROP may designate a beneficiary to receive any balance in the member's DROP account at the member's death. The beneficiary designation must be made on a form prescribed by the board of trustees and filed with the fund before the member's death. If the member is married at the time of the designation, designation of a beneficiary other than the member's spouse is valid only if the spouse consents to the designation in writing on the same form that is used to designate the beneficiary. Distributions from a member's DROP account after the death of the member shall be made as provided by this section.

**(b) If a member who participates in the DROP dies before distribution of the member's entire DROP account, distributions to the designated beneficiary will begin not more than one year after the date of the member's death and shall be made either as a single-payment distribution of the member's DROP account**



balance or in not more than four equal annual installments over a period of not more than 37 months.

(c) If the member has not designated a beneficiary to receive distributions from the member's DROP account or if the person so designated does not survive the member by at least 72 hours, the member's DROP account shall be distributed in a single-sum payment as soon as administratively possible after the member's death to any surviving spouse who survives the member by at least 72 hours, if any, or to the member's estate if there is no surviving spouse.

Sec. 8.08. SUBSEQUENT DISABILITY OF DROP PARTICIPANT. A member who participates in the DROP becomes ineligible for any disability benefits described by Article 6 of this Act. Instead, if the board of trustees determines that the member would have been eligible for disability retirement, the board of trustees shall grant a normal service retirement annuity as described by Section 5.04 of this Act and shall pay the member both the service retirement annuity and a distribution of the DROP account as described by Section 8.05 of this Act.

Sec. 8.09. RETIREMENT BENEFIT PAYABLE TO DROP PARTICIPANT. The retirement benefit payable under Article 5 or 6 of this Act to a person who participates in the DROP:

(1) may not be increased as a result of any increase in the formula used in computing service retirement benefits under Section 5.04 of this Act that occurs after the effective date of the member's election to participate in the DROP;

(2) may not be increased as a result of any increase in the member's compensation that occurs after the effective date of the member's election to participate in the DROP;

(3) shall be increased by any annual cost-of-living adjustments under Section 9.04 of this Act that occur between the effective date of the member's election to participate in the DROP and the effective date of the member's retirement;

(4) may not be increased for additional service credit after the effective date of the member's election to participate in the DROP; and

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## IPPE Project Timeline

<b>Deliverable</b>	<b>Date</b>
RFP Issue Date	Early July, 2023
RFP Submission	July, 2023
Invited Presentations to the Board and Interviews	August, 2023
Board Awards the Contract	August, 2023
Data Collection and Review	December, 2023
Analysis and Report Writing	April, 2024
Draft Report Presented to the Board	April, 2024
Final Updated Report Presented to the Board for Adoption	May, 2024
IPPE Submission to the PRB	June, 2024

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# Legislative Update for Texas Public Pension Plans

88<sup>th</sup> Texas Legislative Session and Secure Act 2.0

June 6, 2023

# Meet the Team



**Chuck Campbell**  
Practice Group Leader



**Alyca Garrison**  
Senior Associate



**Jessica Palvino**  
Senior Counsel



**Anais Stevens**  
Associate

## **88<sup>th</sup> Legislative Session**

- Recap of 88<sup>th</sup> Legislative Session
- Proposed Fiduciary Legislation
- Pension Bills Impacting Specific Systems
- Public Safety Legislation
- Data Security, Contracting and General Administrative
- Open Government Laws

## **SECURE Act 2.0**

- Plan Qualification and RMDs
- Early Withdrawal Penalty Tax and Public Safety
- Miscellaneous Provisions and Deadlines



Recap of 88<sup>th</sup>  
Legislative Session

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# 88<sup>th</sup> Legislative Session Stats



<b>Filed</b>	<b>8,046 Bills</b>
<b>Passed</b>	<b>1,246 Bills</b>
<b>Vetoed</b>	<b>2 Bills</b>

*As of June 2, 2023*

*Source: <https://capitol.texas.gov/Reports/Report.aspx?ID=legislativestatistics>*

# Session Recap and Current Status



- Regular Session ended May 29<sup>th</sup>
- Special Session #1 called immediately at 9:00 PM on May 29<sup>th</sup> to address:
  - Property taxes; and
  - Increasing penalties for human trafficking (border security)
- Multiple special sessions are expected to address priorities of Governor and Lt. Governor
- Office of the Attorney General: John Scott was appointed by the Governor to serve as AG pursuant to Tex. Const., Art. 15, Sec. 5 pending outcome of Senate trial, which is expected to begin no later than August 28<sup>th</sup>



Proposed Fiduciary  
Legislation

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# Proposed Fiduciary Legislation



**SB 1446:** Relating to the fiduciary responsibility of the governing body of the public retirement systems in this state and the investment managers and proxy advisors acting on behalf of those systems.

- *Voted out of Senate and House PIFS Committee, but did NOT pass the full House*

## Key Provisions of Bill

- Ensure that fiduciaries of public retirement systems make investment decisions based solely on **financial factors**
- Prohibit public retirement system assets from being used to further **social, political, or ideological** (otherwise known as “ESG”) interests
- Establish standards for **voting proxies** on behalf of public retirement systems
- Additional **contracting** and **reporting** requirements

# Proposed Fiduciary Legislation



- Concerns regarding impact of the bill on:
  - Interpretation of **well-established fiduciary standards**
  - **Competitive interests** and long-term **investment returns**, particularly in private equity markets
  - Onerous **proxy voting** and **investment reporting** provisions beyond the *per se* public investment information in Section 552.0225(b) of the PIA
  - **Administrative burden and cost** to implement the new requirements, especially on local public retirement systems

**Takeaway:** Although SB 1446 did not pass this session, we expect the focus on ESG related issues to continue

# Proposed Fiduciary Legislation



- **SB 2530:** Relating to contracts with and investments in companies that boycott certain energy companies.
  - *Passed the Senate; referred to House State Affairs, but never set for hearing*

Comptroller of Public Accounts  
List of Financial Companies that Boycott Energy Companies  
Frequently Asked Questions

