



**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