



2024 ANNUAL REPORT



AFRF

AUSTIN FIREFIGHTERS
RETIREMENT FUND

AUSTIN FIREFIGHTERS RETIREMENT FUND

4101 Parkstone Heights Drive, Suite 270
Austin, TX 78746

Staff@AFRFund.org

(512) 454-9567

Anumeha Kumar, Executive Director

TABLE OF CONTENTS

Introductory Section..... 4

Chair’s Letter to Membership 5

Board of Trustees 7

Organizational Chart 8

Consultants/Advisors 9

Investment Managers 10

Investment Overview 12

Financial Section 19

Independent Auditor’s Report 20

Management’s Discussion and Analysis 24

Summary of Fiduciary Net Position 25

Summary of Changes in Fiduciary Net Position 26

Statement of Fiduciary Net Position 28

Statement of Changes in Fiduciary Net Position 29

Notes to the Financial Statements..... 30

Schedule of Changes in Pension Liability and Related Ratios..... 41

Schedule of Employer Contributions 42

Schedule of Direct and Indirect Fees and Commissions 43

GASB Statement No. 67 and No. 68 44

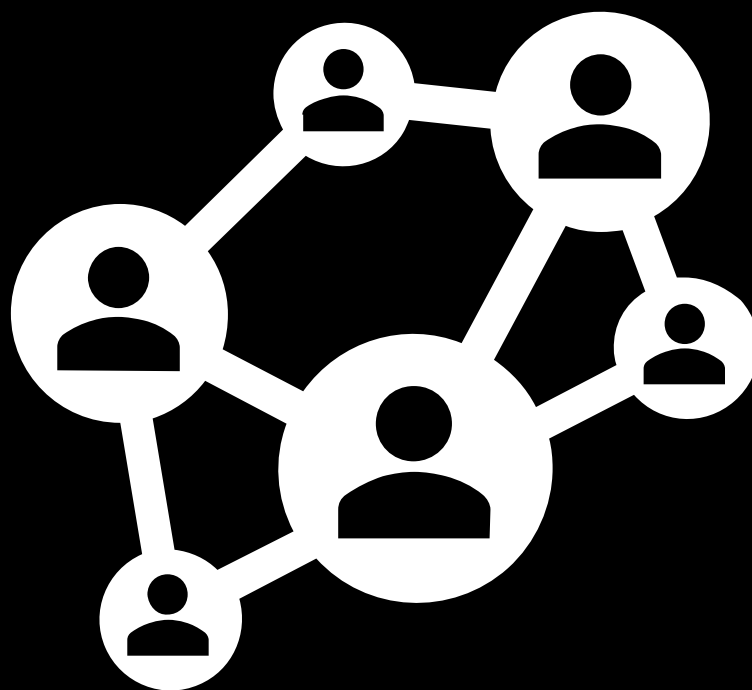
Actuarial Section 80

Actuarial Valuation as of December 31, 2023..... 81

Plan Provision Changes and Benefit Guide Section 145

Historical Plan Provision Changes 146

Summary of Plan Benefits 153



INTRODUCTORY SECTION

Letter to Membership
Board of Trustees
Organizational Chart
Consultants / Advisors
Investment Managers
Investment Overview



July 21, 2025

Dear Members,

The Board of Trustees and staff of the Austin Firefighters Retirement Fund (*AFRF or the Fund*) would like to present the Annual Report for the fiscal year ending December 31, 2024. This report is designed to provide key insights into AFRF's financial standing, including investment performance, funding status, operations, and overall fund management. The Annual Report is organized into the following four sections:

- **Introductory Section** – This section contains information on administrative organization and investment performance provided by the Fund's general investment consultant.
- **Financial Section** – This section contains the Independent Auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, and certain required supplementary information.
- **Actuarial Section** – This section contains the Actuary's Certification letter and the Annual Actuarial Valuation Report.
- **Plan Provision Section** – This section contains historical information on plan provision changes, including any COLAs granted, and a summary of the benefit guide.

This past year, AFRF and the City of Austin remained committed to proactively addressing the Fund's financial health by developing a Voluntary Funding Soundness Restoration Plan (FSRP), in alignment with state law and guidelines set by the Texas Pension Review Board (PRB). AFRF was the first retirement system in Texas to take this formal, voluntary step—choosing action over delay and avoiding the need for a mandatory FSRP. This initiative was viewed favorably by the PRB and enabled AFRF and its stakeholders to shape the reform process with valuable input from Fund members. Following eighteen months of negotiations between AFRF and the City, a consensus was reached on a joint legislative proposal. During the 89th Texas Legislative Session, House Bill 2802 was introduced by State Representative Bucy and sponsored by State Senator Schwertner. The bill incorporated thorough actuarial analysis and reflected meaningful compromise among all key stakeholders. It received broad support from the AFRF Board of Trustees, the City of Austin, the Austin Firefighters Association Local 975, and the Austin Retired Firefighters Association. House Bill 2802 passed with strong bipartisan support and was signed into law by Governor Abbott on June 20, 2025.

Effective September 1, 2025, House Bill 2802 will transition the City from a fixed rate funding model to an actuarially determined contribution (ADC) structure. The City contribution rate will include a payment designed to amortize the legacy unfunded liability over a 30-year period starting January 1, 2026, and will set a minimum and maximum rate (a corridor) for future benefit funding to avoid significant fluctuations in the City's contributions. Effective January 1, 2025, House Bill 2802 will also establish a second benefit tier for firefighters newly hired to the Austin Fire Department. While maintaining a competitive benefit structure, this new tier includes adjusted benefit parameters designed to gradually reduce the Fund's long-term cost.

Over the past year, investment gains were largely concentrated in a narrow segment of the market, led by the strong performance of large-cap U.S. stocks. Despite the Fund's long-term, broadly diversified investment strategy, AFRF posted a 4.7% return in 2024, falling short of its 7.3% target, and closed the year with \$1.16 billion in assets. However, as a result of the recent pension reforms, the Fund ended 2024 with a funded status of 76.9% on a market value basis and an amortization period of 30 years—a marked improvement from the pre-reform projection of an infinite amortization trajectory.

I am honored to serve as Board Chair of the Austin Firefighters Retirement Fund. It is a privilege to work alongside a committed group of trustees whose dedication, along with the efforts of our office staff and professional advisors, ensures the continued strength and success of AFRF. Through the responsible stewardship of the board, staff, and consultants, we remain focused on our mission: to safeguard and manage the Fund solely in the best interest of our members and their beneficiaries.

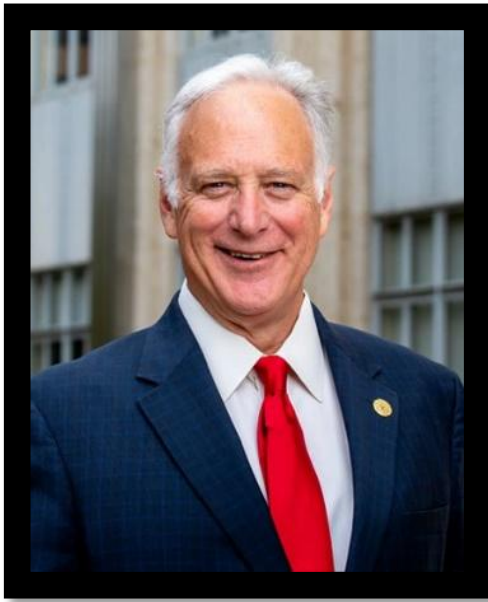
Finally, I want to express my heartfelt gratitude to the firefighters of the Austin Fire Department, both active and retired, for their courageous and unwavering service to the residents of Austin.

Sincerely,



Mayor Kirk Watson
Board Chair

BOARD OF TRUSTEES



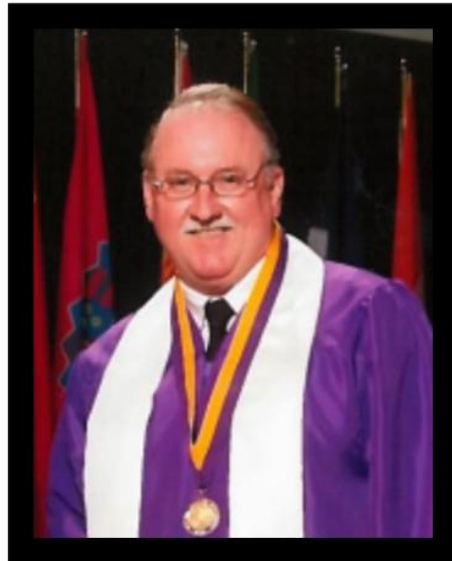
Mayor Kirk Watson
Board Chair
City of Austin Mayor



Aaron Woolverton
Vice Chair
Term Expires 12/2025



Belinda Weaver
Trustee
City of Austin Treasurer

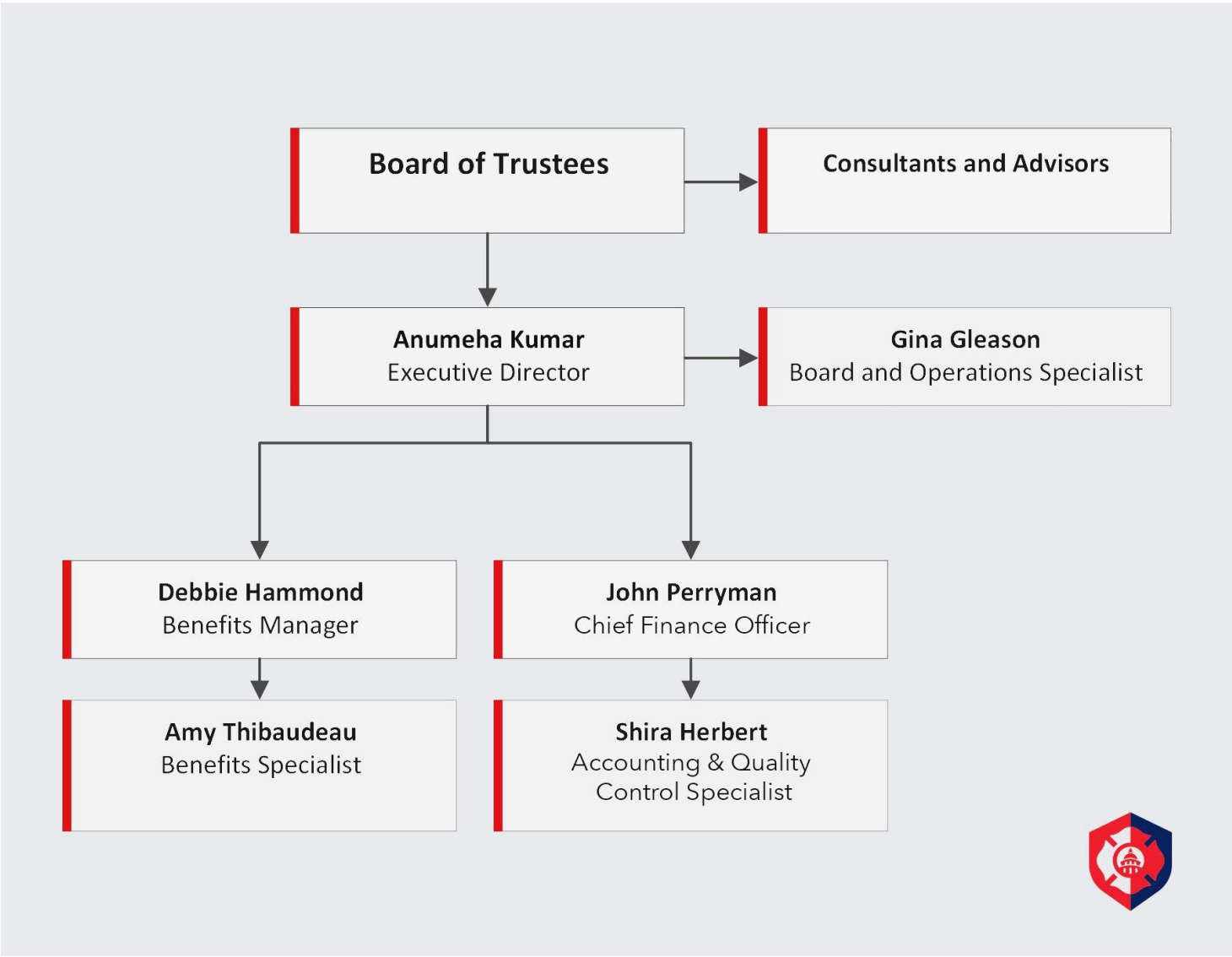


Doug Fowler
Trustee
Term Expires 12/2026



John Bass
Trustee
Term Expires 12/2027

ORGANIZATION CHART



CONSULTANTS / ADVISORS

Actuary

Cheiron - McLean, VA

Custodian Bank

State Street - Boston, MA

Investment Consultant

Meketa Investment Group - Boston, MA

Auditor

Montemayor Britton Bender - Austin, TX

Legal Counsel

Jackson Walker, LLC - Austin, TX

INVESTMENT MANAGERS

Domestic Equities

State Street Global Advisors - Boston, MA

Vaughan Nelson Investment Management – Houston, TX

Westfield Capital Management – Boston, MA

Westwood Holding Group, Inc. – Dallas, TX

Fixed Income Securities

Aberdeen Asset Management, Inc. – Philadelphia, PA

Aristotle Capital Management – Los Angeles, CA

Loomis Sayles – Boston, MA

Pyramis Global Advisors – Smithfield, RI

State Street Global Advisors – Boston, MA

International Equities

Baillie Gifford – Edinburgh, Scotland

Deutsche Alternative Asset Management – London, England

Highclere International – London, England

State Street Global Advisors – Boston, MA

TT International – Dublin, Ireland

Real Asset

Aether Investment Partners – Denver, CO

Real Estate

Clarion Partner – Auburn, CA

Crow Holdings Capital Partners – Dallas, TX

Partner Group Inc. – New York, NY

Portfolio Advisors LLC – Darien, CT

INVESTMENT MANAGERS

Private Equity

57 Stars Investor Services – Washington D.C.
Arcmont Lending – London, England
Constitution Capital Partners – Andover, MA
Cross Creek Capital Partners – Salt Lake City, UT
DWS Alternatives Global Limited – London, England
Dimensional Fund Advisors – Austin, TX
HarbourVest – Boston, MA
HighVista – Boston, MA
LGT Capital Partners Inc. – New York, NY
Partner Group Inc. – New York, NY
Pinegrove Capital Partners – Menlo Park, CA
Private Advisors – Richmond, VA
Private Equity Investors – New York, NY
StepStone Group Inc – New York, NY

INVESTMENT OVERVIEW



5200 Blue Lagoon Drive
Suite 120
Miami, FL 33126

305.341.2900
Meketa.com

MEMORANDUM

TO: Board of Trustees, Austin Firefighters Retirement Fund
FROM: Leo Festino, Aaron Lally, Colin Kowalski, Meketa Investment Group
DATE: June 30, 2025
RE: Investment Consultant's Statement for Annual Financial Report

This letter reviews the global capital markets in 2024 and the investment performance of the Austin Firefighters Retirement Fund (the "Fund" or "AFRF") for the year ending December 31, 2024.

AFRF produced a net return of 4.6% in the calendar year, underperforming both its policy benchmarks. Muted private equity returns (vs. its policy benchmark which is a public markets equity index) drove the underperformance vs. policy benchmarks. The Fund ranked in the fourth quartile of its peer group¹. Lower exposure to the US stock market (particularly the S&P 500 Index) vs. peers drove the peer group results.

The Fund rates of return are represented using a net-of-fees time-weighted methodology based upon monthly market values and cash flows. Consistent with industry best practices, AFRF's private market valuations are included on a one-quarter lag, cash flow adjusted basis, to account for the typical 60-90 day delayed reporting cycle for most private market investments. Data was provided by State Street Bank (AFRF's custodian), and investment manager valuation statements.

Meketa Investment Group, AFRF's general investment consultant, works with the Board of Trustees and Staff, to assist with performance evaluation, asset allocation, manager selection, governance, and other industry best practices.

Capital Markets Calendar 2024 Year in Review

First Quarter

At the beginning of Calendar Year 2024, the global economy was characterized by moderating inflation and steady growth, as well as a feeling in many parts of the world that interest rate cuts would be forthcoming. Global growth was projected at 3.1% for 2024, slightly higher than previous forecasts, driven by anticipated resilience in the US and emerging markets, along with likely fiscal support in China. However, the actual growth during the year remained below the historical average primarily due to high central bank policy rates and low productivity growth outside the US.

¹ InvMetrics Public DB >\$1 bb net.

At the start of the year, in most areas of the globe, inflation had declined closer to central bank target ranges. US inflation, as represented by the Consumer Price Index, stood at 3.4%, as of December 2023. It was projected to continue to decline by the end of the year due to tighter monetary policy and easing supply chain pressures. Inflation in Europe was at 2.9%, with the Euro area experiencing a slight increase from the previous months. In Japan, inflation stood at 2.6% a significant departure from its decades long struggles with deflation. Meanwhile, China faced much lower inflation, with the consumer price index declining to -0.8% over the trailing twelve months as of January 31, 2024, despite government stimulus measures.

