

BOARD OF TRUSTEES MEETING REGULAR MEETING AGENDA

Friday June 27, 2025, 9:00am

The regular meeting will be held in the **Board and Commissions Room at Austin City Hall, 301 W 2nd 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 2558 513 2654** and **password Jun2025**, or through a telephone conference call, **toll-free dial-in number 408-418-9388** with **access code 5862025**. Some non-routine agenda items will have the trustee or individual who requested the item in parentheses.

How to Register for Public Comments

Members of the public may address the Board of Trustees on any matter during the Public Comment 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 <u>staff@AFRFund.org</u> no later than 5:00 p.m. on June 26, 2025. All parties are asked to limit comments to 3 minutes. No discussion or action will be taken by the Board during public comments.

Public Comments

To Approve

- 1. Consent Agenda for the following:
 - a. Minutes of regular meeting of May 23, 2025
 - b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

To Discuss and Possibly Act On

- 2. Second reading of proposed changes to the Investment Policy Statement (IPS)
- 3. Update and consideration of next steps regarding Aether Natural Resources investment
- 4. Presentation on conclusion of Texas Legislative Session 89(R), including the following:
 - a. Status of the final City of Austin and AFRF joint pension reform bill (HB 2802) for a Voluntary Funding Soundness Restoration Plan (FSRP) and effective dates for certain plan provisions



- b. Overview of the next steps related to implementation of HB 2802, including review of Fund Rules and policies
- c. Other notable bills
- 5. Consider preliminary December 31, 2024 Actuarial Valuation, including preliminary Risk-Sharing Valuation
- 6. Executive Director Report, including the following (Discussion Only)
 - a. General comments
 - b. Pension Administration System (PAS) software update
 - c. Internal financial statements, transactions, and Fund expense reports for month ending May 31, 2025
- 7. Roadmap for future meetings
- 8. 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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MINUTES BOARD OF TRUSTEES MEETING FRIDAY MAY 23, 2025, 8:30AM

Board Members Present

Mayor Kirk Watson, 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 (virtual) Shira Herbert, AFRF Accounting & QC Specialist Amy Thibaudeau, AFRF Benefits Specialist Chuck Campbell, Jackson Walker Alyca Garrison, Jackson Walker Aaron Lally, Meketa Colin Kowalski, Meketa (virtual)

Community Members Present

Rene Vallejo Jason Harvey Rene Andel Virtual attendees not listed

Mayor Watson called the meeting to order at 8:30am.

Public Comments:

Rene Vallejo thanked Mayor Watson for his work toward the pension reform bill, since Mayor Watson had not been present at the last meeting to receive his prior expression of gratitude. Mayor Watson expressed appreciation for Mr. Vallejo's presence at the Capitol.

- I. Consent Agenda for the following:
 - a. Minutes of the regular meeting of April 25, 2025
 - b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

Trustee Fowler made a motion to approve the consent agenda. Trustee Weaver seconded the motion. The motion passed without objection.

II. Consideration of appeal of benefit determination

Alyca Garrison explained to the board that a benefit application had come to the Fund and was denied due to an invalid beneficiary designation form. Pursuant to Fund Rules, she continued, the board would consider the appeal of the benefit determination. Jason Harvey introduced himself as the legal representative of the applicant, Rene Andel. He provided an overview of the appeal affidavit and pointed to aspects of their exhibited documents that he and his client considered to be evidence of a valid beneficiary designation. Mayor Watson thanked Mr. Harvey for his presentation and thanked Ms. Andel for her father's service to the fire department. The board entered closed session at 8:36am pursuant to Government Code Section 551.071 to consult with

the Fund's attorney in relation to the agenda item. The board resumed open session at 8:40am with no action taken during the closed session. Trustee Fowler moved to approve the application of survivor benefits on appeal. Trustee Weaver seconded the motion. The motion passed without objection.

III. Meketa 1Q25 Investment Performance Review, including the following:

a. Recent Market Events - Tariffs

Aaron Lally addressed recent concerns regarding the impact of tariff increases on the market. He provided a chart illustrating tariff rates on US goods over the last 120 years and stated that tariffs could be either positive or negative depending on how they were applied and to what industries. Mr. Lally noted that the reason that tariffs had recently rattled the market so drastically was the widespread net and the degree of the tariff rate, which had been in the 30% range when announced. He added that the rate had since decreased and would continue to fluctuate. Mr. Lally reported that markets tended to decline on days when tariff rates were expected to be higher, but he reiterated that market volatility is normal. He noted that there had been countless occurrences throughout history when markets had significantly declined and then rebounded within the same year. Even within 2025, he continued, returns had rebounded from -19% back into positive territory. Mr. Lally emphasized the importance of remaining focused on long-term performance and potentially utilizing periods of volatility for buying opportunities. Mr. Lally reported that the bond market showed a strong relationship between the yield in investment grade bonds and the subsequent five-year return earned by owning those bonds, which indicated that bonds were now producing better returns than they had in the 2010s, closer to actuarial target rates, and put the Fund in a good forward-looking position. He concluded that the board had done a good job of maintaining a long-term view on their asset allocation rather than reacting to short-term swings in the market. He encouraged the board to rebalance only when there are opportunities to buy low. No motion necessary.

b. 1Q25 Investment Report

Aaron Lally reported that despite the negative headlines regarding the investment market, the Fund had produced a slightly positive return of 0.2%, which outperformed the new total fund benchmark that the board had developed over the prior year. He further reported that the Fund was slightly behind the median performing peer plan for the quarter, due in part to the allocation effect of being slightly overweight in US equity during a quarter in which US equity underperformed, as well as having active managers that underperformed relative to their individual benchmarks for the quarter. He reported that there were six active strategies that had outperformed since inception and four that had underperformed. He explained that while it would be ideal for fewer strategies to underperform, the degree of outperformance was more significant than the degree of underperformance. He reported that the active managers had added value to the plan over the long term but had been less successful in recent years. The trustees asked some clarifying questions regarding how the data was organized and made some clarifying statements regarding the impact of the percentage of assets held by each fund. Mr. Lally further detailed Fund performance versus peers, noting better performance long-term than in recent individual years, which he attributed to the recent flat performance of the Fund's private equity investments. He concluded that private equity had been a good investment for the Fund despite its short-term performance, having doubled the Fund's investment over fifteen years. In total, Mr. Lally stated that the Fund was valued at \$1.15 billion at the end of March. No motion necessary.

c. Updates on Manager Changes

Aaron Lally provided an update on the manager and strategy changes that had been approved by the board during their February meeting. He explained that Westwood Large Cap Value had been terminated, and the proceeds had been received with half reinvested into the S&P 500 and half into the cash account for benefit payment. He stated that Highclere had also been terminated, and the proceeds had been received and reinvested into the new strategy of Dimensional International Small Cap. Finally, Mr. Lally stated that contract negotiations were currently underway with State Street regarding the new lower fee schedule for index funds. No motion necessary.

d. Annual Asset Allocation Review

Aaron Lally explained that Meketa used numerous tools and modeling techniques each year to analyze whether the Fund's policy target weights were still appropriate to produce the desired returns with the lowest volatility moving forward. He further explained that Meketa built forecasts for each asset class based on long-term expected returns and volatility and how they correlated with other asset classes. He stated that last year, the future return expectation was 8.4% and this year it was 8.5%, with volatility remaining at 13%. Mr. Lally explained that these percentages indicated that in any given year, the Fund was expected to have a return of 8.5% plus or minus 13%. He stated that the model also predicted that the Fund would average one negative return year every four years, but indicated that the historical average had been one year out of five. Mr. Lally reported that the Fund had not adjusted their targets in many years and suggested that the current environment warranted making a few changes. Mr. Lally provided an overview of Meketa's proposed changes, including eliminating the target to natural resources due to low overall performance and adding the asset class of core infrastructure. He explained that core infrastructure included large assets such as toll roads, airports, pipelines and ports, that have built-in inflation protection and are less sensitive to the stock and bond markets. Mr. Lally recommended some additional minor allocation adjustments and stated that the proposed changes would not have a significant impact on the Fund's return expectation but, in aggregate, would substantially reduce expected volatility. He noted that if the board approved the new asset allocation, Meketa would work to start adjusting the exposure to meet the new targets, would provide the board with more education on core infrastructure, and would come back with strategies for board consideration followed by interviews. He noted that it would take at least a year to complete the investment process for core infrastructure. The trustees asked some clarifying questions. Mr. Lally asserted that the changes would be cost-saving and would produce a more efficient risk-adjusted portfolio going forward. Trustee Fowler made a motion to approve the changes to the asset allocation targets and the addition of a new asset class recommended by Meketa, including a decrease of 3% in private equity and an increase of 3% in public US equity, a decrease of 2% in emerging market debt and an increase of 2% in investment grade bonds, and a decrease of 3% in natural resources and an increase of 3% in core infrastructure. Trustee Weaver seconded the motion. The motion passed without objection.

Mr. Lally explained that it was customary to memorialize any asset allocation changes within the formal governing document, the Investment Policy Statement (IPS). Trustee Fowler made a motion to approve an amendment to the IPS to reflect the new asset allocation policy targets that the board had adopted, on first reading. Trustee Weaver seconded the motion. The motion passed without objection. Alyca Garrison noted that statute required three readings in total, and that the board would complete the second and third readings in June and July. Anumeha Kumar stated that she would bring a circulate a redline copy of the amended policy for board consideration when available as well as include a copy in the June board packet.

e. Annual Private Equity Pacing Analysis

This item was not addressed during Meketa's report.

IV. Update on Texas Legislative Session 89(R), including status of the City of Austin and AFRF pension reform bills for a Voluntary Funding Soundness Restoration Plan (FSRP)

Anumeha Kumar reported that the joint pension reform bill had maintained forward momentum and passed through the Senate. She stated that there was one final stage to cross wherein the House, specifically Representative Bucy, would have to concur with the technical changes that were made in the Senate version of the bill, after which it would proceed to the Governor to be signed into law. Ms. Kumar restated her appreciation for Mayor Watson's role in the legislative process. Trustee Weaver asked if the Fund would hold additional member informational sessions regarding the bill. Ms. Kumar confirmed her intent to update the membership following the official passage of the bill. She further explained that the June and July board meetings would be used to discuss the timeline for implementing the legislation, including effective dates of each provision and the corresponding rule and policy-making that the board would need to engage in. No motion necessary.

- V. Executive Director Report, including the following (Discussion Only)
 - a. General comments

Anumeha Kumar explained that staff had been busy with user acceptance testing for the final deliverable of the pension administration software and that following the anticipated passage of the pension reform bill, staff would need to immediately begin work on making applicable changes to the software to avoid incurring any significant additional project costs. She informed the membership that there may be times when staff are unavailable due to that testing and development, but she assured that all member service requests would be addressed within a reasonable timeframe.

 Internal financial statements, transactions, and Fund expense reports for month ending April 30, 2025

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

VI. Roadmap for future meetings

Anumeha Kumar anticipated that the initial actuarial valuation would be available for the board to consider at the June board meeting, including the risk sharing valuation that would be required under the new legislation. No motion necessary.

VII. Call for future agenda items

No future agenda items were called for.

Hearing no objections, Mayor Watson adjourned the meeting at 9:26am.

Board Members

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

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CONFIDENTIAL INFORMATION

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Revised February July 2025

Statement of Investment Policies and Objectives

for

Austin Firefighters Retirement Fund

Original 1	Adoption Date: 12/10/2002
Revised:	Ĩ2/12/2006
Revised:	6/29/2009
Revised:	10/25/2010
Revised:	8/24/2012
Revised:	9/16/2014
Revised:	2/11/2016
Revised:	2/26/2018
Revised:	6/28/2021
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Table of Contents

I.	Statement of Policy
II.	Investment Objectives
III.	Investment Constraints4
IV.	Allocation of Investment Responsibilities4
V.	Fiduciary Conduct
VI.	Available Asset Classes and Investment Guidelines6
VII.	Investment Principles
VIII.	Asset Allocation
IX.	Evaluation and Review
Х.	Securities Lending
XI.	Trading9
XII.	Voting of Proxies
XIII.	Investment Costs
Appendix A:	Permissible Asset Classes
Appendix B:	Dynamic Benchmark Components11

Statement of Investment Policies and Objectives *for* Austin Firefighters Retirement Fund

I. <u>STATEMENT OF POLICY</u>

A. Purpose

This document is the official policy governing the investment practices of the Austin Firefighters Retirement Fund (the "<u>Fund</u>") and is intended to satisfy the requirements of Section 802.202(d)(1) of the Texas Government Code. These policies and objectives (the "<u>Policy</u>") have been adopted by the Board of Trustees of the Fund (the "<u>Board</u>"), which has the fiduciary duty of overseeing Fund investments. The Policy is not to be deviated from by any responsible party without the prior authorization of the Board. All previous Fund investment policies and objectives are superseded by this document. Any revisions to this document will be promptly supplied to the appropriate parties in written format.