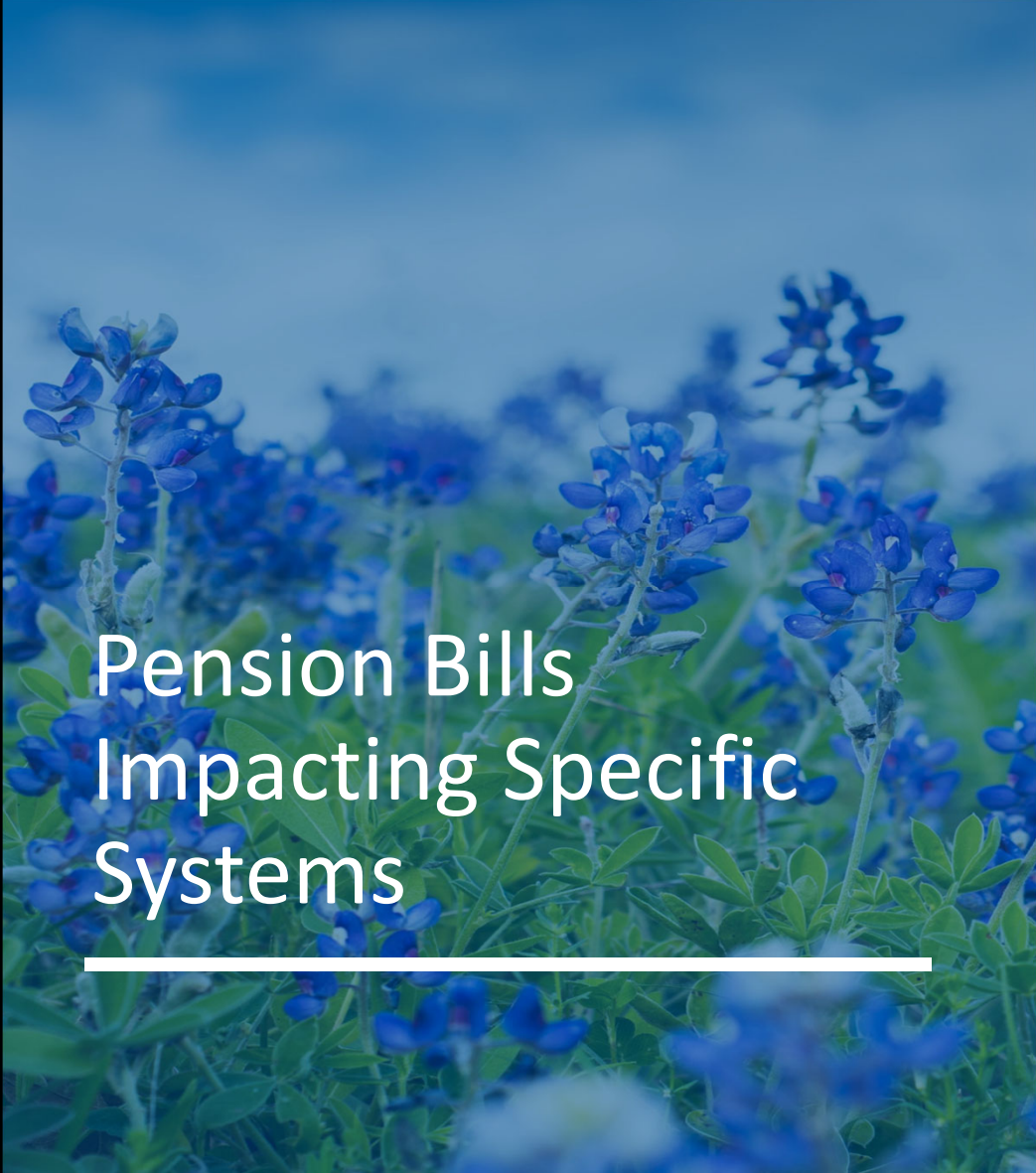
Updated March 2023

20. Are state governmental entities required to divest from companies or funds that are not on the Comptroller's list, such as **affiliates** of listed companies?

**No**, the divestment and reporting requirements described in Chapter 809 of the Government Code apply only to listed financial companies (i.e., companies that are specifically named in the list).

## Key Provisions

- Expands Chapter 809's annual reporting requirements to "**affiliates**" of listed financial companies.
- Incorporates contracting requirements (similar to those found in Ch. 2274) into Chapter 809 and expands requirements to "**affiliates**" of listed financial companies.



Pension Bills  
Impacting Specific  
Systems

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# Pension Bills Impacting Specific Systems



## **SB 1444:** Relating to **City of Austin Employees Retirement System** (COAERS)

- *Effective September 1, 2023*

### Key Provisions

- Increases **member contributions**
- Adopts **actuarially determined employer contribution** (ADEC) rate with corridor
- Carves out **legacy liability** as of 12/31/22
- Establishes process for City to **review and comment** on risk-sharing valuations and actuarial assumptions
- Revises **Board composition**



# Pension Bills Impacting Specific Systems



## **HB 4034:** Relating to certain disability and death benefits payable by the **Dallas Police and Fire Pension System**

- *Effective September 1, 2023 (once signed)*

### Key Provisions

- Ensures disability benefits and death benefits are the **same for all members**
- Distinguishes between active duty death (not job related) vs. **line of duty death** (direct result of job duties)
  - Increases line of duty death benefit to 100% (previously 50%)
  - Guidelines for determining whether a death is in the line of duty

# Pension Bills Impacting Specific Systems



## **SB 1207**: relating to the **San Antonio Fire and Police Pension Fund**

- *Effective September 1, 2023*

### Key Provisions

- Primarily contains **technical updates** and **clarifications**
  - Updates to Board terms
  - Clarification of benefit eligibility and calculations
  - Revisions related to plan qualification under IRC
  - Effects of marriage and indefinite suspension on benefits

# Pension Bills Impacting Specific Systems



## **SB 10 / HJR 2:** Relating to certain benefits paid by the **Teacher Retirement System of Texas**

### Key Provisions – *Dependent Upon Constitutional Amendment*

- HJR 2 calls for a **Constitutional amendment**
- **One-time cost-of-living adjustment (COLA)** in January 2024
  - 6% COLA for annuitants who retired on or before August 31, 2001
  - 4% COLA for annuitants who retired between September 1, 2001 and August 31, 2013
  - 2% COLA for annuitants who retired between September 1, 2013 and August 31, 2020
- Provisional appropriation of **over \$3 billion** in FY2024 for the COLA (contingent upon passage of SB 10 and voter approval under HJR 2)

