

AFRF News

August 2023
Issue #2

Austin Firefighters Retirement Fund

INSIDE

Staff and Board | p2

Letter from the Fund
Welcome Mayor Watson
Staff Update

State of the Fund | p3

88th Legislative Session
Website Update
New Name and Logo
PAS Software Update
RFI for Depository Bank

State of the Fund | p4

Investment Performance
Investment Strategy
RFP for IPPE
Actuarial Services Update

Financial Reports | p4

2022 Annual Report
2022 Actuarial Valuation

More Information | p5

Member Services
Important Dates
Connect with Us



Letter from the Board

- By Vice Chairman Doug Fowler

In the time since the release of our debut newsletter, the Fund has continued to make great strides toward improving our systems both internally and externally. The most visible of these changes are the rebranding of our organization and the release of our new public-facing website. With these changes, we have established a more cohesive and modern identity for our Fund and improved the user-interface and accessibility of information for our members.

Behind the scenes, we have made several positive improvements as well. Our new actuary, Cheiron, began their service in January. With their help, the Board moved to make assumption changes that better reflect the reality of the cost of our plan in terms of lifespan and DROP-related benefit selection. While these changes did contribute to lengthening our amortization period to 35.7 years, they better positioned the Fund for long-term stability. The Board has been working closely with its investment consultant, Meketa, to find ways to lower investment fees without impacting returns. While the funded status of AFRF remained strong at 86.9%, the Board will continue to work closely with its consultants to preserve and improve the health of the plan. Lastly, striving to provide COLAs is also one of our top priorities given our members do not participate in social security. We will work with Cheiron to explore options to develop a more sustainable COLA policy.



Letter from the Fund

- By Executive Director Anumeha Kumar

With the accomplishments of 2022 behind us, we aimed to set even bigger goals for 2023. In this second issue of our newsletter, you will see some major changes for the Fund, including a new name, a new logo, and a new website. What you won't see is the drastic behind-the-scenes overhaul from a room filled with old paper filing cabinets to an Electronic Document Management System. This EDMS functions not only as more secure and organized file storage, but also lays the groundwork for our new Pension Administration System, which will give you direct access to your personal pension information come 2025.

So far this year, we welcomed a new *and former* Board Chair, Mayor Kirk Watson. The Board moved to re-elect Doug Fowler as Vice Chair, recognizing his excellent performance in the role over the past year. On a staff-level, we said goodbye to Kendall Twomey, who left the Fund after three years of dedicated service to focus on her family. Debbie Hammond was promoted to the role of Benefits Manager, and we hired another competent and experienced educator to fill our Benefits Specialist position. I am happy to welcome Amy Thibaudeau to our team.

We have also taken the first steps toward a complete overhaul of our Pension Administration System software, starting with the digitization of all paper documents, and outlining the designs for the new software. While members won't see the effects of those efforts until the end of 2025, the completion of the project will bring about major changes to the way that our members are able to access and interact with their account information.



Welcome Chair Mayor Watson

Kirk Watson joined AFRF as Board Chair at the beginning of his term as Mayor in January 2023. Mayor Watson was supported by Austin firefighters during his mayoral campaign and previously served as AFRF Board Chair during his initial term as Mayor from 1997- 2001. AFRF would like to thank the mayoral staff, **Colleen Pate**, **Mark Littlefield**, and **Joe Cascino** for their continued support and assistance to the Fund.



Staff Update

Amy Thibaudeau joined AFRF as Benefits Specialist in March 2023, providing retirement and benefits administration services. Prior to joining AFRF, Amy served for 13 years as an educator, dyslexia therapist and Section 504 coordinator for Austin Independent School District.

The 88th Legislative Session

Over the course of the 88th Legislative Session, the Fund closely monitored SB 1446, which aimed to change fiduciary standards and add proxy-voting requirements for retirement systems. The Fund worked alongside peer systems to ensure that joint concerns regarding the bill were heard. Ultimately the bill did not pass. AFRF also tracked bills proposed by COAERS regarding contribution changes and by TRS regarding an ongoing and one-time COLA, to maintain awareness of changes in other Texas retirement systems. The Pension Review Board made no recommendations to the legislature this year.