B. Investment Goals

The purpose of the Fund is to accumulate the financial reserves necessary to provide for the retirement pension benefits and other benefits set forth in the Fund's governing statute (e.g., COLAs) for eligible members of the Fund and their beneficiaries. A primary investment goal of the Fund is to emphasize consistency of growth in a manner that protects the Fund from excessive volatility in market value from year to year, while achieving its performance objective over a long-term horizon.

The Board, with consultation, advice, and assistance from the Fund's investment consultant (the "<u>Investment Consultant</u>"), will use the Fund's asset allocation as the primary tool to achieve this goal. As this is a long-term projection and investments are subject to short-term volatility, the main investment review focus of the Board will be to emphasize total return of the Fund over a long-term time horizon. Each strategy selected by the Board is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, add incremental value after costs, and provide investment management in compliance with this document and the manager's contract with the Fund or other operating documents.

II. <u>INVESTMENT OBJECTIVES</u>

The primary investment objective of the Fund is to provide sufficient return and liquidity to pay the benefit obligations of the Fund on a timely and regular basis. The Fund is permanent in nature and there is currently no expectation of need for significant liquidity from the Fund's portfolio. The Fund shall be considered a total return fund, with appropriate recognition given to both current income and capital appreciation. The Board accepts the risks associated with investing in public and private capital markets (market risks), but will minimize wherever possible those risks for which the Fund is unlikely to be compensated (non-market or diversifiable risks). The risk and return investment objectives of the Fund are set forth below and should strive to be achieved in a manner consistent with the goals stated in Section I above.

A. Risk Objectives

- To accept the minimum level of risk required to achieve the Fund's return objective as stated immediately below.
- To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

• To manage the Fund's assets so as to achieve a high likelihood of attaining a 7.3% nominal return over a long-term time horizon.

C. Performance Objectives

As stated above, the Board's primary investment objective is to provide sufficient returns and liquidity over a long-term investment horizon to ensure the Fund is able to pay its benefit obligations to current and future members and beneficiaries on a timely and regular basis. The Board believes it is important to evaluate the Fund's performance over the long-term investment horizon separately – and using different performance metrics – than over a short-term period. The objectives and benchmarks that the Board will use to evaluate the Fund's investment performance for each purpose are set forth below.

1. Total Fund Performance (Long-Term Horizon)

- Long-Term Investment Objective: The Fund's primary investment objective is to invest the Fund's assets so as to achieve a high likelihood of earning total Fund returns that meet or exceed the Total Fund Benchmark over a long-term investment horizon. The Board believes that evaluating the total Fund performance against a fully investable and transparent benchmark (which is representative of a portfolio that is feasible to invest in) is the best measure of overall Fund performance.
- Total Fund Benchmark: The "<u>Total Fund Benchmark</u>" will be a combination of low-cost, investable index returns that matches the subject return series as well or better than others in terms of (1) measures of statistical fit and (2) market exposures. The Total Fund Benchmark should be representative of the Fund's overall risk and return preferences. The subcomponents and weights of the Total Fund Benchmark will be developed in consultation with the Investment Consultant using statistical regression analysis relative to historical exposure and historical returns of the Fund. The current Total Fund Benchmark is outlined below. The Total Fund Benchmark is intended to be

Weight	Passive Index Components
42%	Russell 3000 Index
28%	ACWI (ex US) Index
30%	Bloomberg Barclays Aggregate Index
100%	Total Fund Benchmark

revised only if there is a fundamental change in the Board's risk/return preferences.

2. Investment Selection Performance (Short-Term Horizon)

- Short-Term Investment Objective: In addition to evaluating the long-term Fund investment performance against the Total Fund Benchmark, the Board recognizes the need to evaluate its investment selections and managers against a dynamic benchmark to measure net performance against a custom composite benchmark developed based on how the Fund's assets are actually allocated and invested.
- Dynamic Benchmark: The custom composite benchmark, or the "Dynamic Benchmark", will be composed of a mix of the individual asset class benchmarks, weighted based on the actual asset class composition for the Fund. The individual asset class benchmarks are set forth in <u>Appendix B</u>. The benchmarks used for each asset class will be determined by the Board in consultation with the Investment Consultant. The weight is determined by the preceding month end percentage of each asset class.

III. <u>INVESTMENT CONSTRAINTS</u>

A. Legal and Regulatory

The Board intends that the assets of the Fund at all times are invested in accordance with applicable federal and Texas law and regulations, including its governing statute, its governing instruments, and applicable fiduciary standards. The Board will retain legal counsel when appropriate to review investment contracts and provide advice with respect to applicable statutes and regulations.

B. Time Horizon

The Fund will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term horizon (twenty years or more), consistent with the participant demographics and the purpose of the Fund.

C. Liquidity

The Board intends to maintain sufficient liquidity to meet at least three years of anticipated member and beneficiary payments. To this end, the Board intends to invest no more than 40% of the Fund's assets in illiquid vehicles. Illiquid vehicles are defined as those vehicles that do not allow withdrawals to occur on at least a quarterly basis.

D. Over-Concentration

The securities representing equity of any one company shall not exceed 6% of the market value of the Fund. Fixed income securities of any one corporation shall be limited to 6%, at market, of the Fund.

IV. ALLOCATION OF INVESTMENT RESPONSIBILITIES

A. Board of Trustees

The Board has the fiduciary responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Trustees are tasked primarily with setting the overall risk/return preferences and weighing total portfolio return against properly constructed benchmarks.

Within this framework, the Board will select, contract with, monitor, and evaluate the Investment Consultant, investment managers, bank custodian, and other parties to ensure that actual results meet objectives.

B. Fund Staff

The Staff of the Fund is responsible for oversight and management of the day-to-day operations of the Fund. This includes, but is not limited to, oversight of Fund policies and procedures, working closely with the Investment Consultant and investment managers, executing and reconciling all private market cash flows for the Fund, oversight of budget, oversight of manager fee payment and reconciliation, and Board meeting preparation and coordination.

C. Investment Consultant

The Investment Consultant's duty is to render competent, professional advice and assistance and to work with the Board with respect to the investment process. This includes meeting at least quarterly with the Board to provide perspective as to the Fund's goals and analysis of the Fund's investments. The Investment Consultant will advise, consult, and work with the Board to develop and maintain a properly diversified portfolio.

The Investment Consultant will perform its duties and obligations to the Board in conformance with generally accepted industry standards and its contract with the Fund.

Fund allocation and performance will be regularly reviewed, and recommendations will be made as appropriate. The Investment Consultant will assist the Board in investment manager selection, when needed, and will promptly inform the Board and discuss the impact of material changes taking place within any current manager's organization and/or investment process. Within this process, the Investment Consultant assumes fiduciary responsibility for advice given regarding the management of the investment process.

D. Investment Managers

The investment managers for separately managed accounts will construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement and which are specified in this document and in their respective investment management agreement (IMA) they execute with the Fund. Investment managers will select specific securities, buy and sell such securities, and manage the investment portfolio within their guidelines. The Board also believes that investment decisions are best made when not restricted by excessive procedure. Therefore, full discretion is delegated to the investment managers to carry out the investment of the respective portfolios within stated guidelines.

The Board may also invest in pooled investment vehicles or private market investment vehicles. The governing instruments of these vehicles should specify the applicable investment philosophy and disciplines and provide the investment guidelines for the investment.

E. Custodian Bank

The custodian bank will hold all cash and securities and will regularly value, list and summarize these holdings for the Board's review. In addition, a bank or trust depository arrangement may be utilized to accept and hold cash prior to allocating it to the investment manager and to invest such cash in liquid, interest-bearing instruments.

V. <u>FIDUCIARY CONDUCT</u>

An investment fiduciary includes, but is not limited to, a person who exercises discretionary authority or control in the investment of the assets of the Fund or who renders, for a fee, advice for the Fund. The term investment fiduciary includes, but is not limited to the members of the Board, the Executive Director, the Investment Consultant, and investment managers. An investment fiduciary shall discharge his or her duties in accordance with the fiduciary standards set forth in Section 802.203 of the Texas Government Code and other applicable law.

VI. AVAILABLE ASSET CLASSES AND INVESTMENT GUIDELINES

In consultation with the Investment Consultant and after proper consideration of the Board's investment objectives and asset allocation plan as discussed herein, the Board will

determine the asset classes available for investment of Fund assets. The list of asset classes available for investment will be set forth in <u>Appendix A</u>.

Within each broader asset class, the Board believes it is prudent to diversify based on recommendations from the Investment Consultant. The specific degrees of diversification within each asset class will be addressed in the Fund's Operating Procedures or each manager's investment guidelines, as applicable.

The investment guidelines for available asset classes, if applicable, are reflected in the Fund's Operating Procedures. In addition, specific investment guidelines for investment managers of separately managed accounts will be incorporated in the agreement with the Fund. Within their investment guidelines, each investment manager will also be furnished with a list of asset types and investment strategies that are forbidden. Investment guidelines for pooled investment vehicles or private market investment vehicles will be set forth in the governing instruments of such vehicles.

VII. <u>INVESTMENT PRINCIPLES</u>

Equity exposure within an asset allocation strategy is a key determinant of portfolio risk. The use of the term "effective equity exposure" addresses the fact that reported equity allocations often resemble an incomplete picture of the true equity-like exposure in a portfolio. Asset classes such as private equity, venture capital, real estate, and high yield bonds have high positive correlations to public equity and exhibit equity-like beta, especially in times of market stress. As such, these asset classes offer limited ability to reduce portfolio risk. It is necessary to control effective equity exposure so as to be in compliance with the spirit of this Policy.

In addition, when considering the inclusion of active management, the Board recognizes that while actively managed funds offer the potential to outperform a benchmark, the likelihood that they can, over long time periods for certain asset classes, can be low, especially considering the higher fee structure in active management. Due to the structural advantages index funds offer, the inclusion of active managers in public markets should be judged through appropriate caution and healthy skepticism. Only in compelling circumstances should active managers for a public market asset class be considered. Their inclusion should be re-evaluated periodically, and their fees should be reasonable.

VIII. ASSET ALLOCATION

The Fund's achievement of its risk and return objectives is a function, in large part, of the Fund's asset allocation. The Board recognizes that the allocation of monies to various asset classes will be the major determinant of the Fund's return and risk experience over time. Therefore, the Board will allocate investments across available asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Fund's investment objectives. The Fund's asset allocation policy and ranges are detailed in <u>Appendix B</u>.

In determining the appropriate asset allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. These "market assumptions" are to be determined and considered by the Board when establishing the asset allocation of the Fund. The Board, with the assistance of the Investment Consultant, will approve the applicable market assumptions, including the expected return, volatility, and correlations for each asset class, which will be set forth in <u>Appendix B</u> to this Policy or the Fund's Operating Procedures, as applicable.

The most efficient way to meet public market exposures, identified by a desired asset allocation, is by utilizing broad based, low fee, passive index funds. Due to the highly efficient and competitive nature of public markets, passive index investments, developed from and consistent with financial theory, is the natural starting point for investment in public asset classes. Active management will be considered for public markets when the Board believes that a given strategy is capable of achieving excess returns. While some public proxies exist for private assets, private asset investment is active by nature and will present better opportunities for utilizing active strategies.

A. Long-Term Allocation Targets

Based on the investment objectives and constraints of the Fund, and on the expected behavior of the available asset classes, the Board will specify a long-term target allocation and acceptable ranges for allocation for each available asset class. These targets will be expressed as a percentage of the Fund's overall market value. These targets will be selected in conjunction with appropriate ranges to accommodate permissible variation resulting from market forces. The Fund's target allocations are listed <u>Appendix B</u>. The Board will review its asset allocation targets and ranges at least annually or sooner if warranted by a material event in either the liability structure of the Fund or the capital markets.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Fund's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the Fund. Deviations from targets that occur due to capital market changes are discussed below.