# Pension Bills Impacting Specific Systems



## **SB 10 / HJR 2:** Relating to certain benefits paid by the **Teacher Retirement System of Texas**

### Key Provisions – *Effective September 1, 2023*

- **One-time \$7,500 supplemental payment** for certain annuitants who are **75 years** of age or older on or before August 31, 2023
- **One-time \$2,400 supplemental payment** for certain annuitants between the **ages of 70-74** on or before August 31, 2023
- Legislature appropriated **over \$1.6 billion** in FY2024 for supplemental payments (contingent upon passage of SB 10)

## Employees Retirement System of Texas

- **HB 1393:** Relating to an **optional service retirement annuity** that provides an increasing annuity under the Employees Retirement System of Texas
  - *Effective September 1, 2023 (once signed)*
- **SB 1509:** Relating to the **service retirement eligibility and benefits** of **certain members** of the Employees Retirement System of Texas
  - *Effective immediately, May 19, 2023*

# Pension Bills Impacting Specific Systems



**HB 4559:** Relating to the application of statutes that classify political subdivisions according to population.

- *Effective September 1, 2023 (once signed)*

## Key Provisions

- Delay in **2020 federal census data** → Legislature passed **§ 2058.0021, Gov't Code** during 2021 session
- **Population brackets** are being updated to reflect the 2020 census data
- Includes revisions to Austin Police Retirement System, Austin Fire Fighters Relief and Retirement Fund, San Antonio Fire and Police Pension Fund, City of Austin ERS, and TLFFRA



Public Safety  
Legislation

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**HB 471:** Relating to the entitlement to and claims for benefits for certain first responders and other employees related to illness and injury.

- *Effective immediately (once signed)*

## Key Provisions

- Intent of bill is to provide **paid leave** protection for first responders to protect against early termination when injured in the **line of duty**
- Filed version of the bill contained **unclear language** regarding pension plan eligibility and benefits
- Enrolled version **does not include** this language



**HB 995:** Relating to sheriff's department disability leave in certain counties.

- *Effective immediately (once signed)*

## Key Provisions

- Similar to HB 471 – but more limited applicability
- Intent of bill is to provide **paid leave** protection for employees of certain county sheriff departments to protect against early termination when injured in the **line of duty**
- Provides that an employee who is a member of a pension fund **may retire on pension** until the employee is able to return to duty

# Public Safety Legislation



**HB 1661:** relating to the age limit for a beginning position in a police department under municipal civil service.

- *Effective September 1, 2023 (once signed)*

## Key Provisions

- Change to **civil service law** (Chapter 143, Local Gov't Code)
- **Repeals** prohibition on hiring a person who is **45 years of age or older** for a beginning position in a municipal civil service police department



Data Security,  
Contracting and  
General  
Administrative

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## SB 271: Relating to state agency and local government security incident procedures

- *Effective September 1, 2023*

### • **What are the changes?**

- Clarifies definition of “Security Incident”
  - Ransomware and other cyberattacks (i.e. distributed denial of service) now included
- Expands applicability of reporting requirements to a “local government”
  - “Local government” means a county, municipality, special district, school district, junior college district or other political subdivision of the state. Tex. Gov’t Code 2054.003(9).

### • **What is required?** Notification and reporting of a “**security incident**”

- Notify DIR within 48 hours and provide a report no later than 10 business days after recovery.
- **If necessary**, comply with notification requirements of Business & Commerce Code 521.053.

# Investment and Contracting Requirements



## **HB 4595:** technical corrections

- Tex. Gov't Code 2274.001 to 002 (Prohibition on Contracts with Companies Boycotting Certain Energy Companies) → **Tex. Gov't Code 2276.001 to 002.**
- Tex. Gov't Code 2274.001 to 003 (Prohibition on Contracts with Companies that Discriminate Against Firearm and Ammunition Companies) → **Tex. Gov't Code 2277.001 to 003.**

# Powers of Attorney



**SB 1650:** Relating to durable powers of attorney and the construction of certain powers conferred in those durable powers of attorney.

- *Effective September 1, 2023*

## Key Provisions

- Changes to **Automatic Termination** upon **Appointment of a Guardian of the Estate**
  - Permanent Guardian of the Estate- Agent's authority is automatically **revoked** *unless* the court enters an order that the Agent's authority be suspended during the pendency of the guardianship of the estate
  - Temporary Guardian of the Estate- Agent's authority is automatically **suspended** *unless* the court enters and order that (1) affirms and states the effectiveness of the power of attorney and (2) confirms the validity of the appointment of the agent



Open Government  
(PIA and TOMA)

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## HB 3033: Relating to the public information law

- *Effective September 1, 2023 (once signed)*

### Key Provisions:

- Clarifies what a **“business day”** is for purposes of the PIA
- **Electronic filing** is required for AG opinion requests, unless certain exceptions apply
- Requires OAG to create a **searchable database** to check the status of requests before January 1, 2024
- Within **30 days** after receiving AG opinion, a governmental body must comply with certain requirements



# HB 3033-Counting Business Days



- **“Business day”** means a day other than...
  - A Saturday or Sunday
  - A national holiday under Section 662.003(a) of the Government Code
  - A state holiday under Section 662.003(b) of the Government Code
  - An “optional holiday” under Section 662.003(c) of the Government Code (*if observed by the officer for public information of the governmental body*)
- A business day is **not** the Friday before or Monday after a national or state holiday if the holiday occurs on Saturday or Sunday and the governmental body observes the holiday on that Friday or Monday.
- An executive director of a governmental body may designate up to **ten “nonbusiness days”** each calendar year.

# HB 3033- Required Electronic Filing and AG Database



- Requests for Attorney General decisions must be submitted through the electronic filing system *unless*
  - (1) governmental body has less than 16 full-time employees **or** is located in a county with less than 150,000 people; or
  - (2) the amount of information makes electronic filing impractical or impossible; or
  - (3) request is hand delivered

*Effective September 1, 2023*

- The Attorney General must create a website for governmental bodies to view the status of a request for decision and the expected timeline of commencement and completion of such request. Website must be created by January 1, 2024.

# HB 3033- After AG Opinion is Received



- New requirements and deadlines apply after Attorney General opinion is received.
- Within **30 days** of receiving opinion, governmental body must:
  - If required, provide a cost estimate to the requestor;
  - Produce the information required;
  - Notify the requestor the governmental body is withholding the info based on an Attorney General opinion; **or**
  - Notify the requestor that the governmental body has filed suit against the Attorney General
- If the request is voluminous, there is an avenue for the governmental body to receive an extension to provide the information.



