



AFRF
AUSTIN FIREFIGHTERS
RETIREMENT FUND

**MINUTES
BOARD OF TRUSTEES MEETING
FRIDAY JULY 25, 2025, 9:00AM**

Board Members Present

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

Staff and Consultants Present

Anumeha Kumar, AFRF Executive Director
John Perryman, AFRF CFO
Debbie Hammond, AFRF Benefits Manager
Gina Gleason, AFRF Board & Operations Specialist
Shira Herbert, AFRF Accounting & QC Specialist
Amy Thibaudeau, AFRF Benefits Specialist
Alyca Garrison, Jackson Walker
Elizabeth Wiley, Cheiron
Heath Merlak, Cheiron
Sean Bender, Montemayor

Community Members Present

Max Lars, City of Austin
Virtual attendees not listed

Mayor Watson called the meeting to order at 9:00am.

Public Comments:

No public comments.

I. Consent Agenda for the following:

- a. Minutes of the regular meeting of June 27, 2025
- b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

Mayor Watson requested a moment of silence for the retired firefighter who had passed in June. Trustee Fowler made a motion to approve both items on the consent agenda. Trustee Weaver seconded the motion. The motion passed without objection.

II. Third reading and possible adoption of proposed changes to the Investment Policy Statement (IPS)

Mayor Watson stated that the board had voted to approve the Investment Policy Statement on first reading in May, on second reading in June, and that three separate readings were required to formally adopt the proposed changes. Trustee Fowler made a motion to adopt the IPS on third reading. Vice Chair Woolverton seconded the motion. The motion passed without objection.

III. Consider adoption of the December 31, 2024 Actuarial Valuation

Elizabeth Wiley introduced herself and Heath Merlak as the actuaries from Cheiron and stated that the 2024 Actuarial Valuation provided good news about the Fund's condition in reflection of the proactive legislative action taken by the board. She clarified that this valuation was the first

performed with the pension reform from House Bill 2802 in place and was also the first to include a Risk Sharing Valuation Study (RSVS) to set the schedules for the new actuarially determined contribution (ADC) funding model over the next 30 years, as required by statute. Ms. Wiley provided an educational overview on the mechanics of pension funding and the processes that Cheiron followed to conduct the Actuarial Valuation. She reviewed historical trends over the last decade regarding assets and liabilities, noting that the Fund had strengthened some assumptions during that timeframe. She also highlighted that due to an HB 2802 provision that required the actuarial value of assets (AVA) be reset to the market value of assets (MVA), the AVA and MVA were the same for the 2024 valuation. Ms. Wiley next reviewed historical trends with payroll and member population. She stated that the active count had increased steadily on an annualized basis of 1.5% over the last 10 years, which was good for the Fund in terms of incoming contributions. In context with the rest of the membership, Ms. Wiley explained that the support ratio had been trending upwards as expected for a maturing pension plan but remained relatively low compared to most public retirement systems that typically have more than one inactive for each active member. She noted that as plans mature and benefit outflows outpace contributions, plans become more sensitive to assets changing. Ms. Wiley reviewed the contribution history, stating that contributions remained fixed through 2025 and had been fixed at a rate of 18.7% for members and 22.05% for the City of Austin for several decades. She explained the mechanics of how contributions cover normal cost and unfunded actuarial liability (UAL) and stated that the tread-water rate had increased following the 2022 down market, which contributed to the need for pension reform. Last, Ms. Wiley reviewed the amortization period, or funding period, history as a key measure of funding progress. She stated that the amortization period had been steadily increasing over the last 10 years, with the prior two years exceeding the 30-year maximum guideline set forth by the Pension Review Board (PRB). Ms. Wiley informed the board that if they had taken no action, the current amortization period would have reached 69.3 years. However, she continued, with the plan set forth in HB 2802, the amortization period will be exactly 30 years from the time when the contribution determined by the RSVS goes into effect and will continue on a declining path for a minimum of ten years. As a result of the reforms, she stated that the Fund would be very unlikely to trigger a Funding Soundness Restoration Plan in the foreseeable future.