B. Rebalancing

In general, cash flows to and from the Fund will be allocated in such a manner as to move each asset class toward its target allocation.

The Board recognizes that, periodically, market forces may move the Fund's allocations outside the target ranges. The Board also recognizes that failing to rebalance the allocations would unintentionally change the Fund's structure and risk posture. Consequently, the Board has established a process to rebalance the allocations periodically.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

IX. EVALUATION AND REVIEW

As a function of its fiduciary responsibilities to monitor the investment decisions it makes on behalf of the Fund, the Board will regularly review the investments of the Fund. This review and evaluation of investments will be conducted in accordance with the following:

- On a quarterly basis, the Board, through the report of the Investment Consultant, will review the overall investment performance of the Fund and individual investment managers. This report will include a review of performance generally and in relation to the composite and asset class benchmarks established by the Board.
- The Investment Consultant will continually monitor the investment managers and other investments of the Fund to ensure that managers or such investments are performing in accordance with applicable investment guidelines and the expected philosophy, methodology and style. The Investment Consultant will report to the Board on a quarterly basis any material deviation from the applicable guidelines or any other structural, organizational, philosophical, or other material change that warrants the Board's attention.
- At least annually, the Board will review the asset allocation of the Fund to determine if it remains appropriate in order to achieve the investment objectives of the Fund. This review will include an evaluation of market assumptions utilized in establishing the asset allocation to determine if any changes to these assumptions are warranted, as well as if any other asset classes should be made available for investment.
- At least annually, the Board will review the Fund's long-term performance in relation to the Total Fund Benchmark.
- At least annually, the Board will formally review this Policy to determine whether it continues to be appropriate in light of the Board's investment goals and objectives and changes in the capital markets and/or the Fund's condition or circumstances.

X. <u>SECURITIES LENDING</u>

The Board may select an agent to lend the financial securities of the Fund, but has no obligation to do so. The securities lending program shall in no way inhibit the trading activities of the investment managers of the Fund.

XI. <u>TRADING</u>

In accordance with the legal and fiduciary obligations imposed on investment managers by either their agreements with the Fund or applicable federal or Texas law, all trades executed

by managers must be for the exclusive benefit of the Fund's participants and beneficiaries. Managers are expected to seek best execution on all trades.

XII. VOTING OF PROXIES

The Board has delegated the responsibility of voting all proxies to the investment managers. The Board expects that managers will execute all proxies in a timely fashion and in a manner that is in the best interest of the Fund and its members and beneficiaries. Also, the Board expects the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

XIII. <u>INVESTMENT COSTS</u>

The Board intends to monitor and control investment costs at every level of the Fund through the following:

- Professional fees will be negotiated whenever possible.
- Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.
- The Fund may enter into performance-based fees with specific managers.
- If possible, assets will be transferred in-kind during manager transitions and Fund restructurings to eliminate unnecessary turnover expenses.
- Managers are instructed to seek best execution.

<u>Appendix A</u>

Asset Class
mostia Equity

Public Domestic Equity Public Foreign Equity **Emerging Market Equity** Frontier Market Equity **Private Equity** Private Debt Real Estate Investment Grade Bonds TIPS High Yield Bonds Bank Loans Developed Market Bonds **Emerging Market Bonds** Natural Resources Infrastructure Commodities Hedge Funds Cash

<u>Appendix B</u>

	Target	Range	
Asset Class	(%)	(%)	Asset Class Benchmarks
Public Domestic Equity	2 <u>3</u> 0	<u>13-27_16 - 30</u>	Russell 3000
Public Foreign Equity	22	15-29	MSCI ACWI (ex. U.S.)
Private Equity	1 <u>2</u> 5	<u>5-25_7-17</u>	MSCI ACWI +2% on a 3 Month Lag
Investment Grade Bonds	1 <u>5</u> 3	10-20	Bloomberg Barclays Aggregate
TIPS	5	0-10	Bloomberg Barclays U.S. TIPS
High Yield/Bank Loans	5	0-10	50% Merrill Lynch High Yield
			50% Credit Suisse Leverage Loan Index
Emerging Market Debt	7 <u>5</u>	0-10	Custom EMD Benchmark ¹
Core Real Estate	5	0-10	NCREIF ODCE Equal Weighted (net)
Value Add Real Estate	5	0-10	NCREIF Property NPI
Private Natural Resources	3	0-5	S&P North American NR
Core Infrastructure	<u>3</u>	<u>0-5</u>	<u>CPI +2%</u>
Cash	0	0-5	

¹ Custom EMD Benchmark is 50% JPMorgan EMBI Global Diversified, 25% JPMorgan GBI-EM Global Diversified (unhedged), and 25% JPMorgan CEMBI Broad.

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MEMORANDUM

- **TO:** Trustees, Austin Firefighters Retirement Fund (AFRF)
- FROM: Leandro A. Festino, Aaron C. Lally, Colin Kowalski, Meketa Investment Group
- DATE: June 4, 2025
- **RE:** Aether Natural Resources

OVERVIEW

Aether sent an email stating they will no longer be raising future institutional natural resources funds and will be downsizing staff. Co-founders Troy Schell and Sean Goodrich (who together own most of the firm) made a point of stating that they plan to keep the firm running until all investments have been monetized/exited and paid back to clients (likely 5+ years in Meketa's opinion).

AFRF'S EXPOSURE

Aether is a private natural resources fund of funds provider – they identify private natural resources funds (managed by independent investment firms – "General Partners") and invest client capital in those funds. AFRF invested in four different Aether fund of funds between the years of 2012 and 2018. In total \$42.4 million has been invested, \$13.9 million has been returned to AFRF, and \$29.4 million in Net Asset Value remains. Each fund is fully committed (meaning Aether completed the investment period work of identifying desirable private natural resources funds and committed capital to those funds)

WHAT DOES THIS ANNOUNCEMENT MEAN FOR AFRF?

While the notification is negative, and we would prefer to see firm strength and growth at Aether, this news is not entirely surprising given the challenged returns in the natural resources asset class the past ten+ years. Fortunately, Aether's role is limited at this point in each funds' cycle (aside from portfolio monitoring, performance reporting, and participation in underlying fund commitments' advisory boards) as the underlying investment firms are the ones managing the assets directly.

MEKETA RECOMMENDATION

Austin Fire has two paths for consideration:

 Ride it out (preferred approach) – wait for natural distributions from the investments as the underlying fund managers exit investments. As this occurs, AFRF exposure continues to move towards zero as capital is returned.



2) Seek an exit in the secondary market (not advised) – while the Board/Meketa could "test the waters" to see if there are any interested buyers of AFRF's remaining investments, we believe AFRF would incur a significant discount to Net Asset Value if a buyer is found in the secondary market.

AFRF EXPOSURE

Partnership	Vintage Year	Committed (mm)	Called (mm)	Distributed (mm)	Fair Value (mm)	Net IRR ¹ %	TVPI Multiple
Aether Real Assets II	2012	\$7.5	\$7.7	\$5.2	\$2.0	-1.5	0.9x
Aether Real Assets III	2013	\$15.0	\$16.0	\$6.3	\$9.0	-1.9	0.9x
Aether Real Assets IV	2016	\$10.0	\$10.2	\$2.5	\$9.3	3.1	1.2x
Aether Real Assets V	2018	\$10.0	\$8.5	\$1.5	\$9.1	5.0	1.2x
Total		\$42.5	\$42.4	\$13.9	\$29.4		1.1x

CONCLUSION

At the May 2025 board meeting, the Board adopted a new asset allocation policy with a zero percent target to private natural resources.

With (or without this news from Aether) the Board already effectively decided that the path forward is to eliminate exposure to this asset class and would not be making any future commitments to Aether or other private natural resource funds.

We will continue to closely monitor the situation and keep the Board informed of any materials events.

ENCLOSURE

Attached to this memo is the email Aether sent to clients and interested parties.

¹ Performance figures are reported directly from manager, net of fees, as of 9/30/2024.

From: Sent: Subject: Aether Investment Partners, LLC <Aether_Investment_Partners_LLC@mail.vresp.com> Thursday, May 29, 2025 11:26 PM [EXTERNAL]Aether Organizational Changes

External sender <aether_investment_partners_llc@mail.vresp.com> Make sure you trust this sender before taking any actions.



To Aether Limited Partners,

It's tough to believe, but Sean and I started the Aether journey together almost 17 years ago. You hear the adage "it seems like yesterday" a lot, but we can't think of a case where it's more fitting. We vividly recall sharing our first 150 square-foot office, crammed in between a printer and a binding machine. We remember long hours and many nights on the road. We recall the agony of prospective investors turning us down and the exuberance of investment committee approvals. Those were some of the most challenging and exciting days of our careers. We're not sure we could do it again, but we're sure glad we did it once.

Over the years since, we've been fortunate to work with some amazing people that have been important contributors to our firm. Jon Hendrickson joined us as an investment analyst in 2010 after he and Troy worked together at Quellos. Jon has since ascended to the position of Managing Director and member of our Investment Committee. Similarly, Eric Gorman worked with Sean at Jeffrey Slocum & Associates before joining Aether in 2017. He has followed the same path – today he also serves as Managing Director and member of our Investment Committee. David Rhoades, who most of you know, joined us in 2011 as Chief Operating Officer and has led fundraising and investor relations for almost all of the \$1.7 billion in commitments you have entrusted us with since the first closing of Aether Real Assets I. They are all great people and great partners, as are all of the members of our team. With all of that said, you'll understand the sadness it brings us to inform you that Aether will be parting ways with all of them at the end of June. We remain hopeful, though, that the opportunity may exist for you to work with them again in a reconstituted form (please refer to the penultimate paragraph).

Unfortunately, a lot has changed since Aether's formation in 2008. Investor interest in fund of fund vehicles has waned. Consolidation among investment consulting firms and advisors has resulted in the departures of important advocates who knew Aether best. A decade-long slump in commodity prices and declining capital markets activity in our sectors of focus resulted in strong headwinds for our investments. Increasing focus on ESG resulted in conflicts between investors' asset allocation policies and most of the natural resource subsectors we have invested in historically. In the aftermath of the pandemic, investors flocked to large, brand-name firms. These factors have, to varying degrees, resulted in sustained fundraising challenges. Each successive fund since Aether Real Assets III/Aether Real

Assets III Surplus has been smaller than the prior fund. And, as you are certainly aware, our fees are based on fund size and decline over time. Smaller fund sizes have meant replacing older, declining revenue streams with smaller revenue streams. Because of this trend and because Aether is unlikely to raise future funds, we've come to the realization that we can't sustain our current cost structure while also ensuring sufficient reserves to see each existing fund through to full liquidation.

That brings us to the plan going forward. Fortunately, the recent change of control transaction transferred Aether's ownership back to Sean and me and affords us the ability to determine Aether's future course without undue influence from any third party. So what is our plan going forward? In short, we asked you for your investment commitments, and our commitment in return is to remain focused on Aether's existing funds through each fund's final distribution. Sean and I will oversee the monitoring of our existing investments, and we plan to share investment reporting and investor relations duties. We also feel very fortunate to retain Kristen Federer. Kristen joined Aether in 2014 and serves as its Chief Financial Officer, though that title does not capture her many roles. We hope to keep her engaged with Aether for many years to come.

As many of you are also aware, we have been working hard on the launch of a new interval fund, the Aether Infrastructure & Natural Resources Fund, so this news will beg questions about our plans for that fund. Our team has built a robust pipeline of early investments, and Sean and David have identified a cadre of likely early investors for the fund. Their conviction remains as strong as ever, but the cost of launching the interval fund at Aether puts at risk reserves we need to see our existing funds through to full liquidation. We determined that's not a risk our existing clients should bear, so we think the best option is to pursue a partnership with a third party to share the risk of the interval fund. With SEC approval already received, the interval fund's launch should be swift after we identify the right partner. We are hopeful that most or all of the aforementioned team will be reconstituted to manage the interval fund when that happens, though we understand each will likely have other professional opportunities to consider. For those who have expressed interest in the Aether Infrastructure & Natural Resources Fund, we will plan to keep you posted as our plans evolve.

While there remain many chapters of the Aether story to be written, we do recognize this is a significant change and accordingly warrants as much transparency as possible. If you would like to discuss these plans in additional detail, we are happy to discuss at your convenience.