Secure Act 2.0 for  
Governmental Plans

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# Secure Act 2.0 Implementation



- President Biden signed SECURE Act 2.0 on **December 29, 2022** (as part of the Consolidated Appropriations Act, the 2023 budget bill)
- IRS and Treasury have indicated that **Treasury Regulations** will be coming
  - Interim notices have been issued (Notice 2023-43)
- Letter was sent from Congress to Treasury to **clarify intent** of certain provisions
  - E.g., RMD age correction



Plan Qualification  
and Required  
Minimum  
Distributions

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# RMD Timing Changes (Sec. 107)



- Required Beginning Date for RMDs is April 1 of year following:
  - Age 70½ – Participants born before 7/1/1949 (Before SECURE Act)
  - Age 72 – Participants born from 7/1/49 through 12/31/50 (SECURE Act)
  - **Age 73** – Participants born from 1/1/51 through 12/31/58 (SECURE 2.0)\*
  - **Age 75** – Participants born on or after 1/1/1959 (SECURE 2.0)
    - \*Technical correction anticipated

## Reminders

- Update software
- Amend plan (if needed)
- Update special tax notice
- Revise benefit handbooks or other member guidance

# RMD Timing Changes – Technical Correction



## May 23, 2023 Letter from Congress:

### Congress of the United States Washington, DC 20515

Congress intended to increase the applicable age from age 72 to age 73, for individuals who turn 72 after December 31, 2022 and who turn 73 before January 1, 2033, and to increase the applicable age from age 73 to age 75 for individuals who turn 73 after December 31, 2032. However, with respect to the increase from age 73 to age 75, the provision could be read to apply such increase to individuals who turn 74 (rather than 73) after December 31, 2032, which is inconsistent with Congressional intent.

## Anticipated Technical Correction to Section 107:

(c) APPLICABLE AGE.—Section 401(a)(9)(C) is amended by adding at the end the following new clause:

“(v) APPLICABLE AGE.—

“(I) In the case of an individual who attains age 72 after December 31, 2022, and age 73 before January 1, 2033, the applicable age is 73.

“(II) In the case of an individual who attains age 73 after December 31, 2032, the applicable age is 75.”.



# RMD Relief (Sec. 302)



- Reduced Excise Tax for Required Minimum Distributions (RMDs)
  - 50% Excise Tax – Missed RMDs before 2023
  - **25% Excise Tax** – Missed RMDs in 2023 and later if not corrected timely
  - **10% Excise Tax** – Missed RMDs in 2023 and later if corrected timely
    - Before the earliest of (1) notice of deficiency mailed, (2) tax assessed, (3) last day of second taxable year following taxable year for which tax is imposed
- Three-year Limitations Period for Missed RMDs

# Recovery of Overpayments (Sec. 301)



- Effective immediately
- Provides **flexibility** on recovery of overpayments for plan qualification purposes.
- Some plans may have **statutory plan provisions** to consider when assessing recovery of overpayments.
  - Also, consider Chapter 802, Government Code



Early Withdrawal  
Penalty Tax and  
Public Safety

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# Early Withdrawal Penalty Tax



**IRC Section 72(t)(2)(A):** list of certain “early distributions” that are exempt from the **10% early withdrawal penalty**, including distributions that are:

- Made on or after date employee attains **age 59 ½**
- Made to a **beneficiary** (or estate) on or after member’s death
- Attributable to employee’s **disability**
- **Annuity payments** (series of substantially equal periodic payments made for the life of the employee or joint lives of employee and beneficiary)
- Made to an employee after separation from service **after age 55 (or age 50 for public safety employees)**
- Payments to **alternate payees** pursuant to a QDRO

# Early Withdrawal Penalty Tax



Section 308 of SECURE 2.0 expands the 72(t)(10) qualified public safety exception

- Previously applied to those who had attained age 50
- Made to an employee after separation from service **after age 50 or 25 years of credited service under the plan**
  - What does “under the plan” mean?

**This provision is mandatory and automatic, meaning that no plan action is required to become effective**

# Why Does This Matter?



- **1099-R Coding**
- **402(f) Special Tax Notice** will need amendment
- Other Potential Rollover Changes Coming:
  - Not later than 1/1/25, Treasury must issue **sample forms** regarding rollovers and trustee-to-trustee transfers
  - Within 18 months, GAO must submit a **report** to Congress with **recommendations** regarding rollover notices

## If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);
- **Payments from a governmental plan made after you separate from service if you are a qualified public safety employee and you will be at least age 50 in the year of the separation;**
- Payments made due to disability;
- Payments after your death;
- Payments of ESOP dividends;
- Corrective distributions of contributions that exceed tax law limitations;
- Cost of life insurance paid by the Plan;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments of up to \$5,000 made to you from a defined contribution plan if the payment is a qualified birth or adoption distribution;
- Payments up to the amount of your deductible medical expenses (without regard to whether you itemize deductions for the taxable year);
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days;
- Payments of certain automatic enrollment contributions that you request to withdraw within 90 days of your first contribution;
- Payments excepted from the additional income tax by federal legislation relating to certain emergencies and disasters; and
- Phased retirement payments made to federal employees.

# Other Related Provisions



- Other **Optional** Early Withdrawal Provisions in SECURE 2.0
  - **Terminal Illness** Distribution (Section 326) – eff. 12/29/22
  - **Natural Disaster** Distribution (Section 331) – eff. immediately for disasters occurring on or after 1/20/2021

# Public Safety Related Provisions



## Health Insurance Premium Exclusion (Sec. 328)

- Previously, exclusion of up to **\$3,000** for distributions made by a governmental retirement plan to pay for **health insurance premiums** only if the premiums were paid **directly** by the plan
- SECURE 2.0 **eliminates** the requirement to be paid to insurance provider **directly** → Individual taxpayers may claim the exclusion on their personal tax returns even if distributions were paid directly to them

**This was (and still is) an optional benefit plans could provide, not mandatory, so it may not impact your plan.**





Miscellaneous  
Provisions and  
Deadlines

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# Miscellaneous Provisions



- Self-Correction Program (EPCRS) (Sec. 305)
  - Requirement that significant failure must be completed or substantially completed within 3 years of the failure is **no longer applicable**. (Rev. Proc. 2023-43, Q/A-3)
- QDRO from Indian Tribal Gov't (Sec. 339)
- Involuntary cash-out limit increasing to \$7,000 (Sec. 304)

# Deadlines Related to SECURE 2.0



- **Effective Dates**

- Some SECURE 2.0 provisions were effective immediately, **December 27, 2022**
- Operationally, if provisions are in effect, plans must start complying immediately

- **Deadline to Amend**

- **Governmental plans** have until the last day of the plan year beginning on or after **January 1, 2027 to amend** their plan
- Amendments may require legislative action – 89<sup>th</sup> (2025) and 90<sup>th</sup> (2027) legislative sessions

# Accreditations



This presentation is eligible for continuing legal education (CLE) credit and minimum educational training (MET) credit with the State Pension Review Board.