Mr. Merlak provided an overview of the core results of the initial Risk Sharing Valuation Study. He reported that the unfunded accrued and unfunded actuarial liability was just shy of \$350 million, which set the legacy liability that would be funded over a 30-year period. He also reported that the funded ratio on an AVA and MVA basis was at 76.9%, noting that the MVA had decreased slightly due to 2024 investment returns coming in under the 7.3% assumption, and the AVA had decreased more significantly from the prior year because the actuarial value had been reset to the market value under HB 2802. He reported that the total normal cost came in at 31.32%, which was a slight increase from the prior year due to the added COLA assumption, offset by no longer providing interest on contribution refunds, which translated to an employer normal cost rate of 12.62%. Mr. Merlak further explained that the City of Austin's contribution under the ADC model would consist of three components: the employer normal cost rate, the post-2024 unfunded actuarial liability amortization rate (zero for the first year of implementation), and the legacy liability payment. He described how the corridor midpoint was calculated based on the projected membership ratio of Group A versus Group B over the next 30 years, the normal cost of each group, and the portion of the cost covered by firefighter contributions, resulting in a starting corridor midpoint of 12.62% for the 2026 calendar year that would gradually decrease over time with a corridor minimum and maximum of $\pm 5\%$ from the midpoint. He added that the additional legacy liability payment would equate to approximately 12.44% of payroll for the 2026 calendar year. Ms. Wiley summarized the quantitative metrics included in the report to gauge and evaluate potential risks for the Fund in recognition of the tendency for reality to deviate from assumptions. Mr. Merlak noted that

assumption changes have been common across all public pension funds over the last 10 years due to factors such as decreased discount rates and the release of new mortality tables to reflect mortality improvements, which increased plan liabilities. Ms. Wiley added that it was common for pension plans to make their asset allocations more conservative as the plans mature.

Mr. Merlak used Cheiron's P-Scan model to demonstrate risk and how various market scenarios would impact the funded ratio and contribution levels over the next 30 years. He explained that under the baseline scenario with the assumed rate of return, the funded ratio would start with a few years of negative amortization during the ADC phase-in, then reach 100% funded in 2055. He further described that under the baseline scenario, the City's rate would gradually decline as Group A members retired and were replaced by Group B at a lower normal cost, and the firefighter rate would not experience a corridor increase. Trustee Weaver thanked Cheiron for their presentation and emphasized the importance of the information from a funding perspective. Trustee Bass also expressed his appreciation and reiterated that economic experience would always be independent from accounting, therefore reflecting projected experience does not change the liability but rather prepares for it. Ms. Wiley noted that the GASB 67-68 valuation was also included for financial reporting and stated that it contained the same asset information presented in accounting terms. Vice Chair Woolverton made a motion to approve the 2024 Actuarial Valuation as presented. Trustee Fowler seconded the motion. The motion passed without objection.

IV. Consider adoption of the 2024 Financial Audit

Sean Bender introduced himself as the Fund's auditor from Montemayor. He presented his clean opinion that the financial statements were presented fairly in accordance with Generally Accepted Accounting Principles (GAAP). Mr. Bender disclosed that the audit offered reasonable, but not absolute, assurance that the financial statements were presented fairly based on risk assessment and a sample of the transactions that occurred in the general ledger during the year. He stated that it was a clean and routine audit consistent with the prior year without any new accounting principles or auditing standards. Mr. Bender reviewed the accompanying *Communications with Those Charged with Governance* letter, noting that it contained no negative commentary regarding management or internal controls. Mayor Watson reiterated that it was a clean report and asked if Montemayor had identified anything that required follow-up. Mr. Bender confirmed that there were no concerns in any regard. Trustee Fowler made a motion to adopt the 2024 Financial Audit Report as presented. Trustee Weaver seconded the motion. The motion passed without objection.