However, as we moved forward in 2024, it became more apparent that the resilient economic data that was driving global equities higher was also pushing out the timing of the expected first US Federal reserve rate cut, leading to adjustments in bond prices and yields throughout the year. At that time, major central banks had largely paused interest rate hikes with expectations that many would eventually cut rates. The uneven pace of falling inflation and economic growth across countries led to speculation that the pace of rate cuts could vary between central banks.

Inflation pressures had significantly eased in most countries from their pandemic peaks, but levels were still above most central bank targets with questions about how inflation would track going forward. Advanced economies saw more rapid disinflation compared to emerging markets. That said, in the US, headline inflation in March 2024 rose by more than expected (3.2% to 3.5%), while core inflation was unchanged (3.8%) despite a predicted decline to 3.7%.

Among equity asset classes, US markets (Russell 3000 Index) rose 10.0% in the first quarter of calendar 2024. The technology sector continued to perform well, with the energy sector gaining on geopolitical tensions. Non-US developed equity markets (MSCI EAFE) increased 5.8% in the quarter, helped by Japanese equities which hit multi-decade highs. A strengthening US dollar drove the weaker relative results for US investors with returns in local currency terms (MSCI EAFE Local) 4.2% higher (10.0% versus 5.8%) over the first quarter of calendar 2024.


During the first quarter of calendar 2024, emerging markets equities (MSCI Emerging Markets) had the weakest equity returns (+2.4%), led by China (MSCI China at -2.2%). Slowing economic growth, lingering issues in the property sector, and efforts by the US to discourage investments in China all weighed on results. The stronger dollar also hurt performance in emerging markets for US-based investors with returns in local currency terms (MSCI Emerging Markets Local) 2.1% higher (4.5%) during the same quarter.

Higher inflation and rising interest rates weighed on bonds with the broad US bond market (Bloomberg Aggregate) returning -0.8% for the first quarter of calendar 2024. High Yield Bonds (Barclays High Yield) remained positive, up 1.5% for the same quarter, as risk appetite remained strong and all-in yields attractive.

Second Quarter

The second quarter of calendar 2024 began with the notion of rates staying “higher for longer” given continued, resilient economic data. Stronger than expected inflation and employment data in the US weighed on both stocks and bonds in April. However, by May and June, sentiment changed as the Federal Reserve confirmed it was unlikely they would increase interest rates and economic data started largely coming in below expectations. Headline year-over-year inflation in the US fell 0.5% over the second quarter to 3.0% with several readings coming in below expectations. Core CPI also fell 0.5% in the quarter, finishing at 3.3%. Outside the US, inflation readings continued to decline in many developed markets, enough so that central banks in Canada, Sweden, Switzerland, and the EU all cut interest rates in the second quarter of calendar 2024.

Among equity asset classes, US markets (Russell 3000 Index) rose 3.2% in the second quarter of calendar 2024. Large capitalization technology companies again performed well driven by continued excitement over artificial intelligence. Enthusiasm surrounding artificial intelligence also benefited utilities, although to a lesser extent, with the market recognizing the massive computing power and energy needed to incorporate these technologies into



many facets of everyday life. Non-US developed equity markets (MSCI EAFE) decreased 0.4% in the second quarter of calendar 2024. Strength in the US dollar drove the weaker relative results for US investors with returns in local currency terms (MSCI EAFE Local) 1.4% higher (+1.0% versus -0.4%). Emerging markets equities had the best returns in the second quarter of calendar 2024, with the MSCI Emerging Markets Index returning +5.0%, partially attributed to China (MSCI China) at +6.9%.

Rising interest rates weighed on bonds with income balancing capital losses. The broad US bond market (Bloomberg Aggregate) returned 0.1% for the second quarter of calendar 2024. High yield bonds (Barclays High Yield) remained positive, up 1.1% for the quarter.

Third Quarter

As the third quarter of 2024 began, markets were guided by the continued themes of inflation trends and economic growth projections across key regions. In the Eurozone, inflation had unexpectedly increased to 2.6% in July, from 2.5% in June, driven by rising energy costs, while Japan's inflation remained steady at 2.8%, prompting the Bank of Japan to raise the policy rate to 0.25% after decades of near-zero rates. China's central bank had implemented another round of interest rate cuts, aiming to support the economy amid a modest inflation recovery to 0.5% in July. In the US, inflation continued to decline, with year-over-year headline inflation falling to 2.9% in July, although shelter costs remained a significant contributor to monthly inflation increases.

Global economic growth was projected to remain stable, with the International Monetary Fund forecasting a growth rate of around 3.2% for 2024, matching the 2023 estimate, and most major economies were expected to avoid a recession. However, key economic data in the US had weakened, leading markets to anticipate multiple rate cuts by the Federal Reserve in response to improving inflation data and signs of economic weakness. This divergence in monetary policy among central banks, with some cutting rates and others raising them, was likely to influence capital flows and currency movements in the coming months.

In the third quarter of 2024, the US equity markets, represented by the Russell 3000 Index, rose by 6.2%. This increase was driven by a broadening rally that included strong performance in value and small cap stocks, reversing the earlier trend of narrow leadership by large cap growth stocks. The technology sector continued to perform well, contributing to the overall gains in the US equity markets.

Non-US developed equity markets, as measured by the MSCI EAFE Index, increased by 7.3% in the third quarter, with Japanese equities hitting multi-decade highs, which significantly contributed to the overall performance. In a reversal of the first two quarters of the year, the weakening US dollar in the third quarter had a beneficial impact on returns for US investors, as the local currency version of the index (MSCI EAFE Local) returned just 0.8%. Emerging markets equities, represented by the MSCI Emerging Markets Index, posted a return of 8.7% in the third quarter, outperforming developed market stocks. Within emerging markets, China (MSCI China) saw a significant rally of 23.5% for the quarter, driven by a substantial policy stimulus package aimed at supporting equity prices and reducing bank reserve requirements.

The broad US bond market, represented by the Bloomberg Aggregate Index, returned 5.2% in the third quarter, benefiting from expectations of additional policy rate cuts as inflation pressures receded and the economy showed signs of possible slowing. High yield bonds, as measured by the Bloomberg High Yield Index, were up 5.3% due to strong risk appetite and attractive yields.

Fourth Quarter

At the start of the fourth quarter of 2024, the global economy was characterized by mixed outcomes influenced by various geopolitical and economic factors. The US election played a significant role, with markets reacting to the incoming Trump administration's proposed policies, which included tariffs, tax cuts and deportations, raising

concerns about future inflationary pressures and economic stability. Despite these concerns, US equities experienced a post-election rally driven by optimism over potential policy benefits, such as deregulation.

Even with the market focused on economic impacts from the incoming US administration's policies, the Federal Reserve cut its policy rate by 0.25% in December, but its Summary of Economic Projections and hawkish comments provoked a repricing of future rate cuts and their timing. That said, unemployment remained low and economic growth showed resilience throughout the quarter. Internationally, non-US markets faced challenges, with economic growth slowing in Europe and China, partly due to trade tensions and a strong US dollar. Overall, the quarter highlighted significant divergence between US and international markets, driven by varying economic policies and geopolitical uncertainties.

In the fourth quarter of 2024, global equity and bond markets exhibited varied performance. US equity markets, represented by the Russell 3000 Index, rose by 2.6%, driven by a post-election rally and strong performance in the technology sector. Non-US developed equity markets, as measured by the MSCI EAFE, declined by 8.1%, impacted by a strong US dollar and concerns over trade wars and slowing growth in Europe. Emerging markets equities, tracked by the MSCI Emerging Markets, fell by 8.0%, with China (MSCI China) declining by 7.7% due to slowing economic growth, property sector issues, and discouragement of US investments.

In the fixed income market, the broad US bond market (Bloomberg Aggregate) returned -3.1% due to higher inflation and rising interest rates. Conversely, High yield bonds (Bloomberg High Yield) were up 0.2%, reflecting a continued strong risk appetite and attractive yields.

Overall, in 2024, global economies experienced varied growth and inflation trends. The US saw an annual GDP growth of 2.5% for the full year, driven by strong consumer spending. Inflation in the US moderated to 3.0% by December, and the Fed Funds rate declined from a range of 5.25-5.50% to start the year down to 4.25-4.50% by year end. The Eurozone's GDP grew by 0.9% in 2024, with inflation stabilizing at 2.5% for the year. Japan's economy expanded by 0.1% in 2024, with an annual inflation rate of 3.6%, and was the only major economy to raise rates during the year. China's official government numbers showed it achieved its GDP growth target of 5.0%, supported by strong exports and government stimulus, though inflation remained low at 0.1% for the full calendar year.

Unemployment rates also varied across these regions. In the US, the unemployment rate was 4.1% in December 2024, reflecting a slight increase from the previous year. The Eurozone's unemployment rate remained relatively stable, averaging around 6.5%. Japan's unemployment rate was low, at approximately 2.7%, supported by steady job creation. In China, the unemployment rate hovered around 5.2%, with government policies aimed at maintaining employment stability.

AFRF's 2024 Performance Commentary

AFRF ended 2024 with approximately \$1.2 billion in investment assets. The Fund's allocation to Public Equity benefited from a strong year with US Equity (+17.2%) and International Equity (+5.8%) having the highest absolute returns. Natural Resources was the weakest performing asset class for the year, producing a net return of -9.8%. In US public equity markets, 2024 continued to be a tough environment for active management, only one of three active public equity managers outperformed its benchmark. In international markets, three out of four AFRF active managers outperformed benchmarks. Fixed Income was mixed; two out of four active bond strategies outperformed respective benchmarks.

Calendar Year 2024 Return	
AFRF (net of fees)	4.6%
Static Benchmark ¹	11.9%
Dynamic Benchmark ²	13.0%
Peer Median Return ³	11.9%

***Returns are time-weighted, net of fees. AFRF's private market valuations are included on a one-quarter lag, cash flow adjusted basis, to account for the typical 60-90 day delayed reporting cycle for most private market investments.*

Over a more robust observation period, 20-years, AFRF has outperformed its Static Benchmark due to strong manager selection, stable asset allocation, and sizable allocation to strong performing private equity strategies.

2025 Capital Markets through 5/31/2025

The first five months of 2025 have been mostly positive across major asset classes, although volatile in the US, due to uncertainty around tariffs. The US Equity market (S&P 500 Index) dipped negative in April but ended May in positive territory, +1.1% year-to-date. Conversely, the international equity market (MSCI EAFE index) is up +16.9% year-to-date through 5/31/2025. Investment grade bonds (Barclays Aggregate Index) are positive, +2.5% year-to-date.

Meketa, Staff and the Board of Trustees continue to diligently monitor the macro environment and its impact on the Fund.



Leandro Festino, CFA, CAIA
Managing Principal



Aaron Lally, CFA, CAIA
Managing Principal



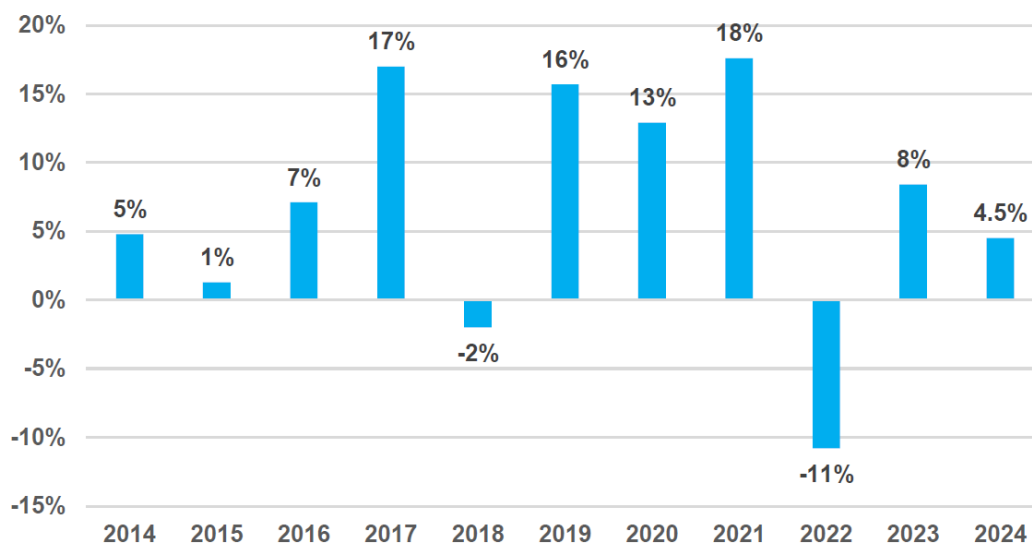
Colin Kowalski
Investment Analyst

¹ Policy target weights multiplied by each respective asset class's benchmark.

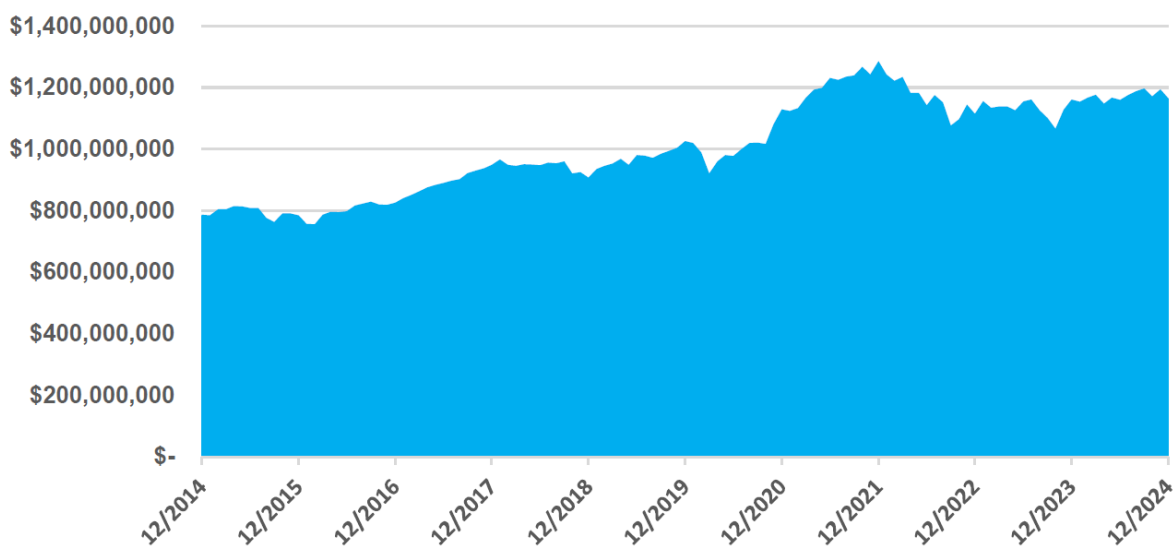
² Actual asset class weight (each prior month end) multiplied by each respective asset class's benchmark.

³ InvMetrics Public DB >\$1 bb net.