We are accredited by the State Pension Review Board as a Minimum Educational Training (MET) sponsor for Texas public retirement systems. This accreditation does not constitute an endorsement by the State Pension Review Board as to the quality of our MET program.

# Our Team



**Chuck Campbell**  
Practice Group Leader

[ccampbell@jw.com](mailto:ccampbell@jw.com)



**Alyca Garrison**  
Senior Associate

[agarrison@jw.com](mailto:agarrison@jw.com)



**Jessica Palvino**  
Senior Counsel

[jpalvino@jw.com](mailto:jpalvino@jw.com)



**Anais Stevens**  
Associate

[astevens@jw.com](mailto:astevens@jw.com)



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**Austin Firefighters Relief and Retirement Fund**  
**Operating Budget**  
**Fiscal Year 2023**

	Approved Budget	Jan - May Expensed	Remaining Budget	Percent Expended
<b>Administrative Expenses</b>				
Salaries and Benefits				
Salary - Executive Director	186,800.00	80,272.55	106,527.45	42.97%
Salary - Staff	461,500.00	166,545.75	294,954.25	36.09%
Health Insurance	119,000.00	51,722.92	67,277.08	43.46%
Payroll Taxes	50,264.00	18,121.51	32,142.49	36.05%
SEP Contribution	157,075.00	61,704.57	95,370.43	39.28%
<b>Subtotal</b>	<b>974,639.00</b>	<b>378,367.30</b>	<b>596,271.70</b>	<b>38.82%</b>
SS Retiree Payroll Process Fees	34,000.00	-	34,000.00	0.00%
Building	9,383.00	2,466.32	6,916.68	26.28%
Utilities	6,525.00	1,522.59	5,002.41	23.33%
Office Expenses	25,450.00	13,014.32	12,435.68	51.14%
Computer and Software	28,500.00	8,764.30	19,735.70	30.75%
Pension Software	700,000.00	156,651.43	543,348.57	22.38%
Insurance	41,500.00	34.00	41,466.00	0.08%
Travel	23,500.00	3,838.48	19,661.52	16.33%
Operational Cost	129,750.00	55,253.73	74,496.27	42.58%
<b>Investment Expenses</b>				
Financial Consulting Fee	235,000.00	86,006.21	148,993.79	36.60%
Investment Management Fees	2,100,000.00	977,703.79	1,122,296.21	46.56%
Bank Custodian Services	110,000.00	51,084.91	58,915.09	46.44%
<b>Professional Services Expenses</b>				
Accounting	25,000.00	-	25,000.00	0.00%
Actuarial Fees	50,000.00	25,442.50	24,557.50	50.89%
Legal Fees	146,000.00	58,518.00	87,482.00	40.08%
Legislative Consulting	24,000.00	14,000.00	10,000.00	58.33%
Medical Disability Review	3,000.00	-	3,000.00	0.00%
<b>Total Expenses</b>	<b>\$ 4,666,247.00</b>	<b>\$ 1,832,667.88</b>	<b>\$ 2,833,579.12</b>	<b>39.27%</b>



**Austin Firefighters Relief and Retirement Fund  
Contributions and Deductions (Unaudited)  
as of May 31, 2023**

**Additions**

**Contributions**

City of Austin Contribution (22.05%)	9,771,574.79
Fire Fighter Contribution (18.7%)	8,287,004.47
Interest -Bank	165,859.53
Commission Recapture	326.04
Class Action Proceeds	37.41
Securities Litigation Recovery	998.06

<b>Total Contributions</b>	<b><u>\$ 18,225,800.30</u></b>
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**Deductions**

**Pension Retiree Payroll Expenses**

Retirees Monthly Annuity	21,430,644.65
Medical Ins.	1,589,994.10
Dental Ins	171,667.34
Vision Ins.	17,107.96
Retiree W/H Tax Payable	3,021,959.71
State Tax	23,588.10
Benevolent Fund	22,640.00
Union Dues	9,855.00
Misc.	8,249.70
PAC Dues	3,205.00
Museum	30.00

<b>Total Retiree Payroll Expenses</b>	<b><u>\$ 26,298,941.56</u></b>
---------------------------------------	--------------------------------

**Pension Lump Sum Expenses**

Contribution Refunds	1,746.93
DROP Distributions	6,453,373.33

<b>Total Pension Lump Sum Expenses</b>	<b><u>\$ 6,455,120.26</u></b>
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Austin Firefighters Relief and Retirement Fund  
Profit & Loss vs Actual  
January through May 2023

	<b>Total</b>		
	<b>Jan - May</b>	<b>Budget</b>	<b>% of Budget</b>
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
City of Austin Contib (22.05%)	9,771,574.79	23,000,000.00	42.49%
Commission Recapture	326.04	6,000.00	5.43%
Fire Fighter Contrib (18.7%)	8,287,004.47	19,500,000.00	42.50%
Securities Litigation Recovery	998.06		
<b>Other Income</b>			
Class Action Proceeds	37.41	5,000.00	0.75%
Interest - State Street	159,817.11	60,000.00	266.36%
Interest - Sunflower Bank	2,045.19	2,000.00	102.26%
Securities Lending - State St.	3,997.23	5,000.00	79.94%
<b>Total Income</b>	<b>18,225,800.30</b>	<b>42,578,000.00</b>	<b>42.81%</b>
<b>Operating Expenses</b>			
<b>Administrative Expenses</b>			
<b>Payroll Expenses</b>			
Payroll Expenses - Other	246,818.30	648,300.00	38.07%
Health Insurance	51,722.92	119,000.00	43.46%
Payroll Taxes	18,121.51	50,264.00	36.05%
SEP Contribution	61,704.57	157,075.00	39.28%
<b>Total Payroll Expenses</b>	<b>378,367.30</b>	<b>974,639.00</b>	<b>38.82%</b>
<b>SS Retiree Payroll Process Fees</b>		<b>34,000.00</b>	<b>0.00%</b>
<b>Building Expenses</b>			
Assessment toward 2019 Project	658.37	1,883.00	34.96%
Building Maintenance/Improvement		2,500.00	0.00%
Condo Association Dues	1,807.95	5,000.00	36.16%
<b>Utilities</b>			
Electric	778.17	2,000.00	38.91%
HVAC Program	24.17	50.00	48.34%
Internet & Cable & Telephone	485.08	3,500.00	13.86%
Water, Waste, Drainage	235.17	975.00	24.12%
Total Utilities	1,522.59	6,525.00	23.33%
<b>Total Building Expenses</b>	<b>3,988.91</b>	<b>15,908.00</b>	<b>25.07%</b>
<b>Office Expenses</b>			
Furniture (FFE)	8,924.64	11,000.00	81.13%
Meeting Refreshments	578.53	1,600.00	36.16%
Notary Services		250.00	0.00%
Office Maintenance	1,446.06	3,100.00	46.65%
Office Supplies (Office supplies expense)	409.19	2,500.00	16.37%
Postage and Delivery	470.35	4,000.00	11.76%