V. Consider adoption of the 2024 Annual Financial Report

Anumeha Kumar outlined the content of the Annual Financial Report, which complied the Actuarial Valuation Report and the Financial Audit Report with some additional information about investments and fee reporting as required by the Pension Review Board (PRB). Ms. Kumar stated that once approved, the Annual Financial Report would be submitted to the PRB and posted to the Fund's website. Trustee Fowler made a motion to approve the 2024 Annual Financial Report as presented. Vice Chair Woolverton seconded the motion. The motion passed without objection.

VI. Update on Pension Review Board (PRB) Report Submissions

Anumeha Kumar identified the PRB-1000 as an additional report that would be submitted to the PRB, which tracked investment performance over multiple rolling periods. She noted that the 2022 down market had weighed heavily on recent rolling returns, particularly over shorter periods. No motion necessary.

- VII. Consider approval of Voluntary Funding Soundness Restoration Plan (FSRP) submission to PRB

Mayor Watson announced that the agenda item had been withdrawn. He stated that while the work for the Voluntary FSRP and its corresponding legislation had been completed, the Fund was still working to determine the proper follow-up steps for formal submission to the PRB.

- VIII. Consider proposed changes to Governance Policy pertaining to the implementation of HB 2802

Alyca Garrison provided an overview of the most significant changes that were made to the Governance Policy to align the policy with the statutory changes made under HB 2802. She noted that changes pertaining to the September 1, 2025, and January 1, 2026, implementation dates had been prioritized but indicated that there would be additional revisions for the board to consider at a later date. Ms. Garrison first identified changes pertaining to board composition, which included adding place numbers to identify each position on the expanded board. She explained that Place 1 and 2 would be the City of Austin designated positions, Places 3 through 6 would be the elected firefighter positions and Place 7 would be the newly added citizen position. She noted that the law gave the board authority to specify how the four firefighter positions would be filled, and based on board direction from the prior meeting, Place 5 would be designated as an active member position and Place 6 would be designated as a retiree position, with both positions coming up for election during the 2025 election cycle. She added that the law stipulated that the position receiving the highest number of votes during the 2025 general election would be granted a 4-year term while the second highest would be granted a 3-year term to initiate the transition of all four firefighter positions to staggered 4-year terms. Ms. Garrison noted that nomination provisions had been left in the Fund Rules while any true election rules were pulled into the Governance Policy. She explained that the Governance Policy now outlined the responsibilities of the board Chair and Vice Chair, both of which would become elected positions selected by the board annually at their first meeting each year. Ms. Garrison highlighted some administrative changes that were added to the Governance Policy to comply with legislative changes to the Texas Open Meetings Act (TOMA). She next described three standing board committees that were added to the Governance Policy: an investment committee, a benefits committee, and a policy committee, noting that the Chair would be able to create special or ad hoc committees as necessary. She explained that committees would consist of three board members to avoid quorum issues but emphasized that all matters would eventually be brought in front of the full board. Trustee Weaver raised concerns regarding the draft language which granted the Chair sole authority to appoint committees without receiving trustee input on preferences and contained no requirements for equal distribution of committee appointments amongst trustees. Mayor Watson voiced his agreement and suggested that the Fund follow similar procedures as City Council, allowing for appointment only after board consultation. He added that the consultation would have to occur at a meeting to avoid difficulties with TOMA. Trustee Weaver followed up with an additional concern about non-committee trustees being barred from attendance due to TOMA concerns and requested that the option remain open for committee meetings to be posted as open meetings. Mayor Watson and Trustee Fowler voiced their agreement with Trustee Weaver's concerns. Ms. Garrison clarified the requests and confirmed that Jackson Walker would make those revisions. She concluded with the final change to the Governance Policy, which formalized the previously adopted title of Executive Director and clarified the Executive Director's responsibilities pertaining to staff employment and staff policy matters. Trustee Fowler made a motion to approve the revised draft of the Governance Policy as presented for member comment. Vice Chair Fowler seconded the motion. Trustee Weaver confirmed with Ms. Garrison that the motion would include the revisions requested by the board. The motion passed without objection.