Regards,

Silve

Troy Schell tschell@aetherip.com

Aether Investment Partners 720.961.4190 ir@aetherip.com www.aetherip.com

Sean Goodrich sgoodrich@aetherip.com

This communication is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to purchase any interest in any investment vehicle managed by Aether. Past results are not necessarily indicative of future performance and no assurance can be made that profits will be achieved or that substantial loss will not be incurred. All

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Austin Firefighters Retirement Fund Roadmap for HB 2802 Implementation

July 2025 Meeting

• Governance Policy

- Update to reflect new Board composition
- Consider possible use of committees
- Consider moving Election Procedures from Fund Rules to Governance Policy
- Coordinate with City on process for trustee designations by Mayor and CFO
- Discuss addition of Firefighter position and potential designation of active vs. retiree positions
- Revise Board officer section to address annual election of Chair and Vice-Chair (and remove Secretary Treasurer) and clarify roles of each position
- Review meeting requirements, including whether to continue to hold monthly meetings
- Review open meetings and agenda setting process sections; update due to recent open meetings legislation
- o Clarify that Executive Director is responsible for establishing staff policies
- o Revise Article 7 regarding amendments going through member comment process
- *Fund Rules* Partial review and update to address transition issues, including:
 - Adopt Operating Name through rule
 - Adopt new rule for military service
 - Consider moving Trustee Election Procedures (Rule IV) to Governance Policy
 - Amend Rule V to address new distributions requirements for Alternate Payees who are awarded a DROP Account
 - Amend Rule VI to add transition rule for beneficiary designations due to removal of 24-month retiree spousal provision
 - Adopt transition rule for DROP interest crediting (moving from monthly to annual) during DROP accrual period
 - Consider suspension or repeal of existing COLA rules (Rules VII and VIII); clarify no COLA for 2026
 - Eliminate benefit improvement policy (Rule IX)
 - Review and discuss changes to rulemaking process (Rule XI); consider distinguishing between Board level policies and member policies

August 2025

• Member Comment Period on Proposed Policy Changes

September 2025 Meeting

- Election of Chair for interim period between September 1 December 31, 2025
- Adoption of Governance Policy and Fund Rules from July meeting

<u>Q4 2025</u>

- Review and update Code of Ethics
 - Revise Enforcement provision to address new officer positions
- Review and update Benefits Guide and critical administrative forms (also coordinate with software launch)

<u>Q1 2026</u>

- Discussion of Optional Forms of Benefits (Rule X) and Actuarial Equivalence Factors (Rule III(9) and Appendix A in Fund Rules)
- Discussion of Age-Related Actuarial Table for Beneficiary Designations (Appendix B in Fund Rules)

<u>Q2 2026</u>

- Complete review and update to Fund Rules, including:
 - Update all rules to reflect Group A and Group B distinction where appropriate
 - Update actuarial tables (if necessary)
 - Adopt new Group A COLA rule, including
 - Process for running tests
 - Minimum benefit provision
 - Process for determining allocation of COLA amount if not pro-rata for all members
 - Consider if Group B COLA rule is needed
 - Update Optional Forms of Benefit (Rule X) based on direction of Board for Group A and Group B (separate)
 - Review benefit appeals process (Rule XII)

<u>Q3 2026</u>

- Update Funding Policy (coordinate with the City)
- Review model QDRO forms
 - Add specific language regarding new Alternate Payee DROP distribution rule
 - Add specific language regarding pop-up after death of Alternate Payee
 - Consider changes to formulas for dividing benefits
 - Consider adopting separate forms for retirees vs. actives

Future Considerations

- Review and update Disability Policy and Medical Board Charter
- Consider whether additional rules may be needed for Group B

Austin Firefighters Retirement Fund Summary of HB 2802 Implementation

HB 2802 Reference	6243e.1 Section Reference	Summary of Change	Effective Date	Rule or Policy Change				
	ADMINISTRATION							
Section 3	1.031	Board may adopt an operating name by rule	9/1/2025	Update Fund Rules to reflect operating name				
Section 4	2.015	Statutorily codifies the Fund's qualified status under IRC 401(a)	9/1/2025	Consider amending Fund Rules to refer directly to §2.015 and reviewing qualified plan language to ensure no additional updates required				
Section 53	11.03(b)	Eliminates need for 3 votes to approve IPS	9/1/2025	Prospective changes to IPS no longer require three approvals				
Section 54	12.01	Changes "administrator" to "executive director"	9/1/2025	Update rules and policies to reflect change to Executive Director				
		BOARD GO	OVERNANCE					
Section 5	2.02(a)(1)	Mayor may designate a member of the governing body (i.e., City Council) to sit on the board in his place	9/1/2025	Update Article 2 of Governance Policy				
Section 5	2.02(a)(2)	CFO of City replaced the "City Treasurer" board position but CFO may designate someone else to serve	9/1/2025	Update Article 2 of Governance Policy				

WORKING DRAFT – 6/18/25

HB 2802 Reference	6243e.1 Section Reference	Summary of Change	Effective Date	Rule or Policy Change
Section 5; Section 7; Section 58(a)- (c)	2.02(a)(3); 2.03(e)	Four members of the Fund selected by vote instead of three; change in terms	1/1/2026	Update Article 2 of Governance Policy
Section 5-6; Section 58(d)	2.02(a)(4); 2.025	Citizen Board member with investment or finance experience to be appointed by the City Council	1/1/2026	Update Article 2 of Governance Policy
Section 5	2.02(b)	Board may, by rule, specify the number of elected board members (under 2.02(a)) who must be firefighters or retirees	1/1/2026	Further discussion with the Board needed; possible amendment to Governance Policy and Fund Rules
Section 7	2.03(c)	Election is by secret ballot on a date and using a method the board of trustees determines Nominations or elections may be conducted electronically, in person, by mail, etc.	9/1/2025	Review and update Fund Rules regarding Election Procedures; consider moving Election Procedures to Governance Policy
Section 8	2.05	Mayor is no longer <i>de facto</i> presiding officer; Board shall elect a chair to service as presiding officer and vice- chair to serve as alternate	9/1/2025	Update Section 2.3 of Governance Policy Consider how to address during interim period between September 1 through December 31, 2025
Section 9	2.07	Updated requirements on number of annual meetings—four times per year (previously monthly)	9/1/2025	Update Article 3 of Governance Policy Consider 2026 Board Meeting dates in November or December 2025
Section 11	2.09(a)(4); (b)	Board able to make "any other determinations" related to the administration of the Fund All determinations made by the Board are final and binding	9/1/2025	Review Fund Rules and incorporate same language where appropriate

WORKING DRAFT – 6/18/25

HB 2802 Reference	6243e.1 Section Reference	Summary of Change	Effective Date	Rule or Policy Change
Section 13	2.14	Added process for experience studies and changes to actuarial assumptions	9/1/2025 None anticipated	
		MEMBERSHIP	AND BENEFI	TS
Section 14-15	3.01; 3.011	Defining membership between Group A and Group B	9/1/2025	Broad rule review – some rules may need to refer specifically to "group A" vs "group B" particularly with optional forms of benefits
Section 16	4.02	Military service credit – contributions must be made	1/1/2026	Adoption of new rule for purchase of military service needed
Section 17	5.03	Provides calculation of average monthly salary for Group A vs. Group B members	1/1/2026	Updates to administrative forms and benefits guide
Section 18	5.04(a)	Provides calculation of retirement benefit for Group A vs. Group B members	1/1/2026	Updates to administrative forms and benefits guide
Section 19	5.05(a)-(c)	Limits early retirement eligibility to group A members	1/1/2026	Updates to administrative forms and benefits guide
Section 20-22	6.01; 6.03; 6.04	Clean up changes to disability benefit	9/1/2025	Review Fund's Disability Policy

WORKING DRAFT – 6/18/25

HB 2802 Reference	6243e.1 Section Reference	Summary of Change	Effective Date	Rule or Policy Change		
Section 23-24	7.01; 7.05(a); 7.05(b)	Amended to provide active member survivor annuity to group B surviving spouses	1/1/2026	Updates to administrative forms and benefits guide		
Section 24	7.02(a)-(c)	Modified definition of spouse for group A retirees survivor benefit	9/1/2025	Review and update rules related to beneficiary designations – transition rule will be needed for current retirees who married post-retirement Updates to administrative forms and benefits guide		
Section 24.20	7.02; 7.03;	Limits survivor annuity benefits to	9/1/2025	Review and update rules related to beneficiary designations		
Section 24-29	7.05(d); 7.06; 7.09	Group A members only	9/1/2023	Updates to administrative forms and benefits guide		
				Actuary review of Appendix B table of Fund Rules		
		Optional forms of benefits	9/1/2025	Review/revise Rule X		
Section 44	Section 44 9.10(a), (d), (f)			Further discussion with the Board regarding Group A and Group B optional forms of benefits		
		Allows benefits payable under the fund to be paid to alternate payees under terms of a qualified domestic relations order	9/1/2025	Review rules related to Alternate Payees		
Section 45	9.11			Updates to administrative forms and benefits guide		
				Review of model QDRO forms recommended		
Section 51	10.04	Limits interest paid on individual accounts to only group A member (not group B) accounts and ends entitlement to interest on Dec 31, 2025	1/1/2026	None anticipated		
DROP PROGRAM						
Section 30-39	8.03; 8.031; 8.04; 8.06; 8.08; 8.09; 8.10	Modifies additional credits to the member's DROP account depending on member's group A or group B status including differences in interest accrual during DROP period	9/1/2025; post-DROP interest changes effective 1/1/2026	Review rules to address Group A and B differentiation (eligibility, credits) and other relevant limitations – need transition language to move to annual crediting during Retro DROP Period Updates to administrative forms and benefits guide		

WORKING DRAFT – 6/18/25

HB 2802 Reference	6243e.1 Section Reference	Summary of Change	Effective Date	Rule or Policy Change	
Section 36	8.06	Limits RETRO DROP eligibility to Group A	1/1/2026	Updates to administrative forms and benefits guide	
	COST OF LIVING ADJUSTMENTS				
Section 41-43	9.04(a); 9.041	Modified COLA adjustments for group A members; provided limitations for approval, calculation, and timing.	1/1/2027 (first COLA)	 Financial tests are in statute – review and revise rules as needed under new statutory framework Process for running tests Minimum benefit provision Eliminate benefit improvement policy Process for determining allocation of COLA amount if not pro-rata for all members 	
Section 43	9.042	Provides group B members with COLAs and timing for receipt.	1/1/2026	Future consideration of whether any rules are necessary for determining Group B COLA	
		CONTRIBUT	IONS/FUNDIN	G	
Section 46-50	10.01;10.011; 10.02; 10.03	Modifies funding model to ADEC structure	Effective for contributions beginning 1/1/2026	Update Funding Policy (jointly with City)	
Section 52	10.05-10.09	Provides guidelines for preparation of risk-sharing valuation studies; changes and standards for municipal contributions	Effective for contributions beginning 1/1/2026	Update Funding Policy (jointly with City)	

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CONFIDENTIAL INFORMATION

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June 5, 2025

Teacher Retirement System of Texas

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 2</u>	Buckley	Relating to public education and public		6/2/2025 E Sent
		school finance.		to the Governor
<u>HB 120</u>	Bell, Keith	Relating to career and technology		6/1/2025 E Sent
		education programs in public schools, the		to the Governor
		Rural Pathway Excellence Partnership (R-		
		PEP) program, and a high school advising		
		program, including funding for those		
		programs under the Foundation School		
		Program, and to the new instructional		
		facility allotment and the permissible uses		
		of funding under the Foundation School		
		Program.		
HB 4945	Ashby	Relating to a study conducted by the		5/26/2025 E Sent
		Teacher Retirement System of Texas on the		to the Governor
		feasibility of offering alternative service		
		retirement benefits to Texas A&M Forest		
		Service wildland firefighters that are		
		members of the retirement system.		
<u>SB 2</u>	Creighton, Bettencourt,	Relating to the establishment of an		5/3/2025 E Signed
	Campbell, Hagenbuch,	education savings account program.		by the Governor,
	Hinojosa, A., King,			Effective on
	Middleton, Parker,			9/1/2025
	Paxton			

Employees Retirement System of Texas

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 2434</u>	Plesa	Relating to the purchase of service credit		5/26/2025 E Sent
		by certain members of the Employees		to the Governor
		Retirement System of Texas.		
<u>SB 1737</u>	Huffman, Flores	Relating to service retirement benefits		5/27/2025 E Sent
		payable by the Employees Retirement		to the Governor
		System of Texas to certain law		
		enforcement officers and custodial		
		officers.		
<u>SB 2383</u>	Bettencourt	Relating to the employment of certain		5/22/2025 E Sent
		peace officers of the Department of Public		to the Governor
		Safety.		