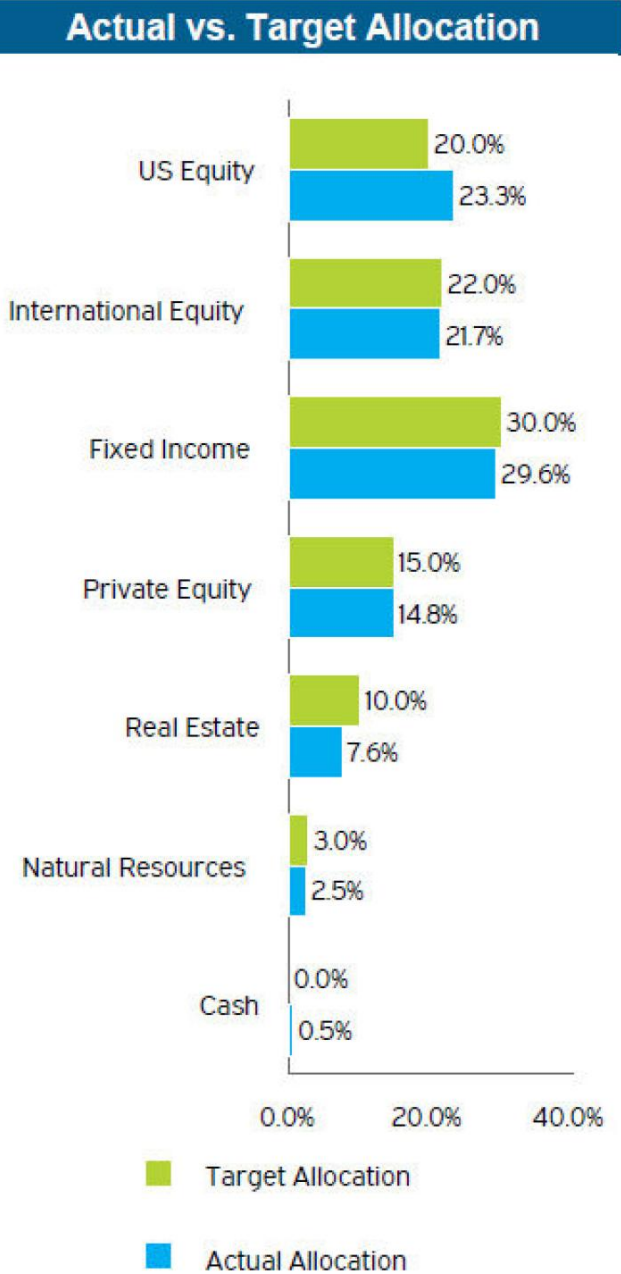
Annual Returns 2014-2024



Asset Growth 2014-2024



Asset Allocation vs. Target as of December 31, 2024





FINANCIAL SECTION

Independent Auditor's Report
Fiduciary Net Position
Notes to Financial Statements
Schedule of Changes in Pension Liability and Related Ratios
Schedule of Employer Contributions
Schedule of Direct and Indirect Fees and Commissions
GASB Statement No. 67 and No. 68

INDEPENDENT AUDITOR'S REPORT



Montemayor Britton Bender Carey PC

CERTIFIED PUBLIC ACCOUNTANTS

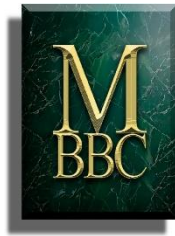
AUSTIN FIRE FIGHTERS' RELIEF AND RETIREMENT FUND

DBA

AUSTIN FIREFIGHTERS RETIREMENT FUND

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2024



Montemayor Britton Bender Carey PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Trustees
Austin Firefighters Retirement Fund

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying statement of fiduciary net position of the Austin Firefighters Retirement Fund (the Fund) as of 31 December 2024 the related statement of changes in fiduciary net position for the year then ended, which collectively comprise the Fund's financial statements, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of 31 December 2024 and the changes in its fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that are identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the supplemental schedules of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 21 through 22 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial

statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Fund's financial statements. The supplementary schedule of direct and indirect fees and commissions on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information referred to above is fairly stated, in all material respects, in relation to the financial statements as a whole.

Montemayor Britton Bender Carey PC

18 July 2025
Austin, Texas

2110 Boca Raton Drive Building B,
Suite 102 Austin TX 78747
512.442.0380
www.montemayor.team

AUSTIN FIREFIGHTERS RETIREMENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Austin Firefighters Retirement Fund's (the Fund) financial performance provides an overview of the Fund's activities for the calendar years 2024 and 2023. This information is provided in conjunction with our financial statements that follow.

FINANCIAL HIGHLIGHTS

- Fiduciary net position of the Fund increased by \$2,652,846 or .23% in 2024, due to increased market returns. The fiduciary net position of the Fund increased by \$46,861,522 or 4.20% in 2023, due to increased market returns, and decreased fund payouts.
- Total contributions by the members and the City of Austin increased by 8.63% in 2024 and increased by 5.24% in 2023. The increase for 2024 over 2023 reflects wage increases amongst participants.
- The amount of benefits paid directly to retired members and their beneficiaries increased by \$10,072,721 in 2024 and increased by \$5,466,010 in 2023. The number of pension recipients and lump sum distributions increased for both years.
- The funding objective of the Fund is to meet long-term benefit obligations through contributions by the members and the City of Austin as well as from the investment income. As of 31 December 2024, the most recent actuarial measurement date, the Fund's actuarial funded ratio of actuarial assets as a percentage of actuarial liabilities was 76.9%, compared to 85.6% as of 31 December 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's financial statements consist of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, with accompanying Notes to the Financial Statements. The information available in each is summarized below:

The Statement of Fiduciary Net Position presents the Fund's assets and liabilities and the resulting net position, which are held in trust for pension benefits. This statement provides a snapshot as of year-end of the Fund's investments, stated at fair value, along with cash and cash equivalents, receivables, and other assets and liabilities. Over time, increases or decreases in Fund net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

The Statement of Changes in Fiduciary Net Position presents information showing additions to and deductions from the Fund during a twelve-month period, using the accrual basis of accounting. Thus, additions are reported when earned and deductions when incurred, regardless of when cash is received or paid. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

See independent auditor's report.

AUSTIN FIREFIGHTERS RETIREMENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Our analysis below focuses on the fiduciary net position and changes in fiduciary net position of the Fund.

Summary of Fiduciary Net Position

31 December 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash and receivables	\$10,460,994	\$10,179,737	\$7,409,903
Investments	<u>1,155,244,470</u>	<u>1,152,514,655</u>	<u>1,108,752,080</u>
Total assets	<u>1,165,705,464</u>	<u>1,162,694,392</u>	<u>1,116,161,983</u>
Total liabilities	<u>358,226</u>	<u>0</u>	<u>329,113</u>
Fiduciary net position for pension benefits	<u>\$1,165,347,238</u>	<u>\$1,162,694,392</u>	<u>\$1,115,832,870</u>

Net position: The net position of the Fund increased by \$2,652,846 in 2024 and increased by \$46,861,522 in 2023. The increase in 2024 reflects positive investment returns and continued contributions to the fund, as well as increased payouts from the Fund. The increase in 2023 reflects positive investment returns, and decreased payouts from the Fund. The decrease in 2022 of \$187,71,635 reflects poor investment returns due to weak financial markets and increased fund payouts from the Fund.

Liabilities: The Fund's liabilities increased by \$358,226 in 2024 and decreased by \$329,113 in 2023 due to the timing of payment to the investment managers for their investment fees.

See independent auditor's report.

AUSTIN FIREFIGHTERS RETIREMENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Changes in Fiduciary Net Position

31 December 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Additions:			
Contributions	\$48,096,020	\$44,275,845	\$42,071,919
Investment income (loss)	53,291,002	90,830,776	(147,628,167)
Other income	<u>442,989</u>	<u>400,453</u>	<u>97,917</u>
Total additions	<u>101,830,011</u>	<u>135,507,074</u>	<u>(105,458,331)</u>
Deductions:			
Benefit payments and contribution refunds	96,508,820	86,436,099	80,970,089
Administrative expenses	<u>2,668,345</u>	<u>2,209,453</u>	<u>1,283,215</u>
Total deductions	<u>99,177,165</u>	<u>88,645,552</u>	<u>82,253,304</u>
Net increase (decrease)	2,652,846	46,861,522	(187,711,635)
Fiduciary net position restricted for pension benefits			
Beginning of year	<u>1,162,694,392</u>	<u>1,115,832,870</u>	<u>1,303,544,505</u>
End of year	<u>\$1,165,347,238</u>	<u>\$1,162,694,392</u>	<u>\$1,115,832,870</u>

Additions: Total contributions by the members and City of Austin for 2024 and 2023 were \$48,096,020 and \$44,275,845 respectively. The increase of \$3,820,175 in 2024 represents an 8.63% increase from 2023. The increase of \$2,203,926 in contributions for 2023 represents a 5.24% increase. The net investment income was approximately \$53 million and \$91 million for 2024 and 2023, respectively.

Deductions: The expenses paid by the pension plan include the benefit payments, refunds of member contributions, administrative and other expenses. Benefits paid directly to retired members and their beneficiaries and contribution refunds in 2024 were \$96,508,820 compared to \$86,436,099 in 2023. The amount of benefits paid increased by \$10,072,721 in 2024 from 2023 and increased by \$5,466,010 in 2023 from 2022. The increases in both 2024 and 2023 over prior years were due to the increases in the both number of retirees receiving benefits and in amount of lump sum distributions.

See independent auditor's report.



AUSTIN FIREFIGHTERS RETIREMENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Analysis: As of 31 December 2024, fiduciary net position increased by \$2,652,846 over 2023. As of December 2023, fiduciary net position increased by \$46,861,522 or 4.2% over the prior year. The most recent actuarial measurement date of 31 December 2024 shows the Fund's actuarial funded ratio to be 76.9% compared to 85.6% from prior year. The 31 December 2024 valuation shows the Fund continues to be actuarially sound and has taken positive steps to continue that course.

REQUEST FOR INFORMATION

This financial report is intended to provide a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. Any questions regarding this report may be addressed to the fund administration at: 4101 Parkstone Heights Dr., Suite 270, Austin, TX 78746.

See independent auditor's report.



AUSTIN FIREFIGHTERS RETIREMENT FUND

STATEMENT OF FIDUCIARY NET POSITION

31 DECEMBER 2024

ASSETS

Cash and cash equivalents	<u>\$10,257,895</u>
Investments at fair value:	
Public domestic equities	271,048,604
Public international equities	251,441,589
Private equity fund investments	173,844,153
Public fixed income investments	342,930,024
Real estate fund investments	86,712,059
Private natural resources fund investments	<u>29,268,041</u>
	<u>1,155,244,470</u>
Interest and dividends receivable	<u>203,099</u>
	<u>1,165,705,464</u>

LIABILITIES

Due to broker	<u>358,226</u>
---------------	----------------

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$1,165,347,238</u>
--	------------------------

The accompanying notes are an integral part of this financial statement presentation.



AUSTIN FIREFIGHTERS RETIREMENT FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED 31 DECEMBER 2024

ADDITIONS TO FIDUCIARY NET POSITION

Contributions:

Fire fighter contributions	\$22,071,057
City of Austin contributions	<u>26,024,963</u>
	<u>48,096,020</u>

Net investment income:

Net appreciation in fair value of investments	44,232,230
Interest and dividends	11,824,875
Investment expenses	<u>(2,766,103)</u>
	53,291,002

Other	<u>442,989</u>
	<u>101,830,011</u>

DEDUCTIONS FROM FIDUCIARY NET POSITION

Retirement benefit payments	96,508,820
General and administrative expenses	<u>2,668,345</u>
	<u>99,177,165</u>

Net increase in fiduciary net position restricted for benefits	2,652,846
--	-----------

Beginning of year fiduciary net position restricted for benefits	<u>1,162,694,392</u>
--	----------------------

End of year fiduciary net position restricted for benefits	<u>\$1,165,347,238</u>
--	------------------------

The accompanying notes are an integral part of this financial statement presentation.

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

A. FUND DESCRIPTION

The Board of Trustees of the Austin Firefighters Retirement Fund (the Fund) is the administrator of a single-employer defined benefit pension plan covering firefighters employed by the City of Austin, Texas. The Fund is open solely to active fire fighters in the City of Austin (the City). The Fund is considered a part of the City of Austin's financial reporting entity and is included in the City's financial statements as a pension fund trust. The Fund was originally established, and may be amended, by acts of the Texas Legislature. The current governing statute is Article 6243e.1, Vernon's Texas Civil Statutes. The Fund is governed by a Board of Trustees, which is composed of five members: the mayor of the municipality; the City's Treasurer or, if there is no Treasurer, a person who by law, charter provision, or ordinance performs the duty of the City Treasurer, and three active members of the retirement Fund elected by vote of the fire fighters and retirees. House Bill 2802/Senate Bill 2345 was signed into law on 20 June 2025. Effective 1 January 2026, the Fund is governed by a Board of Trustees composed of seven members: the mayor of the City or designee; the City's Chief Financial Officer or designee, four members of the retirement Fund elected by vote of the firefighters and retirees, and a qualified citizen appointed by City Council with experience in financial, investment, or pension matters.

The table below summarizes the membership of the Fund as of 31 December 2024:

Retirees and Beneficiaries Currently Receiving Benefits	1,032
Terminated Members Entitled to Benefits but Not Yet Receiving Them	36
Active Participants (Vested and Nonvested)	<u>1,249</u>
	<u>2,317</u>

The Fund provides service retirement, death, disability, and termination benefits. When a member has completed ten years of credited service after entrance into the Fund, the member's account becomes vested and non-forfeitable. Under the terms of the Fund agreement, members or their beneficiaries are eligible for distributions of benefits upon attaining a normal retirement age of 50 with ten years of service, or upon completing 25 years of service regardless of age. In addition, Group A members (hired before 1 January 2026) are eligible for early retirement benefits upon reaching age 45 with at least ten years of service or upon completing 20 years of creditable service, regardless of age. Distributions to Group A members or their beneficiaries are also available in the event of total and permanent disability or upon death including survivor (spousal) benefits at 75% of retiree benefits. Group A members are eligible to enter the Deferred Retirement Option Plan (DROP) upon satisfaction of normal retirement eligibility, not to exceed seven years. DROP provides eligible participants the ability to designate benefits to be disbursed in a single payment or not more than twelve payments upon leaving active service. Group B members (hired on or after 1 January 2026) have a similar benefit structure as Group A members with different benefit parameters. Group B

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

members are eligible for Single Life Annuity only, with no early retirement option. Distributions to members or their beneficiaries are also available in the event of total and permanent disability or upon death including survivor (spousal) benefits. Group B members are eligible to enter the Forward DROP only upon satisfaction of normal retirement eligibility, not to exceed seven years.

The term of benefit payments are determined by the member's level of earnings and length of service. With the exception of payments under the DROP feature, distributions of payments are made in a series of equal installments over a period of time. Payments to members or their beneficiaries may be increased annually by the amount of increase in the Consumer Price index. Cost-of-living increases must be approved by the Board of Trustees and actuary of the Fund. There was not a cost-of-living adjustment (COLA) for the year ending 31 December 2024. The contribution refunds are paid with 5% interest for the year ending 31 December 2025. Effective 1 January 2026, discretionary ad hoc COLAs for Group A members are subject to financial stability testing and an annual maximum of 1.5%. COLA eligibility begins at the later of age 67 or 5 years after retirement (age 69 for early retirement). Group B members are eligible for performance-based ad hoc COLAs, within range of 0% minimum to 2% maximum. COLA eligibility begins at the later of age 67 or 5 years after retirement but ineligible while DROP balance exists.

B. FUNDING POLICY

The contribution provision of this Fund is authorized by Article 6243e.1, Vernon's Texas Civil Statutes, which provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the City.

The Fund is maintained by biweekly contributions from the earnings of fire fighters and from the City. For the year ended 31 December 2024, the City's contribution rate was 22.05% and firefighters' contribution rate was 18.70% of their earnings excluding overtime, educational incentive pay, assignment pay, and temporary pay in higher classifications. Effective 1 September 2025, House Bill 2802 will transition the City from a fixed rate funding model to an actuarially determined contribution (ADC) structure. The City contribution rate will include a payment designed to amortize the legacy unfunded liability over a 30-year period starting 1 January 2026, and will set a minimum and maximum rate (a corridor) for future benefit funding to avoid significant fluctuations in the City's contributions.

C. NET PENSION LIABILITY

The Fund's net pension liability measured as of 31 December 2024 was as follows:

Total pension liability	\$1,514,813,506
Plan fiduciary net position	<u>(1,165,347,238)</u>
Net pension liability	<u>\$349,466,268</u>
Plan fiduciary net position as a percentage of total pension liability	<u>76.9%</u>

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

1. Actuarial Assumptions

The total pension liability in the 31 December 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation assumption: 2.5% per year.

Rate of investment return: 7.30% compounded annually, net of investment and administration expenses.

Municipal bond rate: 4.08%, based on 20-Bond GO Index at the measurement date.

Rates of Salary Increase: Salary increases are split into a wage inflation assumption of 2.50% and a merit scale based on service.

Aggregate payroll growth: 2.5% per year.

Disability:

<u>Age</u>	<u>Rate</u>
Under 30	0.013%
30-39	0.040%
40-49	0.067%
50+	0.033%

Mortality Rates:

Active and Vested Terminated Lives: PubS(A)-2010 Mortality Table for Employees.

Retiree Lives: PubS(A)-2010 Mortality Table for Healthy Retirees.

Contingent Survivor Lives: PubS(A)-2010 Mortality Table for Contingent Survivors.

Disabled Lives: PubS(A)-2010 Mortality Table for Disabled Retirees.

Generational mortality improvements are projected from 2010 using Scale MP-2021.

Withdrawal rates are based on department and service.



AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

Retirement Rates are based on probability of retirement and years past early retirement eligibility.

DROP Election: Group A members are assumed to elect either normal retirement or DROP with the DROP period that maximizes the present value of their retirement benefits, including reflecting the impact of previously granted COLAs the member would be eligible for during the assumed DROP period. Group B members are assumed to maximize their DROP period after age 50 up to 5 years.

Existing DROP Balances: Members with existing DROP balances are assumed to withdraw their balances over the next eight years, but no later than age 70½.

Future Cost-of-Living Adjustment Assumption: 0.25% per year for Group A and 1.0 % per year for Group B.

Active Payment Form Assumption: Life Annuity with 75% continued to the Surviving Spouse (or designated beneficiary) for Group A and Life annuity for Group B.

Percent Married: 100% of actives are assumed to be married.

Spouse Age: A male member is assumed to be three years older than his beneficiary and a female member is assumed to be one year younger than her beneficiary.

Dependent Children: 50% of active members are assumed to have dependent children and the youngest child is assumed to be one year.