Austin Firefighters Relief and Retirement Fund  
Profit & Loss vs Actual  
January through May 2023

	<b>Total</b>		
	<b>Jan - May</b>	<b>Budget</b>	<b>% of Budget</b>
Printing and Reproduction	1,185.55	3,000.00	39.52%
<b>Total Office Expenses</b>	<b>13,014.32</b>	<b>25,450.00</b>	<b>51.14%</b>
<b>Computer and Internet Expenses</b>			
Hosting & Other Expenses	652.96	3,000.00	21.77%
Laptop/Computer	2,616.68	7,500.00	34.89%
Software/IT Services	5,494.66	18,000.00	30.53%
Pension Software PG I	4,635.00	50,000.00	9.27%
Pension Software PG IV	152,016.43	650,000.00	23.39%
<b>Total Computer and Internet Expenses</b>	<b>165,415.73</b>	<b>728,500.00</b>	<b>22.71%</b>
<b>Insurance Expense</b>			
Board & Directors Liability Ins		28,500.00	0.00%
Commercial		2,000.00	0.00%
Cybersecurity Ins.		10,000.00	0.00%
Workers Comp Ins. (Workers Comp)	34.00	1,000.00	3.4%
<b>Total Insurance Expense</b>	<b>34.00</b>	<b>41,500.00</b>	<b>0.08%</b>
<b>Travel Expense</b>			
Lodging/Transportation/Per Diem	928.48	16,000.00	5.80%
Registration fees	2,910.00	7,500.00	38.80%
<b>Total Travel Expense</b>	<b>3,838.48</b>	<b>23,500.00</b>	<b>16.33%</b>
<b>Operational Cost</b>			
Association Fees (TXPERS /NCEPRS)	8,384.54	8,750.00	95.82%
Election Services		4,000.00	0.00%
Health Human Services (Death Verifi Serv)		3,000.00	0.00%
Project Management Services	45,450.00	108,000.00	42.08%
Operational Cost - Other	1,419.19	6,000.00	23.65%
<b>Total Operational Cost</b>	<b>55,253.73</b>	<b>129,750.00</b>	<b>42.58%</b>
<b>Investment Expenses</b>			
Bank Custodian Services	51,084.91	110,000.00	46.44%
Financial Consulting Fee	86,006.21	235,000.00	36.60%
Investment Management Fees	977,703.79	2,100,000.00	46.56%
<b>Total Investment Expenses</b>	<b>1,114,794.91</b>	<b>2,445,000.00</b>	<b>45.59%</b>
<b>Professional Fees</b>			
Audit		25,000.00	0.00%
<b>Actuarial Fees</b>			
Actuarial Assistance	14,442.50	6,000.00	240.71%
Actuarial Valuation	11,000.00	44,000.00	25.00%
<b>Total Actuarial Fees</b>	<b>25,442.50</b>	<b>50,000.00</b>	<b>50.89%</b>

Austin Firefighters Relief and Retirement Fund  
Profit & Loss vs Actual  
January through May 2023

	<b>Total</b>		
	<b>Jan - May</b>	<b>Budget</b>	<b>% of Budget</b>
Legal Fees			
Administrative	50,959.50	108,000.00	47.18%
Board Meeting	7,500.00	18,000.00	41.67%
Investment Review	58.50	20,000.00	0.29%
Total Legal Fees	58,518.00	146,000.00	40.08%
Legislative Consulting	14,000.00	24,000.00	58.33%
Medical Disability Review		3,000.00	0.00%
<b>Total Professional Fees</b>	<b>97,960.50</b>	<b>248,000.00</b>	<b>39.50%</b>
<b>Total Operating Expenses</b>	<b>1,832,667.88</b>	<b>4,666,247.00</b>	<b>39.27%</b>
<b>Monthly Pension Retiree Payroll</b>			
Retirees Monthly Annuity	21,430,644.65	51,000,000.00	42.02%
Medical Ins.	1,589,994.10	3,650,000.00	43.56%
Dental Ins	171,667.34	370,000.00	46.40%
Vision Ins.	17,107.96	40,000.00	42.77%
Retiree W/H Tax Payable	3,021,959.71	7,110,000.00	42.50%
State Tax	23,588.10	65,000.00	36.29%
Benevolent Fund	22,640.00	50,000.00	45.28%
Misc.	8,249.70	20,000.00	41.25%
PAC Dues	3,205.00	7,600.00	42.17%
Union Dues	9,855.00	24,000.00	41.06%
Museum	30.00	72.00	41.67%
<b>Total Monthly Pension Retiree Payroll</b>	<b>26,298,941.56</b>	<b>62,336,672.00</b>	<b>42.19%</b>
<b>Pension Lump Sum</b>			
Contribution Refunds	1,746.93	1,000,000.00	0.17%
DROP Distributions	6,453,373.33	19,000,000.00	33.97%
<b>Total Pension Lump Sum</b>	<b>6,455,120.26</b>	<b>20,000,000.00</b>	<b>32.28%</b>
<b>Total Expense</b>	<b>34,586,729.70</b>	<b>87,002,919.00</b>	<b>39.75%</b>
<b>Net Income</b>	<b>-16,360,929.40</b>		