Judicial Retirement System II

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 40</u>	Landgraf, Meyer, Leach,	Relating to the business court.		6/2/2025 E Sent to
	Schofield, LaHood			the Governor
<u>SB 293</u>	Huffman	Relating to the discipline of judges by the	HB 1761 by Leach,	6/3/2025 E Sent to
		State Commission on Judicial Conduct,	Identical	the Governor
		notice of certain reprimands, judicial		
		compensation and related retirement		
		benefits, and the reporting of certain		
		judicial transparency information;		
		authorizing an administrative penalty.		
<u>SB 1738</u>	Huffman	Relating to the resumption of service by		5/15/2025 E
		certain judicial officers under the Judicial		Signed by the
		Retirement System of Texas Plan Two.		Governor;
				Effective dates
				vary

<u>SB 2878</u>	Hughes	Relating to the operation and	HB 5060 by Leach,	6/3/2025 E Sent to
		administration of and practices and	Identical	the Governor
		procedures related to proceedings in the		
		judicial branch of state government,		
		including court security, court documents		
		and arrest warrants, document delivery,		
		juvenile boards, constitutional amendment		
		election challenges, mandatory expunction		
		for certain persons, record retention, and		
		youth diversion; increasing a criminal		
		penalty; authorizing fees.		

Texas Municipal Retirement System

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 3161</u>	Villalobos	Relating to member contributions to the	SB 1544 by Hinojosa,	5/26/2025 E Sent
		Texas Municipal Retirement System.	Adam, Identical	to the Governor

Texas Emergency Services Retirement System

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>SB 2065</u>	Huffman	Relating to the Texas Emergency Services	HB 4736 by Bonnen,	5/15/2025 E
		Retirement System.	Identical	Signed by the
				Governor;
				Effective
				immediately

General Bills

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 34</u>	Metcalf	Relating to prohibiting the investment of		5/26/2025 E Sent
		state money in certain countries and in		to the Governor

		certain private business entities in those countries.	
<u>HB 500</u>	Bonnen	Relating to making supplemental appropriations and reductions in appropriations and giving direction and adjustment authority regarding appropriations.	6/2/2025 E Sent to the Comptroller
<u>HB 3474</u>	Lambert	Relating to the evaluation and reporting of investment practices and performance of certain public retirement systems.	5/29/2025 E Signed by Governor; Effective on 9/1/2025
<u>SB 667</u>	Hughes	Relating to prohibiting state retirement systems from investing in certain Chinese- affiliated entities.	6/1/2025 E Sent to the Governor

Austin Firefighters Retirement Fund

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 2802</u>	Bucy	Relating to the public retirement systems	SB 2162 by Flores,	5/26/2025 E Sent
		for employees of certain municipalities.	Identical	to the Governor

Houston Firefighters' Relief and Retirement Fund/Houston Police Officers Pension System

Bill Number	Author/Sponsor	Caption	Companions	Last Action
<u>HB 2688</u>	Harless	Relating to the public retirement systems of		5/31/2025 E Sent
		certain municipalities.		to the Governor

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Austin Firefighters Retirement Fund

Board of Trustees Meeting

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



Today's material highlights the changes to benefits and contribution requirements included H.B. No. 2802 ("pension reform"). Actuarial results are shown on a preliminary basis and final results will be presented in the July meeting.

Today's material reviews the following pension reform topics:

- Benefit changes
- Contribution changes
- Actuarial assumption changes
- Preliminary 12/31/2024 Initial Risk Sharing Valuation Results
- Applying the corridor

July Meeting

July meeting material will review the December 31, 2024 actuarial valuation results in detail, including:

- 2024 Experience
- Plan History
- Projections
- Identification of Risks
- Risk-Sharing Modeling

Benefit Changes

Group A Changes

Group A are members hired before January 1, 2026

Benefit Component	Provision
Non-Vested Termination Benefit	Members terminating before vesting will no longer receive interest on their member contributions beginning on January 1, 2026. All interest earned through December 31, 2025 will be paid.
COLA Amount	Up to 1.5% per year if financial stability tests described below are satisfied and approved by the Board. ¹
COLA Eligibility	Later of age 67 ² and 5 years after retirement
COLA Financial Stability Tests	 Funded ratio gradually increases from 80% to 90% (see following page) Amortization period gradually decreases from 25 to 15 years (see following page) City's contribution rate ≤ corridor midpoint + 4% No COLAs may be granted in any year beginning a year and a day after the Fund reports: A negative investment return A five-year investment return below the assumed return

¹ The Austin City Council may approve a COLA in any format it deems appropriate when one or more requirements prohibit the AFRF Board from granting one.

² Group A members taking early retirement are subject to an Age 69 eligibility condition.



Group A Changes

- COLA Financial Stability Tests
 - Funded ratio and amortization period tests are phased-in as follows:

Valuation Date	Funded Ratio	Amortization Period
2024 - 2034	80%	25
2035 - 2039	80%	20
2040 - 2044	85%	15
2045+	90%	15



Group B Changes

Group B are members hired on or after January 1, 2026

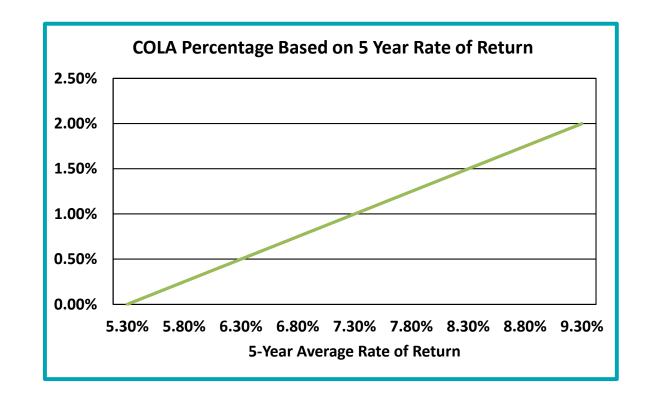
Benefit Component	Provision
Benefit Multiplier	3.0%
Early Retirement Eligibility	Not offered
Normal Payment Form	Single Life Annuity
Average Monthly Salary	60 months
Forward DROP	50% of member contributions are added to DROP
DROP Interest Rate During DROP Period	4.0% per year
DROP Interest Rate after DROP Period	4.0% in any year beginning a year and a day after the Fund reports a positive investment return; 2% otherwise
COLA	Performance-based compound COLA targeting 1% (min of 0% and max 2%)
Non-Vested Termination Benefit	Refund of member contributions without interest



Group B Changes

Performance-based COLA

- Group B members receive a variable, pre-funded COLA based on the Fund's five-year average investment return ("5yROR").
- The COLA equals 50% of the return above a 5.3% threshold (based on a 7.3% assumed rate minus 2%), with a minimum of 0% and maximum of 2%.
- This design automatically adjusts for market performance, suspending increases during poor investment periods.



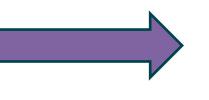


Contribution Changes

Contribution Changes

City of Austin Contributions

Fixed Rate: 22.05%



Actuarially Determined Contribution (ADC) subject to corridor

Firefighter Contributions

Fixed Rate: 18.70%

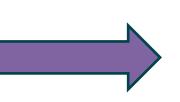


18.70% subject to corridor



COA Contribution Changes



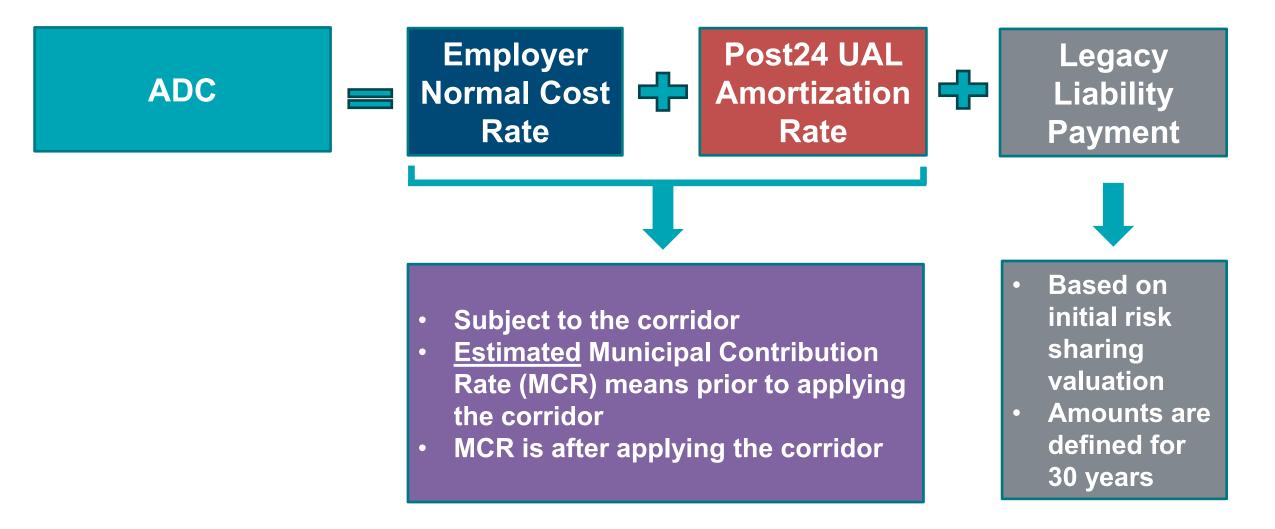


Actuarially Determined Contribution (ADC) subject to corridor

- COA contributions based on ADC effective beginning January 1, 2026
- Transition to ADC will be phased-in over 3 years
- December 31, 2024 unfunded actuarial liability is amortized over 30 years
- Unanticipated changes in the unfunded actuarial liability (UAL) after December 31, 2024 from experience or assumption changes will be amortized over:
 - Increases in UAL: 20 years
 - Decreases in UAL: Greater of 20 years or the largest liability loss layers remaining amortization period



COA Contribution Changes







- If COA contributions are limited to the corridor maximum, firefighter contributions will increase up to 2% to meet the ADC
- If 2% is insufficient to cover the ADC, COA and Board need to determine additional funding solutions



Assumption Changes

Actuarial Assumption Changes

Actuarial assumptions for Initial RSVS:

- Same as those used in the December 31, 2023 actuarial valuation unless noted below
- Statutory actuarial assumption changes:
 - Group A members COLA assumption increased from 0.0% to 0.25% per year
 - Set actuarial value of assets (AVA) equal to market value of assets (MVA) as of December 31, 2024
- Necessary changes for pension reform structure:
 - Group B members reflect a COLA assumption of 1.0% per year
 - New entrant profile required for statutory funding structure based upon firefighters hired in 2023 and 2024



Preliminary Initial Risk Sharing Valuation

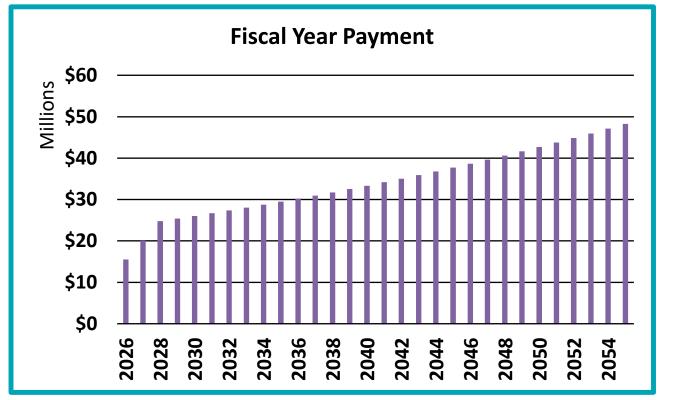
Initial Risk Sharing Valuation – Liability & Assets*

December 31, 2024 Preliminary Actuarial Valuation Results

\$ in millions	Before ion Reform	Pens	After ion Reform	Change %
Assets and Liabilities				
Actuarial Liability (AL)	\$ 1,499.2	\$	1,514.6	(1.0%)
Actuarial Value of Assets (AVA)	1,264.1		1,160.1	9.0%
Unfunded Actuarial Liability (UAL)	\$ 235.1	\$	354.4	(33.7%)
AVA Funded Ratio	84.3%		76.6%	10.1%
Market Value of Assets (MVA)	\$ 1,160.1	\$	1,160.1	0.0%
MVA Funded Ratio	77.4%		76.6%	1.0%

*Preliminary results based on unaudited assets.

