April 18, 2025

This Memorandum of Understanding (MOU) outlines the agreed upon key provisions between the City of Austin and the Austin Firefighters Retirement Fund (AFRF) for Senate Bill (SB) 2345 and House Bill (HB) 2802.

The City of Austin and AFRF will work collaboratively and actively to finalize mutually approved language for SB 2345 and HB 2802. The parties agree that the final agreed upon bill will include the mutually agreed upon key provisions or concepts outlined in Appendix A to this MOU, as well as other mutually agreed "clean-up" provisions that are not anticipated to materially impact the cost of the bill for the City, AFRF, or AFRF's members.

The City of Austin and AFRF will work collaboratively and actively to support SB 2345 and HB 2802 in respective committee hearings and subsequent legislative actions. HB 2802 will swap SB 2345 and will be carried by Senator Schwertner in the Senate for final passage.

The City of Austin and AFRF agree HB 2802 by Representative Bucy will be the active and primary vehicle for provisions agreed upon by the City of Austin and AFRF, including the provisions outlined in this MOU – Appendix A.

The City of Austin and AFRF agree to openly communicate with one another to advance to final passage of HB 2802. All requests to amend the bills to alter the specific points of agreement stated in this MOU (including Appendix A) will be in writing.

This MOU will be in effect beginning April 16, 2025, through June 22, 2025.

Anumeha Kumar
Anumeha Kumar (Apr 18, 2025 17:34 CDT)

Ed Van Eenoo, Chief Financial Officer
City of Austin

Anumeha Kumar, Executive Director
Austin Firefighters Retirement Fund

Appendix A

General Provisions:

Provision	Agreed Upon Bill Provisions
Actuarially determined funding model	The contributions from the City of Austin will move to an actuarially determined funding model from a fixed contribution model (currently 22.05% of pensionable pay). The unfunded actuarial accrued liability at 12/31/24 will be segregated and amortized over 30 years. Each year a risk-sharing valuation study will be conducted to determine the contribution rates for both the City and members. Future liabilities will be amortized over 20 years. City contributions will be phased in over a 3-year period starting in 2026. In addition to the legacy liability above, the ongoing normal cost will be actuarially determined annually as part of the risk sharing valuation report. The City's contributions will be determined by utilizing a corridor. The midpoint of the city's projected contribution with a 5% corridor on either side will provide guardrails to the City's contributions. (see more below in Contribution corridor)
Member Contributions	Member contributions remain at 18.7% unless the amount necessary to support the fund breaches the upper corridor (midpoint plus 5%), then members must contribute the balance to fund the normal cost of benefits up to 2%. If both the City's 5% corridor plus the members' additional 2% contribution are exceeded, the fund and the City must sit down and work out a different plan to address the funding shortfall.
Contribution corridor	The City's contributions may increase by 5% above the corridor midpoint (identified in annual risk sharing valuations) before membership must increase their contributions. Once the fund is 90% funded, the City's contribution rate may vary above and below the corridor midpoint.
Governance	Two changes to existing board members and two new board members added to create a 7-member board. The Designated seat for the Mayor is now a Mayor-appointed seat. The designated seat for the City Treasurer is now a City CFO-appointed seat. One new elected member seat was added (members terms move from 3 years to 4 years). Finally, one city-appointed citizen seat with financial/investment experience is added.
Experience study process	When the fund performs an experience study that may modify the actuarial assumptions used for the fund, the City has the opportunity to (1) perform its own study, (2) review the fund's study, or (3) simply accept the fund's study. This provision includes resolution procedures for any significant differences identified.
New Benefit Tier	A new benefit tier, Group B, for firefighters hired after 12/31/25 with reduced benefit (3.0% multiplier versus 3.3% for Group A), no early retirement option, normal form of benefit is single life annuity (versus joint & survivor 75% for Group A), reduced DROP option (forward only, lower interest rate).
Other provisions	See below for other provision changes impacting Group A and new Group B.
COLA Approval	The City of Austin and AFRF agree to the provision to allow City Council to approve a COLA in any format it deems appropriate if the financial stability tests are not met, including a 13th check.

Group A Benefit Tier:

Provision	Agreed Upon Bill Provisions	
COLA Amount, Compounding	Discretionary subject to tests	
COLA Eligibility	Age 67 or 5 years after retirement	
Financial Stability Test 1: Funded Ratio	**Time Period** Prior to 2031 2031-2035 2036-2040 2041-2045 2046 or later	**Funded Ratio** 80% 80% 80% 85% 90%
Financial Stability Test 2: Amortization Period	**Time Period** Prior to 2031 2031-2035 2036-2040 2041-2045 2046 or later	**Amortization Period** 25 25 20 15 15
Investment Return Criteria 1: Single Year	Years following any year where the AFRF MVA return is negative (<0%), maximum COLA is 0%.	
Investment Return Criteria 2: Five-Year Average	Years following any year where the five-year rolling AFRF MVA is below the applicable assumed ROR (currently 7.3%), 0% COLA.	
Corridor Criteria: midpoint +4%	Years when the employer contribution rate is greater than or equal to the corridor midpoint plus 4%, 0% COLA.	
COLA Maximum	1.5%	
COLA Minimum	0.00%	
Council Approval	No approval necessary unless COLA is desired to be granted outside the Financial Stability Tests	
Nonvested Termination Refund Interest Rate	0.00%	

Group B Benefit Tier:

Provision	Agreed Upon Bill Provisions
DROP Account	Includes annuity payments during DROP period and 50% of member contributions during DROP
DROP Period	Up to 7 years
DROP Interest – DROP Accumulation Period	4.0%
DROP Interest – Post-Retirement	4%, with risk-sharing reduced to 2% following years of AFRF negative return
Nonvested Termination Refund Interest Rate	0.00%
Highest Average Salary	Highest 60-month average of pensionable compensation
COLA Amount, Compounding	Performance-based COLA with 0% minimum and 2% maximum,
COLA Eligibility	Later of: 5 years of retirement and age 67. COLA ineligible for years with a DROP account balance.