**Austin Firefighters Relief and Retirement Fund**  
**Assets & Liabilities Report (Unaudited)**  
**as of May 31, 2023**

**Assets**

Checking/Savings		
Sunflower Bank - Operating		70,729.91
Sunflower Bank - Benefits		200,836.99
State Street T009-Cash Agg		6,153,825.25
Total Checking/Savings		<u>6,425,392.15</u>
Investments, at fair value		
Domestic Equites		232,794,111.70
Fixed Income Securities		318,845,411.94
International Equities		216,506,431.33
Real Asset		35,300,080.50
Private Equity		213,627,988.11
Real Estate		103,681,247.16
Total Investments		<u>1,120,755,270.74</u>
<b>Total Assets</b>		<u><u><b>\$ 1,127,180,662.89</b></u></u>

**Liabilities**

Current Liabilities		
Payroll Liabilities		8,129.78
Operating Admin Liabilities		166,563.89
Investment Liabilities		-
Professional Liabilities		37,557.48
Long Term Liabilities		
DROP (Guaranteed 5%)		156,388,497.61
% of Total Assets		13.87%
<b>Total Liabilities</b>		<u><u><b>\$ 156,600,748.76</b></u></u>

# Austin Firefighters Relief and Retirement Fund

## Balance Sheet As of May 31, 2023

May

ASSETS	May
<b>Current Assets</b>	
<b>Checking/Savings</b>	
State Street T009-Cash Agg	6,153,825.25
Sunflower Bank - Operating	70,729.91
Sunflower Bank - Benefits	200,836.99
<b>Total Checking/Savings</b>	<b>6,425,392.15</b>
<b>Other Current Assets</b>	
<b>Investments</b>	
<b>DEQ</b>	
SSgA S&P 500 Flagship Fund	96,527,479.49
VAUGHAN NELSON	53,994,721.43
Westfield Capital Management	52,844,532.23
Westwood Capital	29,427,378.55
<b>Total DEQ</b>	<b>232,794,111.70</b>
<b>FI</b>	
ABERDEEN	66,173,070.22
Loomis Sayles Core Plus Bond	55,031,509.89
Pacific Asset Management	20,963,904.00
Pyramis Tactical Bond (Fidelity)	35,358,460.83
SSgA Bond Fund	85,471,979.73
SSGA TIPS	55,846,487.27
<b>Total FI</b>	<b>318,845,411.94</b>
<b>IEQ</b>	
Baillie Gifford	31,481,955.08
DFA Emerging Markets	33,414,127.23
Highclere	36,565,945.61
Sanderson	50,533,342.29
SSgA MSCI EAFE Fund	36,349,802.16
TT International	28,161,258.96
<b>Total IEQ</b>	<b>216,506,431.33</b>
<b>NR</b>	
Aether Real Assets II	2,824,072.12
Aether Real Assets III	10,798,932.26
Aether Real Assets IV	12,092,792.24
Aether Real Assets V	9,584,283.88
<b>Total NR</b>	<b>35,300,080.50</b>
<b>PE</b>	
57 Stars Global Opportunity	8,248,437.50
Arcmont (Bluebay)Direct Lending	1,608,848.27
Constitution	13,934,555.68
Cross Creek Capital Partners II	12,697,605.35
Cross Creek Capital Parts III	12,554,458.95
Deutsche Bank SOF III	2,417,932.67
Dover Street X	30,578,446.33

## Austin Firefighters Relief and Retirement Fund

### Balance Sheet

As of May 31, 2023

Flag V	4,508,592.72
Flag VI 6	14,285,033.35
Greenspring Global Partners V	8,137,772.00
GREENSPRING VI	14,383,085.11
Harbourvest 2013 Direct	4,966,179.09
HarbourVest Coinvestment 4	7,592,687.07
LGT C Europe Small Buyouts 3	3,988,127.00
LGT Crown Asia 2	8,698,265.04
LGT Crown Global Secondaries 2	129,962.00
LGT Crown Global VI	35,177,206.06
LGT Global Secondaries III	2,148,438.00
Partners Group EM 2015	9,265,543.19
Partners Group US Dist PE 2009	400,962.95
Private Advisors Co-Inv FundIII	1,887,355.53
Private Equity Investors V	1,256,206.21
SVB Strategic Investors Fund IX	14,762,288.04
<b>Total PE</b>	<b>213,627,988.11</b>
<b>RE</b>	
Clarion Partners	82,989,638.99
Metropolitan RE Distressed II	5,619.35
Partners Group Distressed '09	51,668.99
Partners Group RE Second 2011	727,204.69
Partners Group RE Second 2017	12,814,333.96
Portfolio Advisors Fund 5	7,092,781.18
<b>Total RE</b>	<b>103,681,247.16</b>
<b>Total Investments</b>	<b>1,120,755,270.74</b>
<b>Total Other Current Assets</b>	<b>1,120,755,270.74</b>
<b>Total Current Assets</b>	<b>1,127,180,662.89</b>
<b>TOTAL ASSETS</b>	<b>1,127,180,662.89</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
Payroll Liabilities	8,129.78
Operating Admin Liabilities	166,563.89
Investment Liabilities	0.00
Professional Liabilities	37,557.48
<b>Total Other Current Liabilities</b>	<b>212,251.15</b>
<b>Total Current Liabilities</b>	<b>212,251.15</b>
<b>Long Term Liabilities</b>	
DROP (Guaranteed 5%)	156,388,497.61
% of Total Assets	13.87%
<b>Total Long Term Liabilities</b>	<b>156,388,497.61</b>
<b>Total Liabilities</b>	<b>156,600,748.76</b>