Initial Risk Sharing Valuation – Legacy Payment Amount*



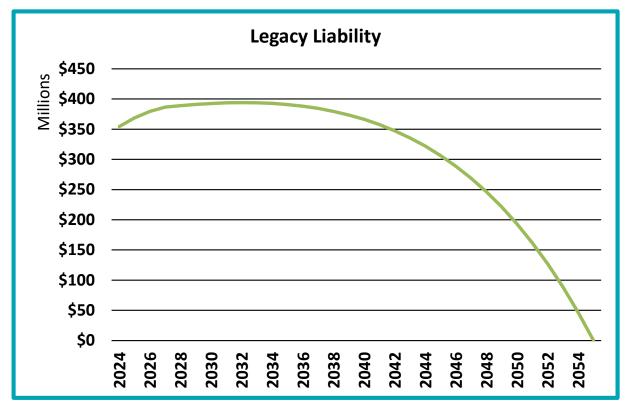
*Preliminary results based on unaudited assets.

- 3-year phase-in begins with 2026 payment
- After 2028, amounts increase by 2.5% per year
- Final payment occurs in 2055

Year Ending	Legacy Payment*
12/31/2026	\$15.5
12/31/2027	\$20.1
12/31/2028	\$24.8
12/31/2029	\$25.4
12/31/2030	\$26.0
12/31/2031	\$26.7



Initial Risk Sharing Valuation – Legacy UAL*



*Preliminary results based on unaudited assets.

- Legacy UAL as of 12/31/2024 will be paid down over 30 years beginning in 2026
- 30-year level percent of payroll amortization does result in negative amortization through 2032
- Legacy UAL will be fully paid by 12/31/2055



Initial Risk Sharing Valuation – Contribution Corridors

- Initial RSVS will define the corridors for the next 30 years
 - Corridor midpoint reflects expected normal cost for next 30 years based on December 31, 2024 valuation *and*:
 - December 31, 2023 actuarial assumptions, including previously noted new and statutorily defined assumptions
 - Current active members as of December 31, 2024
 - New entrants with similar characteristics as 2023 and 2024 hires
 - Pension reform benefit changes for Group A and Group B
 - COA Municipal Contribution Rate range is corridor midpoint ± 5%
 - Excludes Legacy Liability Amount

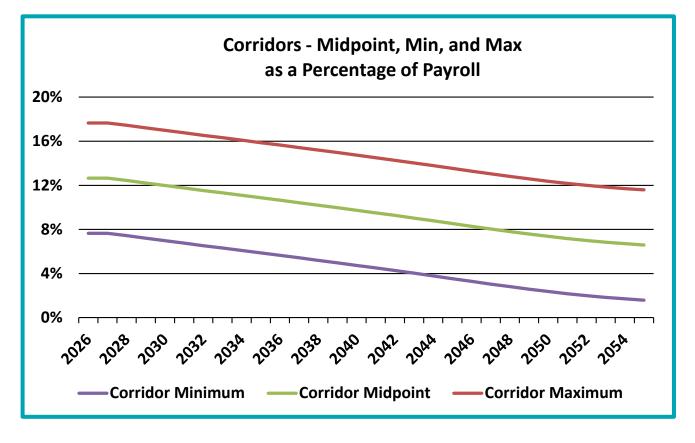


Initial Risk Sharing Valuation – Normal Cost

	Before	After Pension Reform		
	Pension Reform	Group A	Group B	
Normal Cost	29.90%	30.10%	23.59%	
Administration Expense	<u>1.25%</u>	<u>1.25%</u>	<u>1.25%</u>	
Total Normal Cost	31.15%	31.35%	24.84%	
Firefighter Contributions	<u>18.70%</u>	<u>18.70%</u>	<u>18.70%</u>	
City Normal Cost	12.45%	12.65%	6.14%	



Initial Risk Sharing Valuation – Corridor Midpoint



- Corridor midpoint is set by the Initial Risk Sharing Valuation
- Reflects expected normal cost at future measurement dates as Group A retires and are replaced with Group B
- Actual normal cost will be based on actual membership at each subsequent valuation and may be higher or lower than the corridor midpoint



Applying the Corridors

Applying the Corridors

- Why will the actual contribution differ from the corridor midpoint?
 - The corridor midpoint reflects expected normal cost for next 30 years based on the initial risk sharing valuation as of December 31, 2024, and assumes all future experience for liabilities and assets will exactly match these assumptions for the next 30 years.
 - The actual normal cost will vary depending on actual membership and assumptions at each future valuation.
 - Any unexpected changes in liabilities or assets after December 31, 2024 will increase or decrease costs.
 - The ± 5% corridor around the corridor midpoint is intended to absorb contribution fluctuations; however, there is risk that actual contributions could fall outside this corridor.



Applying the Corridors – Above the Corridor Midpoint

Estimated MCR Greater than Corridor Max



MCR equals Corridor Max



Firefighter contributions increase up to 2%



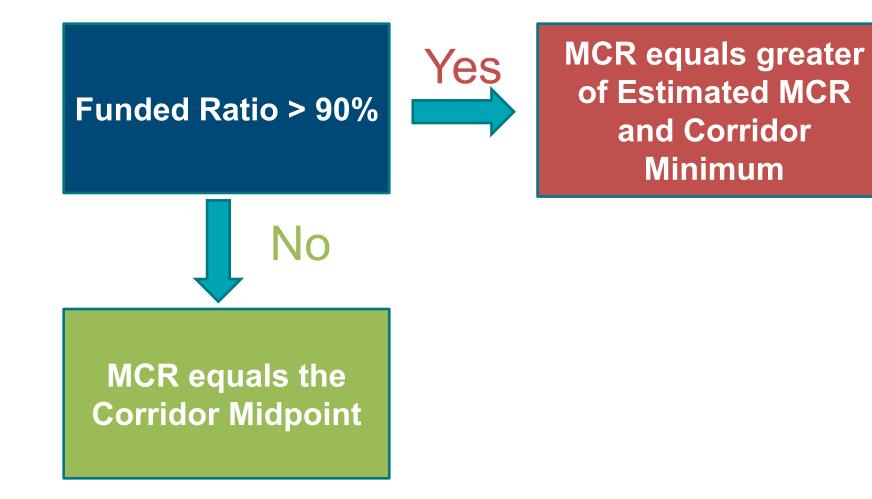
MCR equals the Estimated MCR

If total contributions are insufficient to cover ADC, City and AFRF Board to determine additional funding solution.





Applying the Corridors – Below the Corridor Midpoint





Appendix

Preliminary Valuation Results – ADC Corridor

			Actuari	ally Determined Actual City	Contribution	Corridor			Actual City
Fiscal Year	Corridor	Corridor	Corridor	Contribution	Fiscal Year	Corridor	Corridor	Corridor	Contribution
Ending	Minimum	Midpoint	Maximum	Rate	Ending	Minimum	Midpoint	Maximum	Rate
12/31/2026	7.65%	12.65%	17.65%	12.65%	12/31/2041	4.50%	9.50%	14.50%	
12/31/2027	7.65%	12.65%	17.65%		12/31/2042	4.27%	9.27%	14.27%	
12/31/2028	7.44%	12.44%	17.44%		12/31/2043	4.03%	9.03%	14.03%	
12/31/2029	7.21%	12.21%	17.21%		12/31/2044	3.78%	8.78%	13.78%	
12/31/2030	6.98%	11.98%	16.98%		12/31/2045	3.54%	8.54%	13.54%	
12/31/2031	6.76%	11.76%	16.76%		12/31/2046	3.29%	8.29%	13.29%	
12/31/2032	6.53%	11.53%	16.53%		12/31/2047	3.05%	8.05%	13.05%	
12/31/2033	6.32%	11.32%	16.32%		12/31/2048	2.81%	7.81%	12.81%	
12/31/2034	6.09%	11.09%	16.09%		12/31/2049	2.58%	7.58%	12.58%	
12/31/2035	5.87%	10.87%	15.87%		12/31/2050	2.37%	7.37%	12.37%	
12/31/2036	5.65%	10.65%	15.65%		12/31/2051	2.17%	7.17%	12.17%	
12/31/2037	5.42%	10.42%	15.42%		12/31/2052	2.00%	7.00%	12.00%	
12/31/2038	5.20%	10.20%	15.20%		12/31/2053	1.84%	6.84%	11.84%	
12/31/2039	4.97%	9.97%	14.97%		12/31/2054	1.70%	6.70%	11.70%	
12/31/2040	4.73%	9.73%	14.73%		12/31/2055	1.59%	6.59%	11.59%	



Preliminary Valuation Results – Legacy Liability Payments

		ction of Remai and Legacy Lia			
	Remaining			Remaining	
Fiscal Year	Legacy	Fiscal Year	Fiscal Year	Legacy	Fiscal Year
Ending	Liability	Payment	Ending	Liability	Payment
12/31/2024	\$ 354.4	\$-	12/31/2040	\$ 366.3	\$ 33.3
12/31/2025	368.7	-	12/31/2041	357.6	34.2
12/31/2026	379.6	15.5	12/31/2042	347.5	35.0
12/31/2027	386.5	20.1	12/31/2043	335.6	35.9
12/31/2028	389.0	24.8	12/31/2044	322.0	36.8
12/31/2029	391.1	25.4	12/31/2045	306.4	37.7
12/31/2030	392.7	26.0	12/31/2046	288.8	38.7
12/31/2031	393.7	26.7	12/31/2047	268.8	39.6
12/31/2032	394.1	27.4	12/31/2048	246.3	40.6
12/31/2033	393.8	28.1	12/31/2049	221.2	41.6
12/31/2034	392.7	28.8	12/31/2050	193.1	42.7
12/31/2035	390.9	29.5	12/31/2051	161.9	43.7
12/31/2036	388.1	30.2	12/31/2052	127.3	44.8
12/31/2037	384.4	31.0	12/31/2053	88.9	46.0
12/31/2038	379.6	31.7	12/31/2054	46.6	47.1
12/31/2039	373.6	32.5	12/31/2055	-	48.3

June 27, 2025

Required Disclosures

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 and methods are those used in the preparation of the Actuarial Valuation Report as of December 31, 2023, unless noted within this report. The participant data is based on membership as of December 31, 2024. 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.

Pension reform mandates the use of a Group A future COLA assumption of 0.25%. As a prescribed assumption set by legislation, we have used this assumption as directed for the purposes of this analysis. Given the number and parameters that are required before a COLA can be granted and the COLA cap of 1.5% per year to Group A under the proposed legislation, in our professional judgement, this assumption is reasonable and appropriate for this purpose. However, we have not performed any quantitative analysis of this assumption.

Pension reform mandates using the market value of assets as of December 31, 2024 as the actuarial value of assets for the Initial RSVS. As such, we have used the estimated market value of assets as of December 31, 2024, as the asset method of our projected Initial Risk Sharing Valuation Study (RSVS). In our professional judgment, this method is reasonable and appropriate for this purpose under both scenarios.

In order to complete the initial RSVS as of December 31, 2024, it was necessary to add assumptions and methods noted below related to Group B.

Group B COLA provided under pension reform is a performance-based COLA. To model future COLAs for Group B, assumptions were based on a lognormal distribution of returns with a 7.3% mean and 12.4% standard deviation. Initially assuming returns are independent and identically distributed, the expected Group B COLA was calculated as 0.85%. Given market return behavior and Actuarial Standard of Practice No. 27 guidance related to difficult-to-value provisions, we selected a 1.0% Group B Future COLA assumption. In our professional judgment, this assumption is reasonable and appropriate to the purpose of this analysis.



June 27, 2025

Required Disclosures

When existing Group A members are assumed to decrement and no longer be active after December 31, 2025, we assumed that the employee replacing them is covered under the reduced Group B provisions. Because the projection schedules required the projections to be done on an open group basis, the active population's size is assumed to be constant, such that whenever a member decrements from active service, a new active is assumed to first enter the Fund. Defining their specific demographic characteristics that impact benefit valuations is necessary to value these hypothetical new members. For the purposes of these projections, we assumed that the characteristics of the 127 new hires (94% male, 6% female) under Group B will exactly mirror those of the Fund's members hired in 2023 and 2024. In our professional judgement, this assumption is reasonable and appropriate for the purpose of this initial RSVS.

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 an attorneys, and our firm does not provide any legal services or advice.