Administrative Expenses: Administrative expenses of 1.25% of payroll are added to the normal cost.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

The target allocation and the expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Expected real rate of return</u>
US Equity	20%	5.6%
Developed Market Equity (non-US)	10%	5.8%
Emerging Market Equity	12%	5.8%
Private Equity (Fund of Funds)	15%	7%
Investment Grade Bonds	13%	2.5%
TIPS	5%	2.2%
High Yield Bonds	2.5%	4.3%
Bank Loans	2.5%	4%
Emerging Markets Bonds	7%	4%
Core Real Estate	5%	4.6%
Value Add Real Estate	5%	6.7%
Private Natural Resources	3%	6.3%

2. Discount Rate

The discount rate used to measure the Total Pension Liability was 7.30%. The projection of cash flows used to determine the discount rate assumes that member and City contributions to the Fund will follow the required contributions as described by Vernon's Texas Civil Statute, Article 6243e.1. These rates of contributions are 18.70% of compensation for the members and an actuarially determined contribution for the City beginning for the 2026 calendar year (fixed contribution rate of 22.05% applies for the 2025 calendar year).

Based on the 31 December 2024 Measurement Date and the requirements of GASB Nos. 67 and 68, including pension reform, the Fiduciary Net Position is not projected to be depleted before all benefit payments projected for the current membership are paid. Therefore, the discount rate is equal to the Fund's long-term expected rate of return of 7.30%.

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

3. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund, calculated using the discount rate of 7.30%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.30%) or one percentage point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount Rate (7.30%)	1% Increase (8.30%)
Fund's net pension liability	<u>\$497,682,748</u>	<u>\$349,466,268</u>	<u>\$224,332,296</u>

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Fund's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Firefighter and City contributions are recognized as revenues in the period which the related employees' payroll is earned. Benefits are recognized when the employee becomes eligible for retirement and elects to retire under the system and is paid a benefit. Employee contribution refunds are recognized when the employee leaves the City and elects to withdraw a contribution.

METHOD USED TO VALUE INVESTMENTS

Cash and cash equivalents include deposits in a custodian-managed investment pool from which the Fund may make deposits and withdrawals at any time without prior notice or penalty. The market value of such deposits is equal to cost. The Board of Trustees has adopted a Statement of Investment Policies and Objectives (Investment Policy) to set forth factors involved in the management of investment assets for the Fund. By statute, the Board of Trustees in its sole discretion may invest, reinvest, or change the assets of the Fund.

METHOD USED TO VALUE INVESTMENTS

The Board of Trustees shall invest in funds in whatever instruments or investments are considered prudent. In making investments for the Fund, the Board of Trustees shall discharge its duties with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a similar character and with similar aims.

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

Investments are reported at fair value. Securities traded on a national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Realized and unrealized gains and losses as well as other investment adjustments are reported as net appreciation (depreciation) in the fair value of investments.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to the net position restricted for pension benefits during the reporting period. Actual results could differ from those estimates.

FUND EXPENSES

All Fund administrative costs are the responsibility of the Fund and are financed through investment earnings.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

BUDGET

The Fund is not legally required to adopt a budget.

NOTE 3: FEDERAL INCOME TAXES

The Fund is a Public Employee Retirement Fund and is exempt from Federal income taxes and the provisions of the Employee Retirement Income Security Act of 1974.

NOTE 4: DEPOSIT AND INVESTMENT RISK

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and unsecured.

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. As of 31 December 2024, the Fund's investment securities are not exposed to custodial credit risk because all securities are held by the Fund's custodial bank in the Fund's name.

CREDIT RISK

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations to the Fund. It is the Fund's policy to maintain fixed income securities within its portfolio at an average credit rating of investment grade or better.

As of 31 December 2024, the Fund had the following investments subject to interest rate risk and credit risk:

<u>Investment</u>	<u>Weighted Average Maturity</u>	<u>Weighted Average Credit Rating</u>	<u>Fair Value</u>
SSgA Bond Fund	8.4 years	AA	\$121,161,899
Loomis Sayles Core Plus Fixed Income	8.7 years	A	\$46,899,011
Aberdeen Emerging Markets Bond Fund	11.5 years	BB	\$65,290,081
SSGA TIPS	7.1 years	AA	\$57,766,309
Pyramis Tactical Bond Fund	12.1 years	A	\$27,106,346
Aristotle Pacific	4.4 years	B	\$24,828,650

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. As of year end, the Fund had no investments with a single issuer that exceeded 5% of the Fund's net position. The Fund's investment policy established asset allocation targets for major classes of invested assets as listed below. The Fund is authorized to invest in the following:

<u>Class</u>	<u>Target Range</u>
Equity	30-55%
Fixed Income Investments	20-40%
Alternatives	10-40%

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Although the Fund does have a formal investment policy, it does not specifically address the Fund's exposure related to foreign currency risk. The Fund had the following exposure to foreign currency risk at year end:

<u>Denomination by Investment Type</u>	<u>Market Value (USD)</u>
Private Equity Fund Investments	
Euro	<u>\$29,665,536</u>
Real Estate Fund Investments	
Euro	<u>525,399</u>
Public Fixed Income Investments	
Brazilian Real	28,113,325
Euro	30,897,796
South African Rand	20,588,130
Indian Rupee	13,175,858
Egyptian Pound	6,601,228
Colombian Peso	10,273,596
Uruguayo Peso	6,657,591
Forint	5,861,425
Philippine Peso	8,647,607
Turkish Lira	<u>9,691,053</u>
	<u>140,507,609</u>
	<u>\$170,698,544</u>

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. Although the Fund does have a formal investment policy, it does not specifically limit investment maturities as a means of managing its exposure to potential fair value losses from future changes in interest rates.

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: SCHEDULE OF INVESTMENT RETURNS

The money-weighted rate of return expresses investment performance, net of investment expenses, that reflects the estimated effect of the contributions received and the benefits paid during the year.

<u>Fiscal Year</u>	<u>Annual Money-Weighted Net Real Rate of Return</u>
31 December 2024	4.76%

NOTE 6: FAIR VALUE MEASUREMENT

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Public domestic equities	<u>\$271,048,604</u>	<u>\$0</u>	<u>\$0</u>
Public international equities	<u>\$251,441,589</u>	<u>\$0</u>	<u>\$0</u>
Private equity fund investments	<u>\$0</u>	<u>\$0</u>	<u>\$173,844,153</u>
Public fixed income investments	<u>\$0</u>	<u>\$342,930,024</u>	<u>\$0</u>
Real estate fund investments	<u>\$0</u>	<u>\$0</u>	<u>\$86,712,059</u>
Private natural resources fund investments	<u>\$0</u>	<u>\$0</u>	<u>\$29,268,041</u>

Level 2 investments are valued based on quoted market prices in active markets as well as market valuation methodologies using discounted cash flows and observable credit ratings. Level 3 investments include investments in a group of non-registered private equity investment partnerships, private equity real estate, and private natural resources funds. Fair value determinations by the underlying funds take into consideration the operating results, financial conditions, real estate appraisals, and recent sales prices of issuers' securities.

NOTE 7: SECURITIES LENDING

The Fund is authorized under its investment policy to participate in securities lending programs through State Street Bank and Trust Company (State Street) under which, for an agreed-upon fee, investments owned by the Fund are loaned to a borrowing financial institution. Under this agreement, when the loan closes, the borrowed securities are returned to the Fund and the collateral is returned to the borrower. During the fiscal year, State Street lent, on behalf of the Fund, certain United States equity securities of the Fund held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government

AUSTIN FIREFIGHTERS RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

(USD collateral). State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

The lending agreement requires securities to be collateralized by cash, United States government securities or irrevocable letters of credit with a total market value of at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the Borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool. As of 31 December 2024 the liquidity pool had an average duration of 9.18 days and an average weighted final maturity of 99.21 days for USD collateral. On 31 December 2024 the Fund had no credit risk exposure to borrowers. The market value of collateral held and the market value of securities on loan for the Fund as of 31 December 2024 and 2023 was \$3,588,597 and \$3,524,308 respectively.

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Fund's investments include investment in partnership interests, which are closed end private markets strategies. In connection with those investments, the Fund still has remaining commitments as of 31 December 2024 of \$69.1 million pursuant to the terms of the respective interest.

At 31 December 2024, the total accumulated lump sum benefit due to DROP participants was \$159,436,132.

AUSTIN FIREFIGHTERS RETIREMENT FUND

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Years

	Year ending 12/31/2015	Year ending 12/31/2016	Year ending 12/31/2017	Year ending 12/31/2018	Year ending 12/31/2019	Year ending 12/31/2020	Year ending 12/31/2021	Year ending 12/31/2022	Year ending 12/31/2023	Year ending 12/31/2024
Total Pension Liability										
Service Cost	\$23,309,543	\$24,322,417	\$23,830,495	\$25,130,502	\$26,191,723	\$26,169,522	\$28,111,860	\$31,101,116	\$32,382,154	\$44,637,013
Interest	66,404,730	70,892,708	75,812,099	80,552,018	84,547,315	86,820,853	91,654,965	94,234,349	99,834,897	97,478,844
Changes of Benefit Terms	0	5,491,908	8,963,689	10,188,417	8,058,934	7,158,834	30,096,465	0	0	(380,510)
Differences between Expected and Actual Experience	7,192,645	8,893,371	4,360,239	(735,314)	(9,834,830)	(1,670,701)	3,265,825	13,460,814	(6,339,940)	(2,184,592)
Changes of Assumptions	0	0	0	(4,778,539)	12,707,469	21,410,890	0	20,949,282	213,908,378	(175,730,101)
Benefit Payments, including Refunds of Employee Contributions	(44,756,847)	(45,495,681)	(51,888,455)	(55,979,294)	(58,824,392)	(63,483,649)	(70,182,892)	(80,970,089)	(86,436,099)	(96,508,820)
Net Change in Total Pension Liability	52,150,071	64,104,723	61,078,067	54,377,790	62,846,219	76,405,749	82,946,223	78,775,472	253,349,390	(132,688,166)
Total Pension Liability-Beginning of year	861,467,968	913,618,039	977,722,762	1,038,800,829	1,093,178,619	1,156,024,838	1,232,430,587	1,315,376,810	1,394,152,282	1,647,501,672
Total Pension Liability-Ending (a)	\$913,618,039	\$977,722,762	\$1,038,800,829	\$1,093,178,619	\$1,156,024,838	\$1,232,430,587	\$1,315,376,810	\$1,394,152,282	\$1,647,501,672	\$1,514,813,506

Plan Fiduciary Net Position

Contributions-Employer	\$19,222,329	\$19,103,891	\$19,242,205	\$20,084,617	\$21,057,765	\$21,311,021	\$22,041,592	\$22,765,290	\$23,957,850	\$26,024,963
Contributions- Employee	15,546,979	15,884,261	16,318,769	17,033,213	17,858,397	18,073,292	18,697,102	19,306,629	20,317,995	22,071,057
Net Investment Income	6,328,063	55,569,165	141,915,000	(25,114,064)	151,832,027 ¹	147,025,907	171,935,761	(147,330,250)	91,231,229	53,733,991
Benefit Payments, including Refunds of Employee Contributions	(44,756,847)	(45,495,681)	(51,888,455)	(55,979,294)	(58,824,392)	(63,483,649)	(70,182,892)	(80,970,089)	(86,436,099)	(96,508,820)
Administrative Expenses	(562,687)	(662,501)	(1,399,488)	(704,903)	(852,192)	(1,092,299)	(970,731)	(1,283,215)	(2,209,453)	(2,668,345)
Net Change in Plan Fiduciary Net Position	(4,222,163)	44,399,135	124,188,031	(44,680,431)	131,071,605	121,834,272	141,520,852	(187,711,635)	46,861,522	2,652,846
Plan Fiduciary Net Position - Beginning	789,433,224	785,211,061	829,610,196	953,798,227	909,117,796	1,029,892,806	1,162,023,673	1,303,544,505	1,115,832,870	1,162,694,392
Adjustment to Beginning Net Position	0	0	0	0	0	10,296,595	0	0	0	0
Plan Fiduciary Net Position - Ending (b)	\$785,211,061	\$829,610,196	\$953,798,227	\$909,117,796	\$1,040,189,401	\$1,162,023,673	\$1,303,544,505	\$1,115,832,870	\$1,162,694,392	\$1,165,347,238
Net Pension Liability (Asset) - Ending (a) - (b)	\$128,406,978	\$148,112,566	\$85,002,602	\$184,060,823	\$115,835,437	\$70,406,914	\$11,832,305	\$278,319,412	\$484,807,280	\$349,466,268

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability

Covered Payroll	86.0%	84.9%	91.8%	83.2%	90.0%	94.3%	99.1%	80.0%	70.6%	76.9%
Net Pension Liability as a Percentage of Covered Payroll	\$87,836,040	\$86,638,961	\$87,266,236	\$91,086,698	\$95,500,068	\$96,648,621	\$99,961,868	\$103,243,946	\$108,652,381	\$118,027,041
	146.2%	171.0%	97.4%	202.1%	121.3%	72.9%	11.8%	269.6%	446.2%	296.1%

¹ Includes one-time adjustment to beginning Net Position per Foster and Foster of \$10,296,595

See Independent Auditor's Report.

AUSTIN FIREFIGHTERS RETIREMENT FUND

Schedule of Employer Contributions Last 10 Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
12/31/2024	N/A	N/A	N/A	\$118,027,041	22.05%
12/31/2023	N/A	N/A	N/A	\$108,652,381	22.05%
12/31/2022	N/A	N/A	N/A	\$103,243,946	22.05%
12/31/2021	N/A	N/A	N/A	\$99,961,868	22.05%
12/31/2020	N/A	N/A	N/A	\$96,648,621	22.05%
12/31/2019	N/A	N/A	N/A	\$95,500,068	22.05%
12/31/2018	N/A	N/A	N/A	\$91,086,698	22.05%
12/31/2017	N/A	N/A	N/A	\$87,266,236	22.05%
12/31/2016	N/A	N/A	N/A	\$86,638,961	22.05%
12/31/2015	N/A	N/A	N/A	\$87,836,040	21.88%

Schedule of Investment Returns Last 10 Years

Fiscal Year Ended	Annual Money- Weighted Rate of Return Net of Investment Expense
12/31/2024	4.76%
12/31/2023	8.80%
12/31/2022	-10.40%
12/31/2021	18.00%
12/31/2020	15.46%
12/31/2019	15.75%
12/31/2018	-2.66%
12/31/2017	17.29%
12/31/2016	7.13%
12/31/2015	0.81%
12/30/2014	5.60%

See Independent Auditor's Report.

AUSTIN FIREFIGHTERS RETIREMENT FUND

Schedule of Direct and Indirect Fees and Commissions

Direct and Indirect Fees and Commissions

ASSET CLASS	MANAGEMENT FEES PAID FROM TRUST	MANAGEMENT FEES NETTED FROM RETURNS	TOTAL INVESTMENT MANAGEMENT FEES (Management Fees Netted from Returns + Management Fees Paid From Trust)	BROKERAGE FEES/COMMISSIONS	PROFIT SHARE/CARRIED INTEREST	TOTAL DIRECT AND INDIRECT FEES AND COMMISSIONS (Management Fees + Brokerage Fees/Commissions + Profit Share)
Public Equity	\$ 1,306,757	\$ 1,010,604	\$ 2,317,361	\$ 312,853	\$ -	\$ 2,630,213
Fixed Income	\$ 505,661	\$ 137,091	\$ 642,752	\$ -	\$ -	\$ 642,752
Real Assets	\$ -	\$ 968,291	\$ 968,291	\$ -	\$ -	\$ 968,291
Alternative/Other	\$ -	\$ 1,483,588	\$ 1,483,588	\$ -	\$ -	\$ 1,483,588
TOTAL	\$ 1,812,418	\$ 3,599,573	\$ 5,411,992	\$ 312,853	\$ -	\$ 5,724,844

Total Investment Expenses

Total Direct and Indirect Fees and Commissions	\$ 5,724,844
Investment Services	
Custodial	\$ 116,874
Investment Consulting	\$ 219,400
Legal	\$ 69,671
Total	\$ 405,946
Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services)	\$ 6,130,790

See Independent Auditor's Report.

GASB STATEMENT NO. 67 and NO. 68



Classic Values, Innovative Advice

Austin Firefighters Retirement Fund

**GASB 67/68 Report
as of December 31, 2024**

**Produced by Cheiron
July 2025**

Via Electronic Mail

July 16, 2025

Board of Trustees
Austin Firefighters Retirement Fund
4101 Parkstone Heights Drive, Suite 270
Austin, Texas 78746

Dear Trustees of the Board:

This report provides accounting and financial reporting information for the City of Austin for the Austin Firefighters Retirement Fund. This information includes:

- Total Pension Liability,
- Calculation of the Net Pension Liability at the discount rate as well as discount rates 1% higher and lower than the discount rate,
- Changes in the Net Pension Liability,
- Schedule of Employer Contributions,
- Disclosure of Deferred Inflows and Outflows, and
- Calculation of the Annual Pension Expense for the City of Austin.