**Austin Firefighters Relief and Retirement Fund**  
**General Ledger**  
As of May 31, 2023

Date	Name	Memo	Split	Amount	Balance
<b>Sunflower Bank - Operating</b>					<b>103,557.07</b>
05/01/2023	American Express		-SPLIT-	-411.54	103,145.53
05/01/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Benefits	200,000.00	303,145.53
05/02/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Benefits	100,000.00	403,145.53
05/02/2023	Westfield Capital Management	Q1	Investment Management Fees	-203,788.19	199,357.34
05/03/2023	Jackson Walker	Legal Fees March Board Meeting	Board Meeting	-1,500.00	197,857.34
05/03/2023	Vaughn Nelson	Q1	Investment Management Fees	-134,797.21	63,060.13
05/04/2023	Parkstone Office Condominium Community.	April 2023	-SPLIT-	-830.65	62,229.48
05/05/2023	Austin FF Relief & Retirement Fund	Deposit: Legislative Consulting	Legislative Consulting	2,000.00	64,229.48
05/09/2023	Schlueter Group of Texas	May 2023 Legislative Consulting	Legislative Consulting	-4,000.00	60,229.48
05/10/2023	Sunflower Bank	April 2023 Service Charges	Bank Service Charges	-264.83	59,964.65
05/12/2023	Jackson Walker	Legal Fees April Board Meeting	Board Meeting	-1,500.00	58,464.65
05/12/2023	City of Austin	May 2023 Health Insurance	Health Insurance	-12,333.21	46,131.44
05/12/2023	TASC (FSA Health Care)	May 2023	Health Insurance	-40.00	46,091.44
05/12/2023	Anumeha Kumar		Meeting Refreshments	-51.96	46,039.48
05/12/2023	Complete IT	April 2023	Software/IT Services	-1,059.40	44,980.08
05/15/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Benefits	50,000.00	94,980.08
05/18/2023	Parkstone Office Condominium Community.	May 2023	-SPLIT-	-777.09	94,202.99
05/18/2023	Shira K Herbert		Meeting Refreshments	-9.72	94,193.27
05/18/2023	Shira K Herbert	Certified Demand Letter	Postage and Delivery	-8.13	94,185.14
05/25/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Benefits	150,000.00	244,185.14
05/26/2023	QuickBooks Payroll Service	Created by Payroll Service on 05/25/2023	Direct Deposit Liabilities	-42,496.38	201,688.76
05/26/2023	Jackson Walker	March 2023 Administrative Legal Fees	Administrative	-9,000.00	192,688.76
05/26/2023	Jackson Walker	April 2023 Administrative Legal Fees	Administrative	-9,000.00	183,688.76
05/26/2023	Meketa Investments	April 2023 Consulting Fee	Financial Consulting Fee	-17,557.48	166,131.28
05/26/2023	Provaliant	April 2023 Project Management Services	Project Management Services	-8,550.00	157,581.28
05/26/2023	Westwood Holdings Group	Q1	Investment Management Fees	-37,672.95	119,908.33
05/26/2023	Cheiron		-SPLIT-	-20,530.00	99,378.33
05/30/2023	Amy L Thibaudeau	Direct Deposit	-SPLIT-	0.00	99,378.33
05/30/2023	Anumeha Kumar	Direct Deposit	-SPLIT-	0.00	99,378.33
05/30/2023	Deborah Hammond	Direct Deposit	-SPLIT-	0.00	99,378.33
05/30/2023	Gina M Gleason	Direct Deposit	-SPLIT-	0.00	99,378.33



**Austin Firefighters Relief and Retirement Fund**  
**General Ledger**  
**As of May 31, 2023**

Date	Name	Memo	Split	Amount	Balance
05/30/2023	John C Perryman	Direct Deposit	-SPLIT-	0.00	99,378.33
05/30/2023	Shira K Herbert	Direct Deposit	-SPLIT-	0.00	99,378.33
05/31/2023	United States Treasury	74-6059219 QB Tracking # 2038012490	-SPLIT-	-15,210.92	84,167.41
05/31/2023	Fidelity	May 2023 SEP Contributions	SEP Contribution	-13,437.50	70,729.91
<b>Total Sunflower Bank - Operating</b>				<b>-32,827.16</b>	<b>70,729.91</b>
<b>Sunflower Bank - Benefits</b>					<b>1,535,901.85</b>
05/01/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Operating	-200,000.00	1,335,901.85
05/01/2023	Austin FF Relief & Retirement Fund	Transfer to State Street	State Street T009-Cash Agg	-1,000,000.00	335,901.85
05/01/2023	Sunflower Bank	Wire Fee	Bank Service Charges	-22.00	335,879.85
05/02/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Operating	-100,000.00	235,879.85
05/12/2023	Austin FF Relief & Retirement Fund	Deposit	-SPLIT-	1,661,559.73	1,897,439.58
05/15/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Operating	-50,000.00	1,847,439.58
05/15/2023	Austin FF Relief & Retirement Fund	Transfer to State Street	State Street T009-Cash Agg	-1,600,000.00	247,439.58
05/15/2023	Sunflower Bank	Wire Fee	Bank Service Charges	-22.00	247,417.58
05/25/2023	Austin FF Relief & Retirement Fund	Deposit	Sunflower Bank - Operating	-150,000.00	97,417.58
05/26/2023	Austin FF Relief & Retirement Fund	Deposit	-SPLIT-	1,702,977.24	1,800,394.82
05/31/2023	Austin FF Relief & Retirement Fund	Interest May 2023	Interest - Sunflower Bank	464.17	1,800,858.99
05/31/2023	Austin FF Relief & Retirement Fund	Transfer to State Street	State Street T009-Cash Agg	-1,600,000.00	200,858.99
05/31/2023	Sunflower Bank	Wire Fee	Bank Service Charges	-22.00	200,836.99
<b>Total Sunflower Bank - Benefits</b>				<b>-1,335,064.86</b>	<b>200,836.99</b>

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## Road Map of Items for Board Meetings

### June 2023 Board Meeting

- Legislative Session Wrap-up/Update
- Review salary range for ED position – vendor selection
- 2022 Actuarial Valuation - preliminary results
- QDRO Policy change discussion
- RFP for IPPE update
- Legislative change to amend the DROP distribution provision applicable to beneficiaries

### July 2023 Board Meeting

- 2022 Actuarial Valuation adoption
- 2022 Financial Audit Report adoption
- Pension Review Board Report Submissions
- RFP for IPPE
- RFI for the depository bank
- Electronic Document Management System Implementation Update (Provaliant)

### August 2023 Board Meeting

- Meketa 2Q23 Report including Operating Procedures Review
- Meketa 2022 Fee Review
- PensionGold Implementation Project Kickoff update
- Summer Newsletter
- Update on PRB Training and Reporting

### September 2023 Board Meeting

- Board Trustee Election
- Start RFP Process for Auditor
- PensionGold Implementation Project Update



### **October 2023 Board Meeting**

- Discussion and Consideration of 2024 COLA

### **November 2023 Board Meeting**

- Meketa 3Q23 Report
- Consideration of 2024 Budget
- Consideration and Possible Approval of 2024 COLA
- Update on Trustee Election