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 such other users.

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



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CONFIDENTIAL INFORMATION

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Austin Firefighters Retirement Fund Operating Budget Fiscal Year 2025							
	Approved Budget	Jan - May Expensed	Remaining Budget	Percent Expended			
Administrative Expenses							
Salaries and Benefits							
Salary - Executive Director	244,800.00	110,416.65	134,383.35	45.10%			
Salary - Staff	511,500.00	199,583.35	311,916.65	39.02%			
Health Insurance	127,310.00	52,412.20	74,897.80	41.17%			
Health Insurance - Retired Staff	6,000.00	615.60	5,384.40	10.26%			
Payroll Taxes	58,504.00	23,931.04	34,572.96	40.90%			
SEP Contribution	182,825.00	77,500.00	105,325.00	42.39%			
Subtotal	1,130,939.00	464,458.84	666,480.16	41.07%			
SS Retiree Payroll Process Fees	34,000.00	-	34,000.00	- 0.00%			
Building	22,943.00	3,479.44	19,463.56	15.17%			
Utilities	6,775.00	1,957.49	4,817.51	28.89%			
Office Expenses	18,950.00	3,121.08	15,828.92	16.47%			
Computer and Software	34,300.00	10,650.57	23,649.43	31.05%			
Insurance	42,800.00		42,800.00	0.00%			
Travel	23,500.00	50.00	23,450.00	0.21%			
Operational Cost	24,000.00	11,005.14	12,994.86	45.85%			
Investment Expenses	,	,	,				
Financial Consulting Fee	229,650.00	94,040.00	135,610.00	40.95%			
Investment Management Fees	1,800,000.00	773,463.41	1,026,536.59	42.97%			
Bank Custodian Services	117,000.00	61,259.81	55,740.19	52.36%			
Professional Services Expenses	/	0_)_0010_		0_100/			
Accounting	25,000.00	_	25,000.00	0.00%			
Actuarial Fees	23,000.00		23,000.00	0.007			
Actuarial Valuation	46,300.00	-	46,300.00	0.00%			
COLA & Additional Travel	10,000.00	_	10,000.00	0.00%			
Pension Funding Research	186,000.00	- 114,645.00	71,355.00	61.64%			
Legal Fees	180,000.00	114,045.00	/1,355.00	01.04/			
Administrative	132,000.00	53,000.00	79,000.00	10 150			
Board Meeting	-	7,500.00		40.15% 41.67%			
0	18,000.00	7,500.00	10,500.00				
Investment Review	50,000.00	-	50,000.00	0.00%			
Summary Plan Descr, Records Retention & Forms	150,000.00		150,000.00	0.00%			
Pension Funding Research/Legislation (2024/2025)	200,000.00	126,181.50	73,818.50	63.09%			
Legislative Consulting	72,000.00	44,612.00	27,388.00	61.969			
Medical Disability Review	3,000.00	-	3,000.00	0.00%			
Pension Software	670,000.00	157,326.43	512,673.57	23.48%			
Total Expenses \$ 5,047,157.00 \$ 1,926,750.71 \$ 3,120,406.29 38.17%							

Austin Firefighters Retirement Fund Contributions and Deductions (Unaudited) as of May 31, 2025

Additions

Contributions	
City of Austin Contribution (22.05%)	11,364,167.85
Fire Fighter Contribution (18.7%)	9,637,638.96
Interest -Bank	194,661.46
Commission Recapture	5,775.63
Class Action Proceeds	597.92
Securities Litigation Recovery	896.04
Total Contributions	\$ 21,203,737.86
Deductions	
Pension Retiree Payroll Expenses	
Retirees Monthly Annuity	23,813,640.05
Medical Ins.	1,304,565.24
Dental Ins	197,577.58
Vision Ins.	20,246.74
Retiree W/H Tax Payable	3,297,263.38
Benevolent Fund	24,160.00
Union Dues	11,655.19
Misc.	8,249.70
PAC Dues	3,743.00
Total Retiree Payroll Expenses	\$ 28,681,100.88
Pension Lump Sum Expenses	
Contribution Refunds	84,770.79
DROP Distributions	20,052,615.72
# of Requested DROP Distributions: 80	
Total Pension Lump Sum Expenses	\$ 20,137,386.51

Austin Firefighters Retirement Fund Profit & Loss vs Actual January through May 2025

		Total	
	Jan - May	Budget	% of Budg
Ordinary Income/Expense	. <u> </u>		
Income			
City of Austin Contrib (22.05%)	11,364,167.85	27,242,000.00	41.72
Commission Recapture	5,775.63	5,000.00	115.51
Fire Fighter Contrib (18.7%)	9,637,638.96	23,108,000.00	41.7
Securities Litigation Recovery	896.04		
Other Income			
Class Action Proceeds	597.92	5,000.00	11.9
Interest - Frost Bank	4,860.94	5,000.00	97.2
Interest - State Street	186,542.45	300,000.00	62.1
Securities Lending - State St.	3,258.07	9,000.00	36.2
Total Income	21,203,737.86	50,674,000.00	41.8
Operating Expenses			
Administrative Expenses			
Payroll Expenses			
Payroll Expenses - Other	310,000.00	756,300.00	40.9
Health Insurance - Staff	52,412.20	127,310.00	41.1
Health Insurance - Retired Staff	615.60	6,000.00	10.2
Taxes	23,931.04	58,504.00	40.9
SEP Contribution	77,500.00	182,825.00	42.3
Total Payroll Expenses	464,458.84	1,130,939.00	41.0
SS Retiree Payroll Process Fees	0.00	34,000.00	0.0
Building Expenses			
Assessment toward 2019 Project	998.20	1,883.00	53.0
Building Maintenance/Improvemen	0.00	15,250.00	0.0
Condo Association Dues	2,481.24	5,810.00	42.7
Utilities			
Electric	930.39	2,250.00	41.3
HVAC Program	0.00	50.00	0.0
Internet & Cable & Telephone	724.90	3,500.00	20.7
Water, Waste, Drainage	302.20	975.00	30.9
Total Utilities	1,957.49	6,775.00	28.8
Total Building Expenses	5,436.93	29,718.00	18.3
Office Expenses			
Furniture (FFE)	0.00	2,000.00	0.0
Meeting Refreshments	326.34	1,600.00	20.4
Notary Services	142.27	250.00	56.9
Office Maintenance	1,485.00	3,600.00	41.2
Office Supplies (Office supplies expense)	244.80	2,500.00	9.79

Austin Firefighters Retirement Fund Profit & Loss vs Actual January through May 2025

	Total			
	Jan - May	Budget	% of Budget	
Postage and Delivery	442.67	5,000.00	8.85%	
Printing and Reproduction	480.00	4,000.00	12.00%	
Total Office Expenses	3,121.08	18,950.00	16.47%	
Computer and Internet Expenses				
Hosting & Other Expenses	313.84	3,000.00	10.46%	
Laptop/Computer	372.45	3,000.00	12.42%	
Software/IT Services	9,964.28	28,300.00	35.21%	
Total Computer and Internet Expenses	10,650.57	34,300.00	31.05%	
Insurance Expense				
Board & Directors Liability Ins	0.00	29,600.00	0.00%	
Commercial	0.00	2,000.00	0.00%	
Cybersecurity Ins.	0.00	10,000.00	0.00%	
Workers Comp Ins. (Workers Comp)	0.00	1,200.00	0.00%	
Total Insurance Expense	0.00	42,800.00	0.00%	
Travel Expense				
Lodging/Transportation/Per Diem	0.00	16,000.00	0.00%	
Registration fees	50.00	7,500.00	0.67%	
Total Travel Expense	50.00	23,500.00	0.21%	
Operational Cost				
Association Fees (TXPERS /NCEPRS)	9,080.00	9,100.00	99.78%	
Election Services	146.44	4,400.00	3.33%	
Death Verification Services	0.00	4,200.00	0.00%	
Operational Cost - Other	1,778.70	6,300.00	28.23%	
Total Operational Cost	11,005.14	24,000.00	45.85%	
Investment Expenses				
Bank Custodian Services	61,259.81	117,000.00	52.36%	
Financial Consulting Fee	94,040.00	229,650.00	40.95%	
Investment Management Fees	773,463.41	1,800,000.00	42.97%	
Total Investment Expenses	928,763.22	2,146,650.00	43.27%	
Professional Fees				
Audit	0.00	25,000.00	0.00%	
Actuarial Fees				
Actuarial Valuation	0.00	46,300.00	0.00%	
COLA & Additional Travel	0.00	10,000.00	0.00%	
Pension Funding Research	114,645.00	186,000.00	61.64%	
Total Actuarial Fees	114,645.00	242,300.00	47.32%	

Austin Firefighters Retirement Fund Profit & Loss vs Actual January through May 2025

	Total				
	Jan - May	Budget	% of Budget		
Legal Fees					
Administrative	53,000.00	132,000.00	40.15%		
Board Meeting	7,500.00	18,000.00	41.67%		
Investment Review	0.00	50,000.00	0.00%		
Summary Plan Descr, Records Retention & Forms	0.00	150,000.00	0.00%		
Pension Funding Research/Legislation (2024/2025)	126,181.50	200,000.00	63.09%		
Total Legal Fees	186,681.50	550,000.00	33.94%		
Legislative Consulting	44,612.00	72,000.00	61.96%		
Medical Disability Review	0.00	3,000.00	0.00%		
Pension Software					
Pension Software PG I	5,310.00	50,000.00	10.62%		
Pension Software PG IV	152,016.43	620,000.00	24.52%		
Total Pension Software	157,326.43	670,000.00	23.48%		
Total Professional Fees	503,264.93	1,562,300.00	32.21%		
Total Operating Expenses	1,926,750.71	5,047,157.00	38.17%		
Monthly Pension Retiree Payroll					
Retirees Monthly Annuity	23,813,640.05	56,000,000.00	42.52%		
Medical Ins.	1,304,565.24	3,700,000.00	35.26%		
Dental Ins	197,577.58	466,000.00	42.40%		
Vision Ins.	20,246.74	47,000.00	43.08%		
Retiree W/H Tax Payable	3,297,263.38	7,750,000.00	42.55%		
Benevolent Fund	24,160.00	59,000.00	40.95%		
Misc.	8,249.70	20,000.00	41.25%		
PAC Dues	3,743.00	9,200.00	40.68%		
Union Dues	11,655.19	25,000.00	46.62%		
Total Monthly Pension Retiree Payroll	28,681,100.88	68,076,200.00	42.13%		
Pension Lump Sum					
Contribution Refunds	84,770.79	1,000,000.00	8.48%		
DROP Distributions	20,052,615.72	30,000,000.00	66.84%		
Total Pension Lump Sum	20,137,386.51	31,000,000.00	64.96%		
Total Expense	50,745,238.10	104,123,357.00	48.74%		

Austin Firefighters Retirement Fund Assets & Liabilities Report (Unaudited) as of May 31, 2025

Assets

Checking/Saving	zs.	
	Frost Bank - Benefits	213,123.70
	Frost Bank - Operating	35,838.83
	State Street T009-Cash Agg	6,801,983.25
Total Checking/	Savings	7,050,945.78
Investments, at	fair value	
investments, at	Domestic Equites	261,519,940.93
	Fixed Income Securities	352,578,142.03
	International Equities	282,896,156.85
	Real Asset	26,154,469.78
	Private Equity	151,188,605.58
	Real Estate	87,968,599.49
Total Investmen		1,162,305,914.66
		, - , ,
Total Assets		\$ 1,169,356,860.44
Total Assets	Liabilities	\$ 1,169,356,860.44
		\$ 1,169,356,860.44
Total Assets Current Liabilitie	25	
	es Payroll Liabilities	\$ 1,169,356,860.44 5,606.86 275.90
	25	5,606.86
	es Payroll Liabilities Operating Admin Liabilities	5,606.86
Current Liabilitie	es Payroll Liabilities Operating Admin Liabilities Investment Liabilities Professional Liabilities	5,606.86 275.90 -
	es Payroll Liabilities Operating Admin Liabilities Investment Liabilities Professional Liabilities lities	5,606.86 275.90 - 42,883.00
Current Liabilitie	Payroll Liabilities Operating Admin Liabilities Investment Liabilities Professional Liabilities lities DROP (Guaranteed 5%)	5,606.86 275.90 - 42,883.00 158,364,477.12
Current Liabilitie	es Payroll Liabilities Operating Admin Liabilities Investment Liabilities Professional Liabilities lities	5,606.86 275.90 - 42,883.00