Please let us know if you have any questions about the report.

Sincerely,
Cheiron

A handwritten signature in blue ink that reads "Heath Merlak".

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

A handwritten signature in blue ink that reads "Elizabeth Wiley".

Elizabeth Wiley, FSA, EA, MAAA, FCA
Consulting Actuary

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION I - BOARD SUMMARY

Highlights

Effective September 1, 2025, House Bill 2802/Senate Bill 2345 (“pension reform”), signed into law on June 20, 2025, requires the City of Austin to transition from a fixed contribution rate of 22.05% to a modified actuarially determined contribution (ADC) basis. The ADC will include the cost of all benefits accrued annually and administrative expenses, reduced by 18.70% of pensionable payroll for the contributions paid by active members, plus an amount to amortize the unfunded actuarial liability (UAL) over fixed periods. Please see the December 31, 2024 actuarial valuation report for more details on the actuarially determined contribution.

Pension reform also categorized members into two groups: Group A (hired before January 1, 2026) and Group B (hired on or after January 1, 2026). Group A benefits are largely the same as they were before pension reform, with changes limited to eliminating interest on non-vested contribution refunds and modifying cost-of-living adjustment (COLA) benefits. Group B members have a similar benefit structure, with different benefit parameters. Detailed summaries of these benefits are provided in Appendix B. Although there are no Group B members as of the measurement date, their benefit summaries are included for reference.

The current Measurement Date for the Austin Firefighters Retirement Fund is December 31, 2024. Measurements as of the Reporting Date are based on the fair value of assets as of December 31, 2024 and the Total Pension Liability as of the Measurement Date, December 31, 2024. The Total Pension Liability as of December 31, 2024 is based on Cheiron’s valuation as of December 31, 2024.

The table below summarizes the key results during this measurement period.

Summary of Results			
		Measurement Date	
		12/31/2024	12/31/2023
Net Pension Liability	\$	349,466,268	\$ 484,807,280
Deferred Outflows		(290,261,126)	(316,712,096)
Deferred Inflows		161,027,715	11,449,323
Net Impact on Statement of Net Position	\$	220,232,857	\$ 179,544,507
Pension Expense (\$ Amount)	\$	66,713,313	\$ 68,491,629
Pension Expense (% of Payroll)		56.52%	63.04%

The Net Pension Liability (NPL) decreased by approximately \$135 million since the prior Measurement Date, primarily due to assumption changes. Under the pension reform funding policy, plan assets are projected to be sufficient to cover all future benefit payments, so the discount rate increased from 6.01% to 7.30%. Additionally, pension reform requires the use of a 0.25% COLA assumption for Group A members, an increase from the prior 0% assumption.



AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION I - BOARD SUMMARY

These two assumptions combined decreased the NPL by \$176 million. Eliminating interest on non-vested contribution refunds lowered the liability by approximately \$0.4 million.

Investment gains and losses are recognized over a five-year period, and actuarial gains and losses and assumption changes are recognized over the average remaining service life, currently seven years. Plan changes are recognized immediately. Unrecognized amounts are reported as deferred inflows and deferred outflows. As of the end of the current reporting year, the City of Austin will report a Net Pension Liability of \$349,466,268, Deferred Inflows of \$161,027,715, and Deferred Outflows of \$(290,261,126). Consequently, the net impact on the City of Austin's statement of net position due to AFRF would be \$220,232,857 at the end of the reporting year. In addition, any contributions between the Measurement Date and the Reporting Date will be reported as deferred outflows, offsetting the cash outflows reported.

For the measurement year ending December 31, 2024, the annual pension expense is \$66,713,313, or 56.52% of covered-employee payroll. This amount represents the change in the net impact on the City of Austin's statement of net position plus employer contributions (\$220,232,857 – \$179,544,507 + \$26,024,963). Pension expense volatility from year to year is to be expected and will be driven by investment gains or losses, but other changes can also have a significant impact. Section VII of the report shows a breakdown of the pension expense.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION II - CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under Governmental Accounting Standards Board Statement No. 67 (GASB 67) for the Austin Firefighters Retirement Fund (AFRF) and under GASB No. 68 for the City of Austin. This report is for the use of AFRF, the City of Austin, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for AFRF.

In preparing our report, we relied on information, some oral and some written, supplied by AFRF. 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, *Data Quality*.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, and changes in plan provisions or applicable law.

This report 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 report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This report was prepared for AFRF for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



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



Elizabeth Wiley, FSA, EA, MAAA, FCA
Consulting Actuary

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION III - DETERMINATION OF DISCOUNT RATE

The projection of cash flows used to determine the discount rate assumes that member and city contributions to the Fund will follow the required contributions as described by Vernon's Texas Civil Statute, Article 6243e.1. These rates of compensation are 18.70% for the members and an actuarially determined contribution for the City beginning for the 2026 calendar year (fixed contribution rate of 22.05% applies for the 2025 calendar year).

Based on the December 31, 2024 Measurement Date and the requirements of GASB Nos. 67 and 68, including pension reform, the Fiduciary Net Position is expected to be sufficient to make all projected future benefit payments for current members. Therefore, the discount rate is equal to the Fund's long-term expected rate of return of 7.30%.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION IV - NOTE DISCLOSURES

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of Fund assets), and the Net Pension Liability (NPL) during the measurement year. Note that the city will report this information for the fiscal year ending September 30, 2025.

Change in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2023	\$ 1,647,501,672	\$ 1,162,694,392	\$ 484,807,280
Changes for the year:			
Service cost, middle of year	44,637,013		44,637,013
Interest	97,478,844		97,478,844
Changes of benefits	(380,510)		(380,510)
Differences between expected and actual experience	(2,184,592)		(2,184,592)
Changes of assumptions	(175,730,101)		(175,730,101)
Contributions - employer		26,024,963	(26,024,963)
Contributions - member		22,071,057	(22,071,057)
Net investment income		53,733,991	(53,733,991)
Benefit payments	(96,508,820)	(96,508,820)	0
Administrative expense		(2,668,345)	2,668,345
Net changes	<u>\$ (132,688,166)</u>	<u>\$ 2,652,846</u>	<u>\$ (135,341,012)</u>
Balances at 12/31/2024	<u><u>\$ 1,514,813,506</u></u>	<u><u>\$ 1,165,347,238</u></u>	<u><u>\$ 349,466,268</u></u>

During the measurement year, the NPL decreased by approximately \$135 million. The service and interest costs increased the NPL by approximately \$142 million, while investment income and administrative expenses decreased the NPL by approximately \$51 million. Additionally, contributions decreased the NPL by approximately \$48 million.

The change in discount rate from 6.01% to 7.30% combined with increasing the 0% per year COLA assumption for Group A members to 0.25% decreased the TPL by approximately \$176 million. The benefit change required by pension reform reduced the TPL by approximately \$0.4 million.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION IV - NOTE DISCLOSURES

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL, and higher discount rates produce a lower TPL. The table below shows the sensitivity of the NPL to the discount rate. Note that because the discount rate does not affect the measurement of assets, a relatively small change in the discount rate can result in a significant percentage change in the NPL.

Sensitivity of Net Pension Liability to Changes in Discount Rate			
	1% Decrease 6.30%	Discount Rate 7.30%	1% Increase 8.30%
Total Pension Liability	\$ 1,663,029,986	\$ 1,514,813,506	\$ 1,389,679,534
Plan Fiduciary Net Position	1,165,347,238	1,165,347,238	1,165,347,238
Net Pension Liability	<u>\$ 497,682,748</u>	<u>\$ 349,466,268</u>	<u>\$ 224,332,296</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.1%	76.9%	83.9%

A one percentage point decrease in the discount rate increases the TPL by approximately 10% and the NPL by approximately 42%. A one percentage point increase in the discount rate decreases the TPL by approximately 8% and the NPL by approximately 36%.

Asset Allocation and Expected Long-Term Real Rates of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION IV - NOTE DISCLOSURES

The following table summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2024:

Asset Allocation and Expected Real Rate of Return¹		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	20.0%	5.6%
Developed Market Equity (non-US)	10.0%	5.8%
Emerging Market Equity	12.0%	5.8%
Private Equity	15.0%	7.0%
Investment Grade Bonds	13.0%	2.5%
TIPS	5.0%	2.2%
High Yield	2.5%	4.3%
Bank Loans	2.5%	4.0%
Emerging Market Bonds	7.0%	4.0%
Core Real Estate	5.0%	4.6%
Value Add Real Estate	5.0%	6.7%
Private Natural Resources	3.0%	6.3%
Total	100.00%	

¹ Source: Meketa

For the year ending December 31, 2024, the actual money-weighted rate of return on plan assets was calculated by Meketa to be 4.76%, net of investment expense.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION V - REQUIRED SUPPLEMENTARY INFORMATION

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 67 and will show up to 10 years of information. The schedule below and on the following page shows the changes in NPL and related ratios required by GASB for the ten years since the implementation of GASB No. 67.

Schedule of Changes in Net Pension Liability and Related Ratios For the Measurement Year Ending December 31,					
	2024	2023	2022	2021	2020
<u>Total Pension Liability (TPL)</u>					
Service cost (MOY)	\$ 44,637,013	\$ 32,382,154	\$ 31,101,116	\$ 28,111,860	\$ 26,169,522
Interest	97,478,844	99,834,897	94,234,349	91,654,965	86,820,853
Changes of benefit terms	(380,510)	0	0	30,096,465	7,158,834
Differences between expected and actual experience	(2,184,592)	(6,339,940)	13,460,814	3,265,825	(1,670,701)
Changes of assumptions	(175,730,101)	213,908,378	20,949,282	0	21,410,890
Benefit payments, including refunds	(96,508,820)	(86,436,099)	(80,970,089)	(70,182,892)	(63,483,649)
Net change in TPL	\$ (132,688,166)	\$ 253,349,390	\$ 78,775,472	\$ 82,946,223	\$ 76,405,749
TPL - beginning	<u>1,647,501,672</u>	<u>1,394,152,282</u>	<u>1,315,376,810</u>	<u>1,232,430,587</u>	<u>1,156,024,838</u>
TPL - ending	<u>\$ 1,514,813,506</u>	<u>\$ 1,647,501,672</u>	<u>\$ 1,394,152,282</u>	<u>\$ 1,315,376,810</u>	<u>\$ 1,232,430,587</u>
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 26,024,963	\$ 23,957,850	\$ 22,765,290	\$ 22,041,592	\$ 21,311,021
Contributions - member	22,071,057	20,317,995	19,306,629	18,697,102	18,073,292
Net investment income	53,733,991	91,231,229	(147,530,250)	171,935,761	147,025,907
Benefit payments, including refunds	(96,508,820)	(86,436,099)	(80,970,089)	(70,182,892)	(63,483,649)
Administrative expense	(2,668,345)	(2,209,453)	(1,283,215)	(970,731)	(1,092,299)
Net change in plan fiduciary net position	\$ 2,652,846	\$ 46,861,522	\$ (187,711,635)	\$ 141,520,832	\$ 121,834,272
Plan fiduciary net position - beginning	<u>1,162,694,392</u>	<u>1,115,832,870</u>	<u>1,303,544,505</u>	<u>1,162,023,673</u>	<u>1,040,189,401</u>
Plan fiduciary net position - ending	<u>\$ 1,165,347,238</u>	<u>\$ 1,162,694,392</u>	<u>\$ 1,115,832,870</u>	<u>\$ 1,303,544,505</u>	<u>\$ 1,162,023,673</u>
Net pension liability - ending	<u>\$ 349,466,268</u>	<u>\$ 484,807,280</u>	<u>\$ 278,319,412</u>	<u>\$ 11,832,305</u>	<u>\$ 70,406,914</u>
Plan fiduciary net position as a percentage of the TPL	76.9%	70.6%	80.0%	99.1%	94.3%
Covered payroll	\$ 118,027,041	\$ 108,652,381	\$ 103,243,946	\$ 99,961,868	\$ 96,648,621
Net pension liability as a percentage of covered payroll	296.1%	446.2%	269.6%	11.8%	72.8%

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION V - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios For the Measurement Year Ending December 31,					
	2019	2018	2017	2016	2015
<u>Total Pension Liability (TPL)</u>					
Service cost (MOY)	\$ 26,191,723	\$ 25,130,502	\$ 23,830,495	\$ 24,322,417	\$ 23,309,543
Interest	84,547,315	80,552,018	75,812,099	70,892,708	66,404,730
Changes of benefit terms	8,058,934	10,188,417	8,963,689	5,491,908	0
Differences between expected and actual experience	(9,834,830)	(735,314)	4,360,239	8,893,371	7,192,645
Changes of assumptions	12,707,469	(4,778,539)	0	0	0
Benefit payments, including refunds	(58,824,392)	(55,979,294)	(51,888,455)	(45,495,681)	(44,756,847)
Net change in TPL	\$ 62,846,219	\$ 54,377,790	\$ 61,078,067	\$ 64,104,723	\$ 52,150,071
TPL - beginning	<u>1,093,178,619</u>	<u>1,038,800,829</u>	<u>977,722,762</u>	<u>913,618,039</u>	<u>861,467,968</u>
TPL - ending	<u>\$ 1,156,024,838</u>	<u>\$ 1,093,178,619</u>	<u>\$ 1,038,800,829</u>	<u>\$ 977,722,762</u>	<u>\$ 913,618,039</u>
<u>Plan fiduciary net position</u>					
Contributions - employer	\$ 21,057,765	\$ 20,084,617	\$ 19,242,205	\$ 19,103,891	\$ 19,222,329
Contributions - member	17,858,397	17,033,213	16,318,769	15,884,261	15,546,979
Net investment income	151,832,027 ¹	(25,114,064)	141,915,000	55,569,165	6,328,063
Benefit payments, including refunds	(58,824,392)	(55,979,294)	(51,888,455)	(45,495,681)	(44,756,847)
Administrative expense	(852,192)	(704,903)	(1,399,488)	(662,501)	(562,687)
Net change in plan fiduciary net position	\$ 131,071,605	\$ (44,680,431)	\$ 124,188,031	\$ 44,399,135	\$ (4,222,163)
Plan fiduciary net position - beginning	<u>909,117,796</u>	<u>953,798,227</u>	<u>829,610,196</u>	<u>785,211,061</u>	<u>789,433,224</u>
Plan fiduciary net position - ending	<u>\$ 1,040,189,401</u> ¹	<u>\$ 909,117,796</u>	<u>\$ 953,798,227</u>	<u>\$ 829,610,196</u>	<u>\$ 785,211,061</u>
Net pension liability - ending	<u>\$ 115,835,437</u>	<u>\$ 184,060,823</u>	<u>\$ 85,002,602</u>	<u>\$ 148,112,566</u>	<u>\$ 128,406,978</u>
Plan fiduciary net position as a percentage of the TPL	90.0%	83.2%	91.8%	84.9%	85.9%
Covered payroll	\$ 95,500,068	\$ 91,086,698	\$ 87,266,236	\$ 86,638,961	\$ 87,836,040
Net pension liability as a percentage of covered payroll	121.3%	202.1%	97.4%	171.0%	146.2%

¹ Includes one-time adjustment to beginning Net Position per Foster & Foster of \$10,296,595.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION V - REQUIRED SUPPLEMENTARY INFORMATION

The following table compares the Statutorily Required Contribution to the actual contributions for the ten years since the initial implementation of GASB No. 67.

Schedule of Employer Contributions For Year Ending December 31,					
	2024	2023	2022	2021	2020
Statutorily Required Contribution	\$ 26,024,963	\$ 23,957,850	\$ 22,765,290	\$ 22,041,592	\$ 21,311,021
Contributions in Relation to the Statutorily Required Contributions	<u>26,024,963</u>	<u>23,957,850</u>	<u>22,765,290</u>	<u>22,041,592</u>	<u>21,311,021</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 118,027,041	\$ 108,652,381	\$ 103,243,946	\$ 99,961,868	\$ 96,648,621
Contributions as a Percentage of Covered Payroll	22.05%	22.05%	22.05%	22.05%	22.05%
	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 21,057,765	\$ 20,084,617	\$ 19,242,205	\$ 19,103,891	\$ 19,222,329
Contributions in Relation to the Statutorily Required Contributions	<u>21,057,765</u>	<u>20,084,617</u>	<u>19,242,205</u>	<u>19,103,891</u>	<u>19,222,329</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 95,500,068	\$ 91,086,698	\$ 87,266,236	\$ 86,638,961	\$ 87,836,040
Contributions as a Percentage of Covered Payroll	22.05%	22.05%	22.05%	22.05%	21.88%

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION VI - EMPLOYER REPORTING AMOUNTS

We understand the city has elected to use the Measurement Date of December 31 within the fiscal year for their Reporting Date. As a result, the schedules in this section will be used by the City of Austin for its September 30, 2025 reporting.

The table below summarizes the current balances of Deferred Outflows and Deferred Inflows of Resources, net recognition over the next five years, and the total amount recognized thereafter.