IX. Consider proposed changes to Fund Rules pertaining to the implementation of HB 2802

Alyca Garrison stated that the first update to the Fund Rules was a clear establishment of the Fund operating under the name of Austin Firefighters Retirement Fund for branding purposes, as previously adopted by board rule in accordance with statute. She clarified that the legal name of the Fund had not changed. She reiterated that portions of the Fund Rules pertaining to board elections had been moved to the Governance Policy, narrowing the Fund Rules to only the nomination process. Next, she explained that the Fund Rules had been updated to reflect a statutory change under which alternate payees awarded a DROP balance would be required to take a full distribution as soon as administratively practical after becoming entitled to the balance. Next, Ms. Garrison described a new rule pertaining to post-retirement beneficiary designations for Group A, stating that under statute, post-retirement marriages occurring after September 1, 2025, would no longer be eligible for an automatic spousal benefit after 24 months, due to the actuarial impact the former rule had on the Fund. She clarified that a spouse could still be designated as a beneficiary post-retirement, but the same rules would apply as with a non-spouse beneficiary. She further explained that members of Group B would be entitled to a single life annuity by default but added that the board would have the authority to offer joint and survivor options to Group B with future rulemaking. Ms. Garrison pointed to rules that had been repealed due to statutory changes, including two COLA rules and a benefit improvement policy. She revisited an administrative change that had been presented at the prior meeting and incorporated into the Fund Rules, which would streamline the policy process and align it with state agencies by requiring only policies pertaining to the membership, such as benefits, eligibility or service credit, to go through the member comment process. She clarified that all policies would still be discussed during an open meeting and members would still be welcome to make a public comment at that time. Ms. Garrison also revisited a prior concern from the board regarding nominations for the two designated elected trustee positions and stated that a rule had been added to allow for suspension of the active or retiree requirement if no nominations were received for the specified class. Ms. Garrison concluded with the addition of a military leave service credit purchase rule. She explained that the new law aligned with federal law and would require both the member and the City of Austin to pay the contributions that would have been made during the military service period, up to five years, to receive optional service credit under the Fund for the military leave time. Trustee Fowler made a motion to approve the revised draft of the Fund Rules as presented for member comment. Vice Chair Woolverton seconded the motion. The motion passed without objection.

X. Consider the 2025 Board of Trustees Election for two positions, including establishing an “Election Period”

Mayor Watson explained that the motion for this item would be to establish a three-week election period beginning on October 17, 2025, and ending on November 6, 2025, to elect an active member to Place 5 and a retired member to Place 6 as Alyca Garrison had outlined in the revised Governance Policy. Trustee Weaver made a motion to adopt the election period as described. Trustee Fowler seconded the motion. The motion passed without objection.

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

a. General comments

No general comments.

- b. Pension Administration System (PAS) software update

Anumeha Kumar explained that the PAS software development remained on track and that staff was continually working to implement the legislative changes within the software by the January 2026 deadline to avoid incurring additional costs related to the PAS implementation timeline.

- c. Mid-year budget update

Anumeha Kumar postponed this agenda item pending a formal quote from the software vendor for the cost of applying the legislative changes to the new software pursuant to House Bill 2802. She noted that the item would be added to the August agenda.

- d. Internal financial statements, transactions, and Fund expense reports for month ending June 30, 2025

Anumeha Kumar stated that there was nothing significant to report. The trustees had no questions regarding the financial statements.

- XII. Roadmap for future meetings

The trustees had no questions or requests regarding the roadmap.

- XIII. Call for future agenda items

No future agenda items were called for.

Hearing no objections, Mayor Watson adjourned the meeting at 10:43am.

Board Members

Mayor Kirk Watson, Chair

Aaron Woolverton, Vice Chair

Belinda Weaver, Treasurer

John Bass, Trustee

Doug Fowler, Trustee