Austin Firefighters Retirement Fund Balance Sheet As of May 31, 2025

	Мау
SETS	
Current Assets	
Checking/Savings	
Frost Bank - Benefits	213,123.7
Frost Bank - Operating	35,838.8
State Street T009-Cash Agg	6,801,983.2
Total Checking/Savings	7,050,945.7
Other Current Assets	
Investments	
DEQ	
SSgA S&P 500 Flagship Fund	138,486,138.0
VAUGHAN NELSON	58,612,714.2
Westfield Capital Management	64,421,088.6
Westwood Capital	0.0
Total DEQ	261,519,940.9
FI	
ABERDEEN	67,352,492.9
Loomis Sayles Core Plus Bond	48,316,823.1
Pacific Asset Management	24,969,283.5
Pyramis Tactical Bond (Fidelity	27,920,243.4
SSgA Bond Fund	124,113,394.9
SSGA TIPS	59,905,904.0
Total FI	352,578,142.0
IEQ	
Baillie Gifford	39,549,362.3
DFA Emerging Markets	30,216,141.3
DFA International Small Company	33,132,178.2
Highclere	162,502.4
SSgA MSCI EAFE Fund	143,593,805.3
TT International	36,242,167.1
Total IEQ	282,896,156.8
NR	
Aether Real Assets II	1,765,874.4
Aether Real Assets III	7,039,054.3
Aether Real Assets IV	9,473,413.5
Aether Real Assets V	7,876,127.4
Total NR	26,154,469.7
PE	
57 Stars Global Opportunity	4,800,950.0
Arcmont (Bluebay)Direct Lending	1,777,608.8
Constitution Ironsides Fund VII (50/50)	4,991,406.9
Constitution Ironsides III	1,624,511.0
Cross Creek Capital Partners II	8,259,203.3
Cross Creek Capital Parts III	9,421,085.9
Deutsche Bank SOF III	1,565,374.4
Dover Street X	34,953,155.4
Greenspring Global Partners V	6,444,633.9

Austin Firefighters Retirement Fund Balance Sheet As of May 31, 2025

1	
GREENSPRING VI	9,674,069.04
Harbourvest 2013 Direct	2,864,083.04
HarbourVest Coinvestment 4	6,838,039.95
HighVista Flag V	1,364,700.17
HighVista Flag VI	4,246,568.42
LGT C Europe Small Buyouts 3	1,399,024.83
LGT Crown Asia 2	6,023,510.97
LGT Crown Global Secondaries 2	80,610.00
LGT Crown Global VI	19,746,937.01
LGT Global Secondaries III	1,568,586.00
Partners Group EM 2015	6,633,250.81
Partners Group US Dist PE 2009	60,847.01
Private Advisors Co-Inv FundIII	522,876.01
Private Equity Investors V	1,247,887.30
SVB Strategic Investors Fund IX	15,079,684.95
Total PE	151,188,605.58
RE	
Clarion Partners	63,987,623.99
Crow Holdings Realty Partners X	8,608,781.75
Partners Group Distressed '09	2,730.00
Partners Group RE Second 2011	98,869.00
Partners Group RE Second 2017	10,588,710.12
Portfolio Advisors Fund 5	4,681,884.63
Total RE	87,968,599.49
Total Investments	1,162,305,914.66
Total Other Current Assets	1,162,305,914.66
Total Current Assets	1,169,356,860.44
TOTAL ASSETS	1,169,356,860.44
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Payroll Liabilities	5,606.86
Operating Admin Liabilities	275.90
Investment Liabilities	0.00
Professional Liabilities	42,883.00
Total Other Current Liabilities	48,765.76
Total Current Liabilities	48,765.76
Long Term Liabilities	
DROP (Guaranteed 5%)	158,364,477.12
% of Total Assets	13.54%
Total Long Term Liabilities	158,364,477.12
Total Liabilities	158,413,242.88

Austin Firefighters Retirement Fund General Ledger May 2025

Date	Name	Memo/Description	Split	Amount	Balance
ost Bank - I	Benefits				
Beginning E	Balance				\$ 225,275.6
05/02/2025	Austin FF Relief & Retirement Fund	Transfer to Operating	Frost Bank - Operating	-200,000.00	25,275.68
05/09/2025	City of Austin	City and Member's Contributions	-Split-	1,914,268.64	1,939,544.32
05/12/2025	Austin FF Relief & Retirement Fund	Transfer to State Street	State Street T009-Cash Agg	-1,700,000.00	239,544.32
05/23/2025	Austin FF Relief & Retirement Fund	Transfer to Operating	Frost Bank - Operating	-110,000.00	129,544.32
05/23/2025	City of Austin	City and Member's Contributions	-Split-	1,932,933.27	2,062,477.59
05/23/2025	Austin FF Relief & Retirement Fund	Transfer to State Street	State Street T009-Cash Agg	-1,850,000.00	212,477.59
05/30/2025	Frost Bank	Interest May 2025	Interest:Interest - Frost Bank	646.11	213,123.70
	Operating				
Beginning E					\$ 20,783.
		Apr 2025	Fees:Financial Consulting Fee	-18,808.00	\$ 20,783 .
)5/02/2025	Balance Meketa Investments	Apr 2025 May 2025	Fees:Financial Consulting Fee Office Expenses:Office Maintenance	-18,808.00 -297.00	1,975.72
)5/02/2025)5/02/2025	Balance Meketa Investments	•	5	,	. ,
05/02/2025 05/02/2025 05/02/2025	Balance Meketa Investments Jani-King of Austin	May 2025 Legislative Consulting	Office Expenses:Office Maintenance	-297.00	1,975.72 1,678.72
05/02/2025 05/02/2025 05/02/2025 05/02/2025	Balance Meketa Investments Jani-King of Austin Schlueter Group	May 2025 Legislative Consulting	Office Expenses:Office Maintenance Professional Fees:Legislative Consulting	-297.00 -4,000.00	1,975.7 1,678.7 -2,321.2 197,678.7
05/02/2025 05/02/2025 05/02/2025 05/02/2025 05/02/2025	Balance Meketa Investments Jani-King of Austin Schlueter Group Austin FF Relief & Retirement Fund TASC (FSA Health Care)	May 2025 Legislative Consulting Transfer to Operating	Office Expenses:Office Maintenance Professional Fees:Legislative Consulting Frost Bank - Benefits	-297.00 -4,000.00 200,000.00	1,975.72 1,678.72 -2,321.24
05/02/2025 05/02/2025 05/02/2025 05/02/2025 05/02/2025 05/05/2025	Balance Meketa Investments Jani-King of Austin Schlueter Group Austin FF Relief & Retirement Fund TASC (FSA Health Care)	May 2025 Legislative Consulting Transfer to Operating FSA May 2025	Office Expenses:Office Maintenance Professional Fees:Legislative Consulting Frost Bank - Benefits -Split-	-297.00 -4,000.00 200,000.00 -433.34	1,975.7. 1,678.7. -2,321.2 197,678.7. 197,245.3
05/02/2025 05/02/2025 05/02/2025 05/02/2025 05/05/2025 05/05/2025 05/05/2025	Balance Meketa Investments Jani-King of Austin Schlueter Group Austin FF Relief & Retirement Fund TASC (FSA Health Care) City of Austin City of Austin	May 2025 Legislative Consulting Transfer to Operating FSA May 2025 Health Insurance May 2025	Office Expenses:Office Maintenance Professional Fees:Legislative Consulting Frost Bank - Benefits -Split- -Split-	-297.00 -4,000.00 200,000.00 -433.34 -10,720.74	1,975.7 1,678.7 -2,321.2 197,678.7 197,245.3 186,524.6
05/02/2025 05/02/2025 05/02/2025 05/02/2025 05/05/2025 05/05/2025 05/05/2025 05/07/2025	Balance Meketa Investments Jani-King of Austin Schlueter Group Austin FF Relief & Retirement Fund TASC (FSA Health Care) City of Austin City of Austin	May 2025 Legislative Consulting Transfer to Operating FSA May 2025 Health Insurance May 2025 Health Insurance Retired Staff May 2025	Office Expenses:Office Maintenance Professional Fees:Legislative Consulting Frost Bank - Benefits -Split- -Split- Payroll Expenses:Health Insurance - Retired S	-297.00 -4,000.00 200,000.00 -433.34 -10,720.74 -449.02	1,975.7 1,678.7 -2,321.2 197,678.7 197,245.3 186,524.6 186,075.6

05/08/2025 Austin FF Relief & Retirement Fund L. Adney Reimbursement Payment May 2025 Payroll Expenses:Health Insurance - Retired S 125.00 76,489.83 05/08/2025 Austin FF Relief & Retirement Fund L. Adney Health Insurance Payment May 2025 Payroll Expenses:Health Insurance - Retired S 218.90 76,708.73 05/15/2025 Cheiron Mar 2025 Consulting Services Related to the 89th Professional Fees:Actuarial Fees:Pension Fun 39,037.48 -37,671.25 Bank Service Charges Apr 2025 37,792.78 05/16/2025 Frost Bank Operational Cost:Bank Service Charges -1,244.70 Administrative Apr 2025 Professional Fees:Legal Fees:Administrative 26,792.78 05/22/2025 Jackson Walker -11,000.00

				\$ 15.055.11	\$ 35 838 83
05/30/2025	American Express	May 2025	-Split-	-2,053.33	35,838.83
05/30/2025	Payroll	Tax Payment for Period: 05/28/2025-05/30/2025	Payroll Liabilities:Federal Taxes (941/943/944)	-18,507.19	37,892.16
05/29/2025	Payroll	Pay Period: 05/01/2025 - 05/31/2025	Direct Deposit Payroll	-47,531.02	56,399.35
05/29/2025	Jackson Walker	Legislative Consulting Mar & Apr 2025	Professional Fees:Legislative Consulting	-15,000.00	103,930.37
05/28/2025	Parkstone Office Condominium Com	n Apr 2025	-Split-	-1,008.96	118,930.37
05/28/2025	Parkstone Office Condominium Com	n May 2025	-Split-	-878.09	119,939.33
05/23/2025	Austin FF Relief & Retirement Fund	Transfer to Operating	Frost Bank - Benefits	110,000.00	120,817.42
05/23/2025	Fidelity	May 2025	Payroll Expenses:SEP Contribution	-15,500.00	10,817.42
05/22/2025	Xerox	May 2025	Operational Cost	-25.00	26,317.42
05/22/2025	Jackson Walker	Board Meeting Apr 2025	Professional Fees:Legal Fees:Board Meeting	-1,500.00	26,342.42
05/22/2025	Frost Bank	Refund- Bank Service Charges Apr 2025	Operational Cost:Bank Service Charges	1,049.64	27,842.42

Total for Frost Bank - Operating

\$ 15,055.11 **\$** 35,838.83

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Road Map of Items for Board Meetings

June 2025 Board Meeting

- 89(R) Texas Legislative Session Conclusion Update
- Proposed changes to Fund Rules
- Proposed changes to Fund Policies and Procedures
- Preliminary 2024 Actuarial Valuation and Risk-Sharing Valuation
- Second reading of proposed amendment to Investment Policy Statement (IPS)
- Consider Aether Natural Resources investment
- Pension Administration System (PAS) implementation update

July 2025 Board Meeting

- 2024 Actuarial Valuation
- 2024 Financial Audit Report
- 2024 Annual Report
- Third reading of proposed amendment to Investment Policy Statement (IPS)
- Pension Administration System (PAS) implementation update
- Mid-year Budget Update

August 2025 Board Meeting

- Meketa 2Q25 Report
- Meketa 2024 Fee Review

September 2025 Board Meeting

- Annual Board of Trustees Election
- Fund Newsletter
- Pension Administration System (PAS) implementation update

October 2025 Board Meeting

- Pension Administration System (PAS) implementation update
- Review of Board Rules

November 2025 Board Meeting

- Meketa 3Q25 Report
- Meketa Annual Fee Review
- Meketa Asset/Liability Study Discussion
- Discussion and Consideration of 2026 COLA
- Update on Trustee Election and possible election certification

December 2025 Board Meeting

- Consideration and approval of 2026 Budget
- 2026 Board Meeting Dates
- Executive Director Evaluation

January 2026 Board Meeting

- Vice-Chair Election
- Annual DROP Account Statements
- Revisit maximum number of DROP distributions permitted
- End-of-year Budget Report