Schedule of Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,045,920	\$ 9,804,597
Changes in assumptions	184,730,537	151,223,118
Net difference between projected and actual earnings on pension plan investments	95,484,669	0
Total	<u>\$ 290,261,126</u>	<u>\$ 161,027,715</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Measurement year ended December 31:		
2025	\$ 41,571,472	
2026	59,904,339	
2027	11,295,617	
2028	11,101,375	
2029	4,830,931	
Thereafter	\$ 529,677	

The tables on the following pages provide details on the current balances of deferred inflows and outflows of resources, along with the recognition of each base for the current and following five years and the total for any years thereafter.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION VI - EMPLOYER REPORTING AMOUNTS

Recognition of Experience (Gains) and Losses											
Experience Year	Recognition Period	Total Amount	Beginning Fiscal Year Amount	Ending Fiscal Year Amount	2024	2025	2026	Recognition Year			
								2027	2028	2029	Thereafter
2024	7.0	\$ (2,184,592)	\$ (2,184,592)	\$ (1,872,507)	\$ (312,085)	\$ (312,085)	\$ (312,085)	\$ (312,085)	\$ (312,085)	\$ (312,085)	\$ (312,082)
2023	8.0	(6,339,940)	(5,547,447)	(4,754,954)	(792,493)	(792,493)	(792,493)	(792,493)	(792,493)	(792,493)	(792,489)
2022	8.0	13,460,814	10,095,610	8,413,008	1,682,602	1,682,602	1,682,602	1,682,602	1,682,602	1,682,600	0
2021	8.0	3,265,825	2,041,140	1,632,912	408,228	408,228	408,228	408,228	408,228	0	0
2020	8.0	(1,670,701)	(835,352)	(626,514)	(208,838)	(208,838)	(208,838)	(208,838)	0	0	0
2019	8.0	(9,834,830)	(3,688,062)	(2,458,708)	(1,229,354)	(1,229,354)	(1,229,354)	0	0	0	0
2018	8.0	(735,314)	(183,828)	(91,914)	(91,914)	(91,914)	0	0	0	0	0
Deferred Outflows			12,136,750	10,045,920	2,090,830	2,090,830	2,090,830	2,090,830	2,090,830	1,682,600	0
Deferred (Inflows)			(12,439,281)	(9,804,597)	(2,634,684)	(2,634,684)	(2,542,770)	(1,313,416)	(1,104,578)	(1,104,578)	(1,104,571)
Net Change in Pension Expense			\$ (302,531)	\$ 241,323	\$ (543,854)	\$ (543,854)	\$ (451,940)	\$ 777,414	\$ 986,252	\$ 578,022	\$ (1,104,571)

Recognition of Assumption Changes											
Change Year	Recognition Period	Total Amount	Beginning Fiscal Year Amount	Ending Fiscal Year Amount	2024	2025	2026	Recognition Year			
								2027	2028	2029	Thereafter
2024	7.0	\$ (175,730,101)	\$ (175,730,101)	\$ (150,625,801)	\$ (25,104,300)	\$ (25,104,300)	\$ (25,104,300)	\$ (25,104,300)	\$ (25,104,300)	\$ (25,104,300)	\$ (25,104,301)
2023	8.0	\$ 213,908,378	187,169,831	160,431,284	26,738,547	26,738,547	26,738,547	26,738,547	26,738,547	26,738,547	26,738,549
2022	8.0	\$ 20,949,282	15,711,962	13,093,302	2,618,660	2,618,660	2,618,660	2,618,660	2,618,660	2,618,662	0
2020	8.0	\$ 21,410,890	10,705,444	8,029,083	2,676,361	2,676,361	2,676,361	2,676,361	0	0	0
2019	8.0	\$ 12,707,469	4,765,302	3,176,868	1,588,434	1,588,434	1,588,434	0	0	0	0
2018	8.0	\$ (4,778,539)	(1,194,634)	(597,317)	(597,317)	(597,317)	0	0	0	0	0
Deferred Outflows			218,352,539	184,730,537	33,622,002	33,622,002	33,622,002	32,033,568	29,357,207	29,357,209	26,738,549
Deferred (Inflows)			(176,924,735)	(151,223,118)	(25,701,617)	(25,701,617)	(25,104,300)	(25,104,300)	(25,104,300)	(25,104,300)	(25,104,301)
Net Change in Pension Expense			\$ 41,427,804	\$ 33,507,419	\$ 7,920,385	\$ 7,920,385	\$ 8,517,702	\$ 6,929,268	\$ 4,252,907	\$ 4,252,909	\$ 1,634,248

Recognition of Investment (Gains) and Losses											
Experience Year	Recognition Period	Total Amount	Beginning Fiscal Year Amount	Ending Fiscal Year Amount	2024	2025	2026	Recognition Year			
								2027	2028	2029	Thereafter
2024	5.0	\$ 29,311,076	\$ 29,311,076	\$ 23,448,861	\$ 5,862,215	\$ 5,862,215	\$ 5,862,215	\$ 5,862,215	\$ 5,862,216	\$ 0	\$ 0
2023	5.0	\$ (11,366,400)	(9,093,120)	(6,819,840)	(2,273,280)	(2,273,280)	(2,273,280)	(2,273,280)	0	0	0
2022	5.0	\$ 241,248,210	144,748,926	96,499,284	48,249,642	48,249,642	48,249,642	0	0	0	0
2021	5.0	\$ (88,218,178)	(35,287,272)	(17,643,636)	(17,643,636)	(17,643,636)	0	0	0	0	0
2020	5.0	\$ (70,728,633)	(14,145,727)	0	(14,145,727)	0	0	0	0	0	0
Net Change in Pension Expense			\$ 115,533,883	\$ 95,484,669	\$ 20,049,214	\$ 34,194,941	\$ 51,838,577	\$ 3,588,935	\$ 5,862,216	\$ 0	\$ 0

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION VI - EMPLOYER REPORTING AMOUNTS

The annual pension expense recognized by the City of Austin can be calculated in two different ways. First, it can be calculated as the change in the amounts reported on the city's statement of net position related to AFRF that are not attributable to employer contributions. That is, it is the sum of the change in NPL, the changes in deferred outflows and inflows, and city contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest organizing the individual components shown in the table below, doing so helps to understand the level and volatility of pension expense.

The measurement year ending December 31, 2024 is for the city's fiscal year ending September 30, 2025.

Calculation of Pension Expense		
	Measurement Year Ending	
	2024	2023
Change in Net Pension Liability	\$ (135,341,012)	\$ 206,487,868
Change in Deferred Outflows	26,450,970	(165,374,113)
Change in Deferred Inflows	149,578,392	3,420,024
Employer Contributions	26,024,963	23,957,850
Pension Expense	\$ 66,713,313	\$ 68,491,629
Operating Expenses		
Service cost	\$ 44,637,013	\$ 32,382,154
Employee contributions	(22,071,057)	(20,317,995)
Administrative expenses	2,668,345	2,209,453
Total	\$ 25,234,301	\$ 14,273,612
Financing Expenses		
Interest cost	\$ 97,478,844	\$ 99,834,897
Expected return on assets	(83,045,067)	(79,864,829)
Total	\$ 14,433,777	\$ 19,970,068
Changes		
Benefit changes	\$ (380,510)	\$ 0
Recognition of assumption changes	7,920,385	33,024,685
Recognition of liability gains and losses	(543,854)	1,502,793
Recognition of investment gains and losses	20,049,214	(279,529)
Total	\$ 27,045,235	\$ 34,247,949
Pension Expense	\$ 66,713,313	\$ 68,491,629

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

SECTION VI - EMPLOYER REPORTING AMOUNTS

Operating expenses are items directly attributable to the plan's operation during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating AFRF for the year.

Financing expenses equal the interest on the Total Pension Liability less the expected return on assets. Since the discount rate is equal to the long-term expected return on investments, the financing expense is primarily the interest on the Net Pension Liability, with an adjustment for the difference between the interest on the Service Cost and contributions.

The recognition of changes will drive most of the volatility in pension expense from year to year. Changes include any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX A - MEMBERSHIP INFORMATION

A. Active Membership Data

Active Members Statistics			
	December 31, 2024	December 31, 2023	% Change
<u>Active Members in Valuation</u>			
Count			
Total	1,249	1,246	0.24%
Average Current Age			
Total	41.2	41.1	0.17%
Average Service			
Total	11.9	11.9	0.00%
Average Reported Pay			
Total	\$92,725	\$85,943	7.89%

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX A - MEMBERSHIP INFORMATION

B. Inactive Membership Data

Inactive Member Statistics			
	December 31, 2024	December 31, 2023	% Change
<u>Vested Terminated Members and Awaiting Refund</u>			
Count			
Total	36	36	0.00%
Average Current Age			
Total	39.4	39.1	0.91%
<u>Retirees, including DROP Members</u>			
Count			
Total	834	809	3.09%
Average Current Age			
Total	66.5	66.0	0.67%
Average Monthly Benefit			
Total	\$6,059	\$6,004	0.91%
<u>Disability Retirees</u>			
Count			
Total	14	15	-6.67%
Average Current Age			
Total	64.6	64.5	0.14%
Average Monthly Benefit			
Total	\$3,854	\$3,820	0.89%
<u>Beneficiaries and Alternate Payees</u>			
Count			
Total	184	171	7.60%
Average Current Age			
Total	68.3	68.7	-0.70%
Average Monthly Benefit			
Total	\$2,907	\$2,940	-1.13%

**AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE**

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

Below is a summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of December 31, 2024.

A. Actuarial Assumptions

1. Measurement Date

December 31, 2024

2. Valuation Date

December 31, 2024

3. Rate of Investment Return

7.30%, net of investment expenses only

4. Municipal Bond Rate

4.08%, based on the Bond Buyer 20-Bond GO Index at the Measurement Date

5. Discount Rate

7.30%

6. Price Inflation

2.50% per year

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

7. Rates of Salary Increase

Salary increases are split into a wage inflation assumption of 2.50% and a merit scale based on service, shown below.

Years of Service	Merit Increase
0	7.00%
1	7.00%
2	6.50%
3	1.50%
4	0.50%
5	4.50%
6-7	1.00%
8	4.50%
9	0.50%
10	1.00%
11	3.50%
12	1.50%
13	1.00%
14	3.50%
15-16	1.00%
17	3.50%
18-19	1.00%
20	3.50%
21	0.50%
22+	0.00%

For fiscal 2024 and 2025, the salary increase assumption reflects additional base increases of 5.7% and 1.5%, respectively, based on the latest agreement between the City of Austin and the Austin Firefighters Association Local 975.

8. Aggregate Payroll Growth

2.50% per year

9. Disability

Age	Rate
Under 30	0.013%
30-39	0.040%
40-49	0.067%
50+	0.033%

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

10. Mortality Rates

Active and Vested Terminated Lives:

PubS(A)-2010 Mortality Table for Employees.

Retiree Lives:

PubS(A)-2010 Mortality Table for Healthy Retirees.

Contingent Survivor Lives:

PubS(A)-2010 Mortality Table for Contingent Survivors.

Disabled Lives:

PubS(A)-2010 Mortality Table for Disabled Retirees.

Generational mortality improvements are projected from 2010 using Scale MP-2021.

11. Withdrawal

Withdrawal rates are based on service, shown below.

Years of Service	Rate
0-4	1.50%
5-14	0.75%
15+	0.00%

12. Retirement Rates

Age	Rate
42 and under	0.00%
43-48	3.00%
49-51	4.00%
52-53	7.00%
54	12.00%
55-57	20.00%
58-60	35.00%
61-62	50.00%
63 and up	100.00%

13. DROP Election

Group A members are assumed to elect either normal retirement or DROP, with the DROP period maximizing the present value of their retirement benefits, including reflecting the impact of previously granted COLAs the member would be eligible for during the assumed DROP period. Group B Members are assumed to maximize their DROP period after age 50 up to 5 years.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

14. Existing DROP Balances

Members with existing DROP balances are assumed to withdraw their balances over the next eight years, but no later than age 70½.

15. Future Cost-of-Living Adjustments

0.25% per year for Group A and 1.0% per year for Group B.

16. Active Payment Form Assumption

Life Annuity with 75% continued to the Surviving Spouse (or designated beneficiary) for Group A and Life Annuity for Group B.

17. Percent Married

100% of actives are assumed to be married.

18. Beneficiary Age

A Male member is assumed to be three years older than his beneficiary.

A Female member is assumed to be one year younger than her beneficiary.

19. Dependent Children

50% of active members are assumed to have dependent children, the youngest of whom is one year old.

20. Administrative Expenses

Administrative expenses of 1.25% of payroll is added to the normal cost.

21. Technical and Miscellaneous Assumptions

Decrement timing: Beginning of year.

Terminated vested members: All terminated vested members are assumed married and assumed to retire at normal retirement eligibility.

The limits in IRC sections 415(b) and 401(a)(17) are assumed to increase 2.5% per year.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

22. Disclosures regarding Models Used

In accordance with Actuarial Standard of Practice (ASOP) No. 56 *Modeling*, the following disclosures are made related to the valuation software and projection models:

Valuation Software

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech), to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in the assumptions or output of ProVal that would affect this valuation. We have reviewed the underlying workings of this model to the degree feasible and consistent with ASOP No. 56 and believe them to be appropriate for the valuation purposes.

Projection Model

This valuation report includes projections of future contributions and funded status for the purpose of assisting the Board of Trustees and the sponsors of the Fund with the management of the Fund.

The projections are based on the same census data and financial information as of December 31, 2024 as disclosed in this actuarial valuation. The projections assume continuation of the plan provisions and actuarial assumptions in effect as of December 31, 2024. They do not reflect the impact of any changes in benefits (other than those required by pension reform) or actuarial assumptions that may be adopted after December 31, 2024.

The projections assume that all future assumptions are met except where specifically indicated. The future outcomes become increasingly uncertain over time, and therefore the general trends and not the absolute values should be considered in the review of these projections. Further, for the purpose of these projections, we have only reflected the impact of new entrants entering the plan in aggregate and have not developed individual liabilities or detailed profiles related to these potential new entrants. We feel this is appropriate for the purpose of these projections, but if they were to be used for other purposes, this may not be appropriate and alternative projections may need to be developed.

23. Changes Since Last Valuation

The discount rate was increased from 6.01% to 7.30% and future cost-of-living adjustments are assumed to be 0.25% per year for Group A as required by pension reform.

**AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE**

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

24. Rationale for Assumptions

The actuarial assumptions were chosen by the Board of Trustees, upon the recommendation of the actuaries, based on an experience study issued by Cheiron on March 25, 2024, based on data through December 31, 2022, and adopted by the Board at the March 25, 2024 meeting.

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 report. 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 pension reform, in our professional judgement, this assumption is reasonable and appropriate for this purpose. However, we have not performed any quantitative analysis of this assumption.

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, 1.0% per year was selected for the COLA assumption for Group B Future COLA assumption. In our professional judgment, this assumption is reasonable and appropriate for the purpose of this analysis.

APPENDIX C - SUMMARY OF PLAN PROVISIONS

Group A Members

1. Membership Requirement

All commissioned civil service and Texas state-certified firefighters with at least six months of service employed by the City of Austin fire department that were hired before January 1, 2026.

2. Salary

Salary (compensation) means base pay and longevity pay. No other forms of pay are included within the pensionable salaries.

3. Average Monthly Compensation

The average of the member's compensation for the 36 months of highest compensation.

4. Service Credit

One month of service credit is earned for each month the member makes the required contribution to the Fund.

5. Member Contributions

18.70% of Salary; subject to increase as needed to ensure the Fund receives the full ADC if City's maximum corridor is reached up to a maximum of 2%.

6. Normal Retirement

Eligibility: Age 50 with 10 years of service or 25 years of service regardless of age.

Amount: 3.3% of average monthly compensation for each year of service with a minimum of \$2,000 per month.

Normal Form of Payment: Life Annuity with 75% continuing to the Surviving Spouse (or designated beneficiary if the participant is unmarried).

7. Early Retirement

Eligibility: Age 45 with 10 years of service or 20 years of service regardless of age.

Amount: 3.3% of average monthly compensation for each year of service.



AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX C - SUMMARY OF PLAN PROVISIONS

8. Disability Retirement

Eligibility: Upon approval of disability by the Board of Trustees.

Amount: 3.3% of average monthly compensation for each year of service (but not less than 20 years).

9. Death while an Active Employee

Eligibility: Termination of employment due to death.

Amount: The surviving spouse or designated beneficiary will receive 75% of the member's accrued benefit based on the greater of their service at death or 20 years of service.

Each dependent child of a surviving spouse will receive 15% of the Member's accrued benefit, but not less than 9.9% of Average Monthly Compensation with a reduction if there are more than five surviving dependent children.

10. Deferred Retirement

Eligibility: Ten years of service. Must also elect to leave their member contributions in the Fund.

Amount: Accrued benefit payable at Normal Retirement eligibility.

11. Non-Vested Termination

Eligibility: Less than ten years of service.