Website Update

The Fund was proud to debut its new public-facing website on May 17, 2023. The new website can be accessed at **AFRFund.org**. The prior address of AFRS.org will continue to reroute to the new website for the time being. Due to the complex capabilities of the forthcoming member portal, the estimated launch of that feature is late 2025. In the meantime, all member service requests, including address changes, DROP distributions, and tax withholding changes should be made by contacting the Fund staff directly at **Staff@AFRFund.org** to request a secure submission link, or by calling the pension office at 512-454-9567. All forms can be filled in and downloaded from our new website. A physical signature and identity verification are still required prior to processing any requests.

New Name and Logo

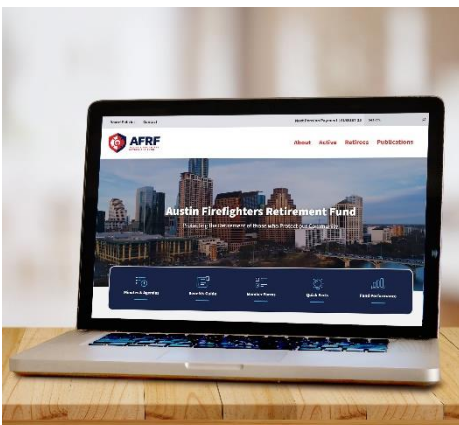
The Fund staff worked in collaboration with Levi Ray & Shoup (LRS) to design a new logo for the organization. The Fund is now doing business as the Austin Firefighters Retirement Fund, or AFRF, moving away from the historic name of Austin Fire Fighters Relief and Retirement Fund. There were many reasons that lead the Fund to initiate these changes, including simplification and modernization, creating a more cohesive identity for the Fund that more accurately represents the function of the organization, and eliminating recurring confusion with the Austin Firefighters Relief & Outreach Fund. The new logo is an evolution of the previous, paying homage in both color and imagery.



State of the Fund

PAS Software Update | AFRF is now in the second phase of the PAS implementation, which involves a backfile conversion of thousands of member documents to digital format within an Electronic Document Management System. AFRF used a heightened level of scrutiny to assure files were safe through the packing, labeling, transportation and scanning processes. The EDMS lays the groundwork for the forthcoming interactive member portal.

RFI for Depository Bank | In May, the Fund issued a Request for Information according to the Fund's established cycle for reviewing its vendors. No banks that responded offered the collateralization that the Fund required beyond FDIC insurance, so the Board decided to maintain Sunflower Bank as the Fund's Depository Bank for the time being.



Annual Report

The AFRF 2022 Annual Report is now available at AFRFund.org. The Annual Report provides important information to help Fund members and stakeholders stay abreast of AFRF's finances, including investment performance, funding health, operation, and management of the Fund. The Report includes the Independent Auditor's Report, the Actuarial Valuation as of December 31, 2022, GASB Statement No. 67 and an overview of the Fund's plan benefits and historical plan provision changes.



At a high-level, the Annual Report indicates that the Fund produced a negative investment return of -10.8% for 2022, in line with the downturn of the financial markets and increased inflationary pressure across the country. AFRF ranked in the second quartile of its peer group. The Fund's net returns outperformed both of its policy benchmarks but fell short of its actuarial return target of 7.3%. The funded status of AFRF remained strong at 86.9% but the amortization period increased to 35.7 years. The Fund ended 2022 with \$1.1 billion in investment assets, down from \$1.3 billion in 2021. The Board remains vigilant of the current economic market volatility and the inflationary environment with the focus on maintaining the long-term funding health of the pension plan.

State of the Fund, Continued

Investment Performance | Meketa reported positive returns for the last two quarters of 2023, following the fourth quarter rebound in 2022. The national banking crisis following the Silicon Valley Bank (SVB) collapse caused a temporary dip in the markets but has since been resolved. The Fund had no direct exposure to SVB, First Republic, or Signature Bank. The Fund continues to have healthy long-term outperformance despite the volatility caused by inflation rates in 2022.

Investment Strategy Update | In February, the Board adopted a passive framework with a plan to move 10% of the Fund's investments from active to passive strategies for the sake of fee-savings without sacrificing long-term expected returns. The framework included selecting a high-performing active manager each month to trim \$10 million in earnings from and reinvest in index funds within the same asset class. The Fund started with asset classes that are most challenging for active managers to outperform, such as public equity and public fixed income. Meketa reported that the strategy has been going well and the impact will become apparent over the long-term. The Board will update the Fund's Investment Policy Statement to add rationale behind the move to passive investment.

RFP for IPPE | Since 2019, Senate Bill 322 has required retirement systems with over \$100 million in assets to perform periodic Investment Practices and Performance Evaluations (IPPE). The Fund's last IPPE in 2019 was conducted by the Fund's current investment consultant, Meketa. In May, the Board directed staff to issue an RFP to hire a third-party vendor to conduct the next IPPE. This decision helped the Fund better align with the law's intent to evaluate Texas pension investment programs through a truly independent lens. AFRF issued the RFP in July and has hired Callan to perform an independent evaluation. The IPPE will be due to the Pension Review Board in June 2024.

Actuarial Services Update | The Fund's new actuary, Cheiron, completed a replication of the 2021 Actuarial Valuation, which functioned as an audit of the 2021 valuation results. They identified a few issues, including not valuing COLAs in retro-DROPs for eligible members. They also completed the 2022 Actuarial Valuation on time. Read more on the 2022 Valuation below.

2022 Actuarial Valuation

The Board and Cheiron aimed to adopt the most realistic assumptions for the Fund's 2022 Valuation. At the April meeting, the Board approved using the base Pub-2010 mortality table with fully generational mortality improvement for the 2022 Actuarial Valuation. They also approved using the most-valuable option for the DROP assumption method to build in conservatism and minimize the potential for the Fund to experience losses. The Actuarial Valuation contains information on Fund assets, liabilities, and contributions, including identification and assessment of risk and stress-testing. The report can be viewed in full on AFRFund.org under the Publications menu. To proactively ensure the Fund is accurately valuing and reporting plan costs, the Board directed Cheiron to perform an actuarial experience study in 2024, one year ahead of schedule.

Member Services

W4-Ps | The IRS now requires W4-P forms to be completed for all tax withholding changes, effective as of January 2023. AFRF recommends that members seek guidance from a CPA or tax advisor for any tax-related issues or specific tax advice.

Considering Retirement? | Schedule a benefits counseling session either virtually or in-person at the AFRF office. If you aren't ready to retire and just want to get an idea of how much income you will receive in retirement, we can help you with that as well! AFRF offers individualized benefit calculations based upon your actual years of service credit, highest average salary, and QDRO division if applicable. These calculations can also include DROP scenarios, if desired. Request your calculations using the Retirement Estimates Form on AFRFund.org.

Trustee Election | AFRF firefighter trustees serve on the Board on a rotating term basis, with one trustee position up for election each year. This year, Vice Chair Fowler's position is up for reelection. The nomination period for additional candidates will run from Sept. 1-15. Nominations can be submitted to the pension office by phone, email, mail, or in-person. If any additional candidates accept their nomination, the election period will run from Oct. 17 - Nov. 6, 2023.

Annuity Payments | As a reminder, payments are issued on the 25th of each month, or on the preceding date if the 25th falls on a weekend or holiday. A schedule of payment dates can be found on AFRFund.org.

Important Dates

September

- 01** | Nomination Period Begins for Trustee Election
- 04** | Office Closed for Labor Day Holiday
- 15** | Nomination Period Ends for Trustee Election
- 15** | Deadline for September DROP Request
- 25** | September Regular Board Meeting

October

- 15** | Deadline for October DROP Request
- 17** | Trustee Election Opens (*if contested*)
- 30** | October Regular Board Meeting

November

- 06** | Trustee Election Closes (*if contested*)
- 10** | Office Closed for Veterans Day Holiday
- 15** | Deadline for November DROP Request
- 17** | November Regular Board Meeting
- 17** | Trustee Election Results Certified (*if contested*)
- 23-24** | Office Closed for Thanksgiving Holiday

December

- 15** | December Regular Board Meeting
- 15** | Deadline for December DROP Request
- 25-26** | Office Closed for Christmas Holiday

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



Connect with Us

Austin Firefighters Retirement Fund
4101 Parkstone Heights Drive, Suite 270
Austin, TX 78746

Office Hours | 8am - 5pm, Monday - Friday

Web | AFRFund.org

Email | staff@AFRFund.org

Phone | (512) 454-9567

Fax | (512) 453-7197

Disclaimer: This newsletter is provided as a courtesy to AFRF members and their beneficiaries. While AFRF has made every effort to provide correct information, it does not offer a legal guarantee of the accuracy of the information contained or referenced herein. All images are credited to Gina Gleason unless noted otherwise.