Amount: A lump sum of member contributions with accumulated interest through December 31, 2025. Effective January 1, 2026, interest will not be earned on contributions.

12. Deferred Retirement Option Plan (DROP)

Under this program, a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP) account. The monthly "payments" would be an amount equal to what the member's monthly annuity would have been if the member had retired as of that eligible DROP date. Any eligible cost-of-living adjustments (COLAS) would be applied to the monthly annuity during this DROP period. During the DROP period, the member would have all their pension contributions and applicable annual interest of 5%. When the member retires, by terminating their active service in the fire

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX C - SUMMARY OF PLAN PROVISIONS

department, an accumulated lump sum balance may be available to be distributed (all or part) to the member from the DROP account.

In lieu of electing to participate in the DROP before actual retirement, a member who is eligible for normal service retirement may elect to terminate active service as a firefighter and establish the DROP account at termination. Under this “RETRO or BACK DROP,” the firefighter’s DROP account reflects the accrual from the actual termination date back to a date on or after the date they become eligible for normal service retirement.

The maximum period under which a firefighter can participate in a DROP is seven years. A firefighter may elect to establish a DROP account after reaching normal or early service retirement eligibility. Twelve total withdrawals are allowed while the retiree’s DROP account balance remains in the pension plan with a maximum of four withdrawals in any year. These limits on withdrawals can be altered by board policy as long as such change is determined to be feasible. The withdrawals can either be in the form of a distribution to the retiree (provided the retiree reaches age 50 before retiring) or a rollover into a qualified IRA. The entire DROP balance must be withdrawn from the fund by April 1st of the calendar year following the year the retiree reaches age 70½.

13. Cost of Living Adjustments (COLA)

Prior to January 1, 2026

When deemed affordable, eligible pension recipients are entitled to annual cost-of-living adjustments (COLA). COLAs are approved only when the fund’s actuary has advised the Board that such adjustment would not impair the fund's financial stability based on the COLA Adjustment Policy approved by the Board. The COLAs are to be based on the annual percentage increase in the Consumer Price Index (CPI-U).

Members who retire under Early Retirement are only eligible for COLAs once they would have reached Normal Service Retirement eligibility had they continued their employment. The COLAs provided over the last ten years are as follows:

Effective Date	COLA
12/31/2024	0.00%
12/31/2023	0.00%
12/31/2022	0.00%
12/31/2021	5.40%
12/31/2020	1.40%
12/31/2019	1.70%
12/31/2018	2.30%
12/31/2017	2.20%
12/31/2016	1.50%
12/31/2015	0.00%

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX C - SUMMARY OF PLAN PROVISIONS

Effective January 1, 2026

The COLA amount will be up to 1.5% per year if financial stability tests described below are satisfied and approved by the Board. Participants are eligible for the approved COLA upon reaching the later of age 67 and 5 years after retirement (age 69 if retired under early retirement).

The financial stability tests include:

1. Funded ratio \geq 80% for years 2024 – 2039, 85% for years 2040–2044, and 90% for 2045 and later.
2. Amortization period \leq 25 years for years 2024 – 2034, 20 years for years 2035–2039, and 15 years for 2040 and later.
3. City's contribution rate \leq corridor midpoint + 4%.
4. No COLAs may be granted in any year beginning a year and a day after the Fund reports:
 - a. A negative investment return
 - b. A five-year investment return below the assumed return

Note that 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.

14. Changes since the Last Valuation

Non-vested terminations no longer receive interest on their contributions after January 1, 2026. COLA eligibility, COLA amount, and financial stability tests were changed as described in pension reform.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX C - SUMMARY OF PLAN PROVISIONS

Group B Members

1. Membership Requirement

All commissioned civil service and Texas state-certified firefighters with at least six months of service employed by the City of Austin fire department that were hired on or after January 1, 2026.

2. Salary

Salary (compensation) means base pay and longevity pay. No other forms of pay are included within the pensionable salaries.

3. Average Monthly Compensation

The average of the member's compensation for the 60 months of highest compensation.

4. Service Credit

One month of service credit is earned for each month the member makes the required contribution to the Fund.

5. Member Contributions

18.70% of Salary; subject to increase as needed to ensure the Fund receives the full ADC if City's maximum corridor is reached up to a maximum of 2%.

6. Normal Retirement

Eligibility: Age 50 with 10 years of service or 25 years of service regardless of age.

Amount: 3.0% of average monthly compensation for each year of service with a minimum of \$2,000 per month.

Normal Form of Payment: Life Annuity

7. Disability Retirement

Eligibility: Upon approval of disability by the Board of Trustees.

Amount: 3.0% of average monthly compensation for each year of service (but not less than 20 years).

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX C - SUMMARY OF PLAN PROVISIONS

8. Death while an Active Employee

Eligibility:	Termination of employment due to death.
Amount:	<p>The surviving spouse or designated beneficiary will receive 75% of the member's accrued benefit based on the greater of their service at death or 20 years of service.</p> <p>Each dependent child of a surviving spouse will receive 15% of the Member's accrued benefit but not less than 9.9% of Average Monthly Compensation with a reduction if there are more than five surviving dependent children.</p>

9. Deferred Retirement

Eligibility:	Ten years of service. Must also elect to leave their member contributions in the Fund.
Amount:	The accrued benefit is payable at Normal Retirement eligibility, with such eligibility determined as if the member had remained employed.

10. Non-Vested Termination

Eligibility:	Less than ten years of service.
Amount:	A lump sum of member contributions.

11. Deferred Retirement Option Plan (DROP)

Under this program, a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP) account. The monthly "payments" would be an amount equal to what the member's monthly annuity would have been if the member had retired as of that eligible DROP date. During the DROP period, the member would have 50% pension contributions and applicable annual interest of 4%. When the member retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed (all or part) to the member from the DROP account.

The maximum period under which a firefighter can participate in a DROP is seven years. A firefighter may elect to establish a DROP account after reaching normal retirement eligibility. Twelve total withdrawals are allowed while the retiree's DROP account balance remains in the pension plan, with a maximum of four withdrawals in any year. These limits on withdrawals can be altered by board

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX C - SUMMARY OF PLAN PROVISIONS

policy as long as such change is determined to be feasible. The withdrawals can either be in the form of a distribution to the retiree (provided the retiree reaches age 50 before retiring) or a rollover into a qualified IRA. The entire DROP balance must be withdrawn from the fund by April 1st of the calendar year following the year the retiree reaches age 70½.

12. Cost of Living Adjustments (COLA)

Performance-based COLA targeting 1% per year (minimum of 0% and maximum of 2%) based on asset returns of the Fund for the previous five years. The COLA equals 50% of the 5-year return above a 5.3% threshold (based on a 7.3% assumed rate minus 2%), with a minimum of 0% and maximum of 2%. Participants are eligible for the approved COLA upon reaching the later of age 67 and 5 years after retirement.

13. Changes Since Last Valuation

These are new provisions included in pension reform for members hired on or after January 1, 2026.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX D – CROSSOVER TEST

Year	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (f)=(a)+(b)-(c)- (d)+(e)
2025	\$1,165,347,238	\$48,518,513	\$131,726,763	\$1,488,298	\$82,033,373	\$1,162,684,063
2026	1,162,684,063	52,487,861	126,334,560	1,525,505	82,173,305	1,169,485,163
2027	1,169,485,163	56,429,861	127,617,626	1,563,643	82,763,760	1,179,497,515
2028	1,179,497,515	60,537,920	125,613,097	1,602,734	83,712,440	1,196,532,044
2029	1,196,532,044	60,633,447	125,980,767	1,642,802	84,944,765	1,214,486,687
2030	1,214,486,687	60,679,171	125,762,352	1,683,873	86,263,453	1,233,983,087
2031	1,233,983,087	60,857,284	126,676,041	1,725,969	87,658,805	1,254,097,166
2032	1,254,097,166	60,908,450	128,468,111	1,769,119	89,063,162	1,273,831,549
2033	1,273,831,549	60,906,438	115,194,166	1,813,347	90,978,079	1,308,708,554
2034	1,308,708,554	60,958,902	118,075,026	1,858,680	93,421,057	1,343,154,807
2035	1,343,154,807	60,880,784	120,120,297	1,905,147	95,857,829	1,377,867,976
2036	1,377,867,976	60,750,279	122,699,898	1,952,776	98,293,006	1,412,258,587
2037	1,412,258,587	60,614,500	125,854,142	2,001,595	100,683,799	1,445,701,148
2038	1,445,701,148	60,323,021	128,811,017	2,051,635	103,006,835	1,478,168,351
2039	1,478,168,351	60,051,043	131,704,328	2,102,926	105,261,603	1,509,673,743
2040	1,509,673,743	59,701,409	134,916,729	2,155,499	107,431,887	1,539,734,811
2041	1,539,734,811	59,223,587	138,459,007	2,209,387	109,480,264	1,567,770,268
2042	1,567,770,268	58,653,459	142,065,371	2,264,621	111,375,115	1,593,468,849
2043	1,593,468,849	57,994,274	145,863,027	2,321,237	113,089,272	1,616,368,131
2044	1,616,368,131	57,231,963	150,022,284	2,379,268	114,582,365	1,635,780,907
2045	1,635,780,907	56,405,888	153,597,040	2,438,749	115,839,564	1,651,990,569
2046	1,651,990,569	55,550,255	157,249,986	2,499,718	116,859,018	1,664,650,138
2047	1,664,650,138	54,655,672	160,044,380	2,562,211	117,648,650	1,674,347,869
2048	1,674,347,869	53,839,567	163,269,914	2,626,266	118,209,366	1,680,500,622
2049	1,680,500,622	53,084,167	165,125,287	2,691,923	118,562,547	1,684,330,126
2050	1,684,330,126	52,445,025	166,270,627	2,759,221	118,775,702	1,686,521,005
2051	1,686,521,005	51,946,711	166,840,485	2,828,202	118,894,861	1,687,693,890
2052	1,687,693,890	51,580,180	166,354,707	2,898,907	118,982,222	1,689,002,678
2053	1,689,002,678	51,382,485	165,148,867	2,971,379	119,111,314	1,691,376,230
2054	1,691,376,230	51,354,606	163,044,279	3,045,664	119,356,385	1,695,997,278
2055	1,695,997,278	51,497,096	160,018,441	3,121,806	119,804,598	1,704,158,726
2056	1,704,158,726	3,084,061	157,752,667	3,199,851	118,742,877	1,665,033,147
2057	1,665,033,147	2,327,764	153,853,845	3,279,847	115,996,523	1,626,223,742
2058	1,626,223,742	1,711,239	149,718,751	3,361,843	113,286,662	1,588,141,049
2059	1,588,141,049	1,222,682	145,463,016	3,445,889	110,638,692	1,551,093,518
2060	1,551,093,518	840,687	141,019,783	3,532,036	108,076,758	1,515,459,143
2061	1,515,459,143	555,887	136,883,423	3,620,337	105,610,388	1,481,121,658
2062	1,481,121,658	342,063	132,372,869	3,710,846	103,254,575	1,448,634,582
2063	1,448,634,582	200,478	128,400,237	3,803,617	101,017,062	1,417,648,268
2064	1,417,648,268	105,534	124,394,103	3,898,707	98,891,895	1,388,352,887

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX D – CROSSOVER TEST

	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position (f)=(a)+(b)-(c)- (d)+(e)
Year	(a)	(b)	(c)	(d)	(e)	(d)+(e)
2065	\$1,388,352,887	\$50,272	\$120,795,594	\$3,996,175	\$96,876,888	\$1,360,488,278
2066	1,360,488,278	16,996	117,113,310	4,096,079	94,970,033	1,334,265,917
2067	1,334,265,917	4,680	113,759,829	4,198,481	93,171,933	1,309,484,219
2068	1,309,484,219	0	110,432,329	4,303,443	91,478,252	1,286,226,699
2069	1,286,226,699	0	107,194,012	4,411,029	89,892,712	1,264,514,369
2070	1,264,514,369	0	103,893,044	4,521,305	88,422,121	1,244,522,141
2071	1,244,522,141	0	100,523,230	4,634,338	87,079,467	1,226,444,040
2072	1,226,444,040	0	97,079,087	4,750,196	85,879,109	1,210,493,866
2073	1,210,493,866	0	93,557,823	4,868,951	84,836,750	1,196,903,842
2074	1,196,903,842	0	89,958,324	4,990,675	83,969,382	1,185,924,225
2075	1,185,924,225	0	86,281,132	5,115,442	83,295,249	1,177,822,900
2076	1,177,822,900	0	82,528,767	5,243,328	82,833,816	1,172,884,622
2077	1,172,884,622	0	78,705,722	5,374,411	82,605,705	1,171,410,194
2078	1,171,410,194	0	74,818,276	5,508,771	82,632,647	1,173,715,794
2079	1,173,715,794	0	70,874,469	5,646,491	82,937,431	1,180,132,265
2080	1,180,132,265	0	66,884,379	5,787,653	83,543,845	1,191,004,078
2081	1,191,004,078	0	62,859,978	5,932,344	84,476,602	1,206,688,358
2082	1,206,688,358	0	58,815,795	6,080,653	85,761,250	1,227,553,160
2083	1,227,553,160	0	54,768,708	6,232,669	87,424,046	1,253,975,829
2084	1,253,975,829	0	50,737,675	6,388,486	89,491,855	1,286,341,524
2085	1,286,341,524	0	46,743,950	6,548,198	91,992,028	1,325,041,404
2086	1,325,041,404	0	42,809,919	6,711,903	94,952,312	1,370,471,894
2087	1,370,471,894	0	38,959,263	6,879,701	98,400,794	1,423,033,725
2088	1,423,033,725	0	35,216,136	7,051,693	102,365,859	1,483,131,755
2089	1,483,131,755	0	31,604,373	7,227,985	106,876,201	1,551,175,598
2090	1,551,175,598	0	28,147,344	7,408,685	111,960,881	1,627,580,450
2091	1,627,580,450	0	24,866,202	7,593,902	117,649,447	1,712,769,793
2092	1,712,769,793	0	21,779,655	7,783,750	123,972,136	1,807,178,524
2093	1,807,178,524	0	18,903,579	7,978,343	130,960,124	1,911,256,726
2094	1,911,256,726	0	16,250,124	8,177,802	138,645,826	2,025,474,626
2095	2,025,474,626	0	13,827,655	8,382,247	147,063,264	2,150,327,988
2096	2,150,327,988	0	11,640,091	8,591,803	156,248,485	2,286,344,579
2097	2,286,344,579	0	9,687,143	8,806,598	166,240,022	2,434,090,859
2098	2,434,090,859	0	7,964,696	9,026,763	177,079,368	2,594,178,768
2099	2,594,178,768	0	6,465,000	9,252,432	188,811,468	2,767,272,804
2100	2,767,272,804	0	5,176,926	9,483,743	201,485,225	2,954,097,360
2101	2,954,097,360	0	4,086,488	9,720,837	215,154,016	3,155,444,052
2102	3,155,444,052	0	3,177,394	9,963,858	229,876,208	3,372,179,008
2103	3,372,179,008	0	2,431,532	10,212,954	245,715,673	3,605,250,195
2104	3,605,250,195	0	1,829,873	10,468,278	262,742,288	3,855,694,332

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX D – CROSSOVER TEST

	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position (f)=(a)+(b)-(c)- (d)+(e)
Year	(a)	(b)	(c)	(d)	(e)	
2105	\$3,855,694,332	\$0	\$1,353,054	\$10,729,985	\$281,032,423	\$4,124,643,716
2106	4,124,643,716	0	982,145	10,998,235	300,669,409	4,413,332,745
2107	4,413,332,745	0	699,220	11,273,190	321,743,994	4,723,104,329
2108	4,723,104,329	0	487,808	11,555,020	344,354,795	5,055,416,296
2109	5,055,416,296	0	333,226	11,843,896	368,608,753	5,411,847,927
2110	5,411,847,927	0	222,734	12,139,993	394,621,607	5,794,106,807
2111	5,794,106,807	0	145,592	12,443,493	422,518,388	6,204,036,110
2112	6,204,036,110	0	93,029	12,754,580	452,433,958	6,643,622,459
2113	6,643,622,459	0	58,095	13,073,445	484,513,580	7,115,004,499
2114	7,115,004,499	0	35,461	13,400,281	518,913,561	7,620,482,318
2115	7,620,482,318	0	21,166	13,735,288	555,801,942	8,162,527,806
2116	8,162,527,806	0	12,364	14,078,670	595,359,266	8,743,796,038
2117	8,743,796,038	0	7,079	14,430,637	637,779,416	9,367,137,739
2118	9,367,137,739	0	3,981	14,791,403	683,270,535	10,035,612,890
2119	10,035,612,890	0	2,206	15,161,188	732,056,025	10,752,505,522
2120	10,752,505,522	0	1,207	15,540,217	784,375,632	11,521,339,730
2121	11,521,339,730	0	651	15,928,723	840,486,619	12,345,896,975
2122	12,345,896,975	0	345	16,326,941	900,665,030	13,230,234,719
2123	13,230,234,719	0	179	16,735,115	965,207,055	14,178,706,481
2124	14,178,706,481	0	90	17,153,492	1,034,430,495	15,195,983,394
2125	15,195,983,394	0	43	17,582,330	1,108,676,334	16,287,077,355
2126	16,287,077,355	0	19	18,021,888	1,188,310,433	17,457,365,881

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX E – GLOSSARY OF TERMS

1. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the Measurement Date and up to 30 months prior to the employer's Reporting Date.

2. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

3. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

4. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future Service Costs is called the Total Pension Liability.

5. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

AUSTIN FIREFIGHTERS RETIREMENT FUND
GASB 67 AND 68 REPORTING FOR DECEMBER 31, 2024 MEASUREMENT DATE

APPENDIX E – GLOSSARY OF TERMS

6. Net Pension Liability

The liability of employers and nonemployer contributing entities for employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position.

7. Plan Fiduciary Net Position

The fair or market value of assets.

8. Reporting Date

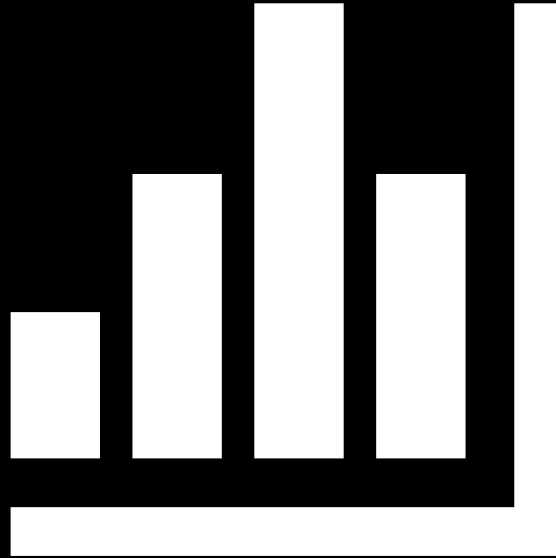
The last day of the plan or employer's fiscal year.

9. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the Entry Age Actuarial Cost Method.

10. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the Actuarial Liability calculated under the Entry Age Actuarial Cost Method. This measurement generally is not appropriate for estimating the cost to settle the Plan's liabilities.



ACTUARIAL SECTION

Actuarial Valuation Report as of December 31, 2024

ACTUARIAL VALUATION REPORT



Classic Values, Innovative Advice

Austin Firefighters Retirement Fund

**Actuarial Valuation Report
as of December 31, 2024**

Produced by Cheiron

July 2025

Via Electronic Mail

July 22, 2025

Board of Trustees
Austin Firefighters Retirement Fund
4101 Parkstone Heights Drive, Suite 270
Austin, Texas 78746

Dear Trustees of the Board:

We are pleased to submit the December 31, 2024 Actuarial Valuation Report of the Austin Firefighters Retirement Fund ("Fund"). This report contains information on Fund assets, liabilities, and contributions. Financial disclosures are provided in a separate Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 report.

In preparing our report, we relied on information, some oral and some written, supplied by the Fund's staff. This information includes, but is not limited to, Fund provisions, member data, and financial information. We performed an informal examination of the data's obvious characteristics for reasonableness and consistency, in accordance with Actuarial Standard of Practice No. 23, Data Quality.

The actuarial assumptions reflect our understanding of the likely future experience of the Fund and represent our best estimate, in collaboration with the views of the Board of Trustees (Board), for the Fund's future experience. These assumptions are based on the most recent experience study, dated March 25, 2024, reflecting census data through December 31, 2022, and the updated COLA assumptions required by statute. The liability and contributions developed in this report rely on future Fund experience conforming to the underlying assumptions. Future results may differ significantly from the current results presented in this report due to factors such as: Fund experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law. To the extent that actual Fund experience deviates from the underlying assumptions, the results will vary accordingly.

This report 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, including Texas pension statutes. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Austin Firefighters Retirement Fund
July 22, 2025
Page ii

This actuarial valuation report was prepared exclusively for the Austin Firefighters Retirement Fund and the Fund's auditors for the purposes described herein and in preparing financial reports in accordance with applicable law and annual report requirements. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Sincerely,
Cheiron



Elizabeth Wiley, FSA, EA, MAAA, FCA
Consulting Actuary



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

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

FOREWORD

Cheiron is pleased to provide the annual actuarial valuation report of the **Austin Firefighters Retirement Fund (Fund)** as of December 31, 2024. The purpose of this report is to:

- 1) **Measure and disclose** the Fund's financial condition as of the valuation date.
- 2) **Report** on past and expected financial trends.
- 3) **Determine** the Actuarially Determined Contribution for the 2026 calendar year.
- 4) **Assess** risks to the Fund's financial condition.

An actuarial valuation establishes and analyzes Fund assets and liabilities on a consistent basis and traces the progress of both from one year to the next. It includes measurement of the Fund's investment performance and an analysis of actuarial liability gains and losses. This valuation report is organized as follows:

Section I summarizes the valuation and compares this year's results to those of last year.

Section II provides the results of the Risk Sharing Valuation Study.

Section III identifies the primary risks to the Fund, including background information and an assessment of these risks.

Section IV contains exhibits relating to the valuation of assets.

Section V presents various measures of liabilities and analyzes the experience gains and losses over the past year, including the sources of change in UAL.

Section VI shows the development of the Actuarially Determined Contribution Benchmark.

The appendices to this report contain a summary of the Fund's membership at the valuation date, a summary of the major provisions of the Fund, the actuarial methods and assumptions used in developing the valuation, and a glossary.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY

General Comments

This is the third actuarial valuation report prepared for the Fund by Cheiron. The results before December 31, 2022 in the historical trend charts are those produced by the Fund's former actuary.

With the passage of HB 2802/SB 2345 ("HB 2802"), the City of Austin's contribution to AFRF changes from a fixed rate contribution of 22.05% of pay to a modified Actuarially Determined Contribution (ADC). The ADC will include the cost of all benefits accrued annually and administrative expenses, reduced by the standard 18.70% of pensionable payroll paid by AFRF's active members, plus an amount to amortize AFRF's unfunded actuarial liability (UAL) over fixed periods. The City of Austin's total contribution rate thus adjusts annually as needed to reflect AFRF's experience, subject to the City of Austin's maximum and minimum contributions, as described in Vernon's Texas Civil Statutes, Article 6243e.1. Section II provides a summary of the ADC parameters.

HB 2802 also categorized members into two groups: Group A (hired before January 1, 2026) and Group B (hired on or after January 1, 2026). Group A benefits are largely the same as the Fund's structure before HB 2802, with changes limited to eliminating interest on non-vested contribution refunds and altering cost-of-living adjustment (COLA) provisions. Group B members have a similar structure, but with different parameters. Detailed summaries of these benefits are provided in Appendix B.

The key results of this December 31, 2024 actuarial valuation are as follows:

- Investments earned 4.7% on a Market Value of Assets (MVA) basis for the year ending December 31, 2024, resulting in an investment loss of \$29.3 million on an MVA basis.
- HB 2802 increased the Unfunded Actuarial Liability (UAL) by \$113.1 million due to the following changes:
 - The Fund's Actuarial Value of Assets (AVA) was reset to match the MVA as of December 31, 2024, as required by HB 2802, increasing the Unfunded Actuarial Liability (UAL) by \$97.6 million.
 - Group A future COLA assumption was increased from 0.00% to 0.25% per year, increasing the UAL by \$15.9 million
 - Eliminating interest on contribution refunds after January 1, 2026 reduced the UAL by \$0.4 million.
- The Fund experienced a liability gain of \$3.5 million. The sources of the liability gain are listed in Table V-3.
- The Fund's MVA funded ratio decreased from 79.6% as of December 31, 2023 to 76.9% as of December 31, 2024. Reflecting the AVA reset, the AVA funded ratio decreased from 85.6% as of December 31, 2023 to 76.9% as of December 31, 2024.
- The UAL based on AVA [actuarial liability (AL) – AVA] increased from \$210.5 million as of December 31, 2023 to \$349.5 million on December 31, 2024.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY

The contribution amounts to the Fund for the 2026 calendar year, developed by this December 31, 2024 actuarial valuation, consist of the following:

- 1) Firefighter contributions are 18.70% of pay,
- 2) The City's Municipal Contribution Rate for the 2026 calendar year contribution is 12.62% of payroll, and
- 3) The City's Legacy Payment is \$15,430,983, estimated to 12.64% of expected payroll.

Therefore, the City's total contribution for the 2026 calendar year is estimated to be 25.26% (12.62% + 12.64%) of expected payroll. Section II provides additional detail on these amounts.

In addition to the ADC as defined by HB 2802, this report provides two other contribution rates to assess the contributions for the Fund:

1. A Tread Water Contribution Rate: This contribution rate represents the contribution level required to cover the cost of benefits accruing during the year and interest on the Unfunded Actuarial Liability (UAL) and thus is anticipated to maintain the UAL at the same dollar amount if all assumptions are exactly met.
2. An Actuarially Determined Contribution Benchmark ("ADC Benchmark") based on the Funding Policy adopted by the Board as of December 16, 2019. In our opinion, the ADC Benchmark outlined in the Funding Policy does not meet the definition of a reasonable ADC, as it employs a 30-year open amortization method that does not fully amortize the Unfunded Actuarial Liability within a reasonable time period.

The table below provides a summary of the actuarial valuation. The prior year's valuation results are shown for comparison purposes, as well as a column looking at the change in each value as a percentage of the prior year's values.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY

Table I-1 Austin Firefighters Retirement Fund Summary of Principal Results			
	December 31, 2024	December 31, 2023	% Change
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$1,514,813,506	\$1,460,581,730	3.7%
Actuarial Value of Assets (AVA)	1,165,347,238	1,250,115,476	(6.8%)
Unfunded Actuarial Liability (UAL)	\$349,466,268	\$210,466,254	66.0%
Funded Ratio (AVA basis)	76.9%	85.6%	(8.7%)
Market Value of Assets (MVA)	\$1,165,347,238	\$1,162,694,392	0.2%
Funded Ratio (MVA basis)	76.9%	79.6%	(2.7%)
Funding Period ¹	30.0 ²	48.6	
	Year Ending December 31, 2026	Year Ending December 31, 2025	
<u>Statutory Contribution Rates</u>			
Normal Cost as % of expected payroll	31.32%	31.21%	0.3%
Member Contribution Rate	<u>18.70%</u>	<u>18.70%</u>	0.0%
City Normal Cost Rate	12.62%	12.51%	0.9%
City Amortization Cost Rate	<u>0.00%</u>	<u>0.00%</u>	N/A
Estimated Municipal Contribution Rate	12.62%	12.51%	0.9%
Minimum Municipal Contribution Rate	7.62%	N/A	N/A
Maximum Municipal Contribution Rate	17.62%	N/A	N/A
Municipal Contribution Rate	12.62%	N/A	N/A
City Legacy Liability Payment ³	\$15,430,983	\$10,937,950	41.1%
- as a % of Projected Pensionable Payroll	12.44%	9.54%	30.4%
Total City Contribution as % of expected payroll	25.06%	22.05%	13.7%
Treadwater City Contribution Rate	34.04%	25.91%	31.4%
City Rate Surplus/(Deficit)	(8.98%)	(3.86%)	132.7%
<u>Participant Information</u>			
Actives	1,249	1,246	0.2%
Service Retirees, including DROP	834	809	3.1%
Beneficiaries	184	171	7.6%
Disability Retirees	14	15	(6.7%)
Terminated Vested	36	36	0.0%
Total Participants	2,317	2,277	1.8%
Expected Payroll at Valuation Date	\$119,063,835	\$114,653,245	3.8%
Projected Pensionable Payroll ⁴	\$124,002,162	N/A	

¹ Beginning in 2024, the funding period is calculated as of the date the contribution, as actuarially determined by each valuation, is first effective.

² For V-FSRP purposes, the funding period is determined based on the greater of AVA and MVA, in accordance with PRB requirements. Reflecting the \$1.263 billion AVA calculated before the HB 2802 reset, this funding period is 17.9 years.

³ For December 31, 2023, reflects fixed contribution rate above City Normal Cost Rate available to pay down UAL.

⁴ Prior year pensionable payroll projected two years with the payroll growth assumption.

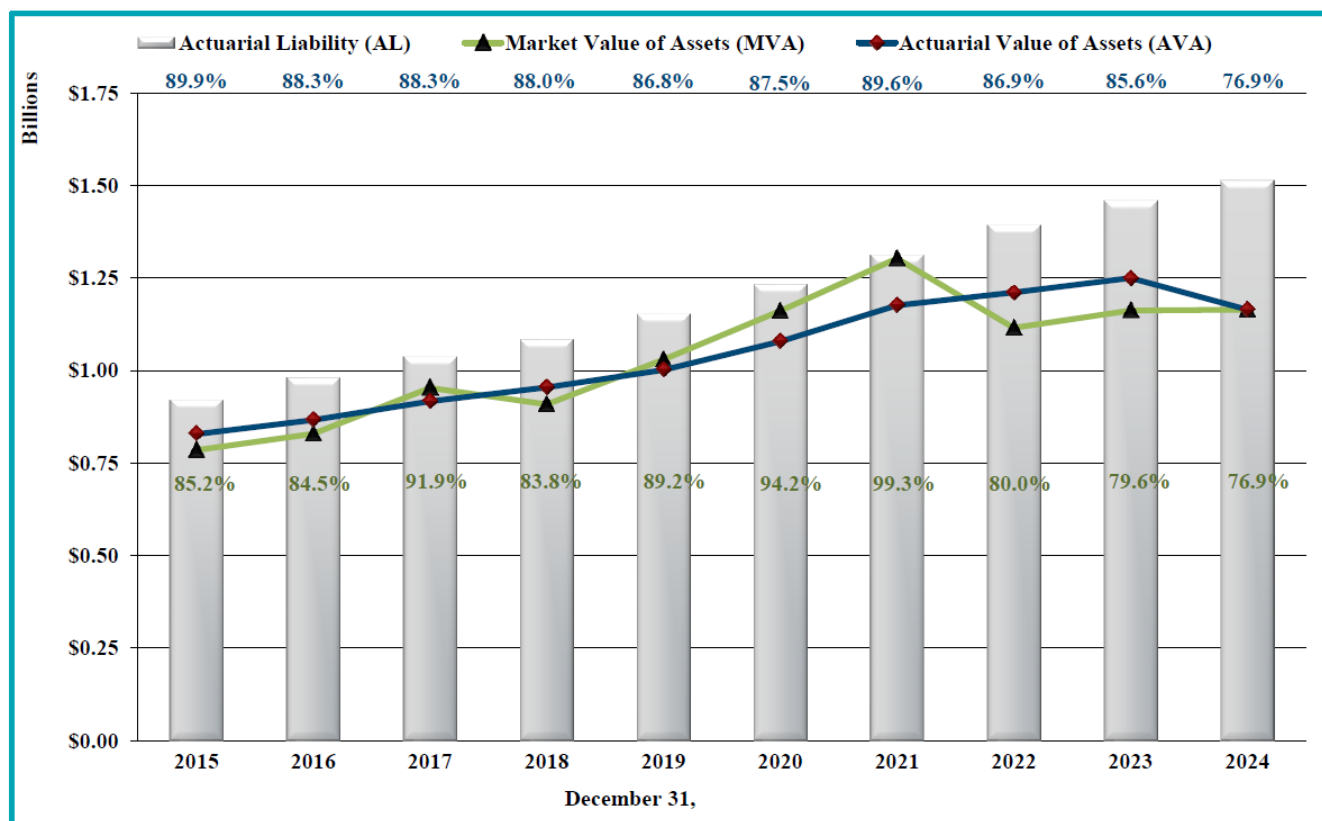
AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY

Historical Trends

It is important to take a step back from these latest results and view them in the context of the Fund's recent history. Below, we present a series of charts displaying key factors in the valuations since 2015.

Assets and Liabilities



The bars represent the Actuarial Liability (AL) as measured for funding purposes in the valuations. The lines represent the Fund's assets, with the green line showing the Market Value of Assets (MVA) that is reported in the Fund's financials and the blue line showing the smoothed Actuarial Value of Assets (AVA). The liabilities are compared to the assets to develop funding ratios for each valuation date. The ratio of the AL to the AVA is the AVA funded ratio, which is represented by the blue percentages shown along the top of each bar in the chart. Similarly, the ratio of the AL to the MVA is the MVA funded ratio, the green percentages shown on the bars. With AVA being set to MVA for the December 31, 2024 valuation as required by HB 2802, the AVA and MVA funded ratios are the same for 2024.

The MVA funded ratio can be volatile as shown in the graph and has ranged from a high of 99.3% as of 2021 to a low of the current 76.9%. The AVA funded ratio is less volatile than the MVA funded ratio as assets gains and losses are recognized over five years. Note the MVA and AVA funded ratio are the same in 2024, with AVA being reset to MVA as required by HB 2802.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

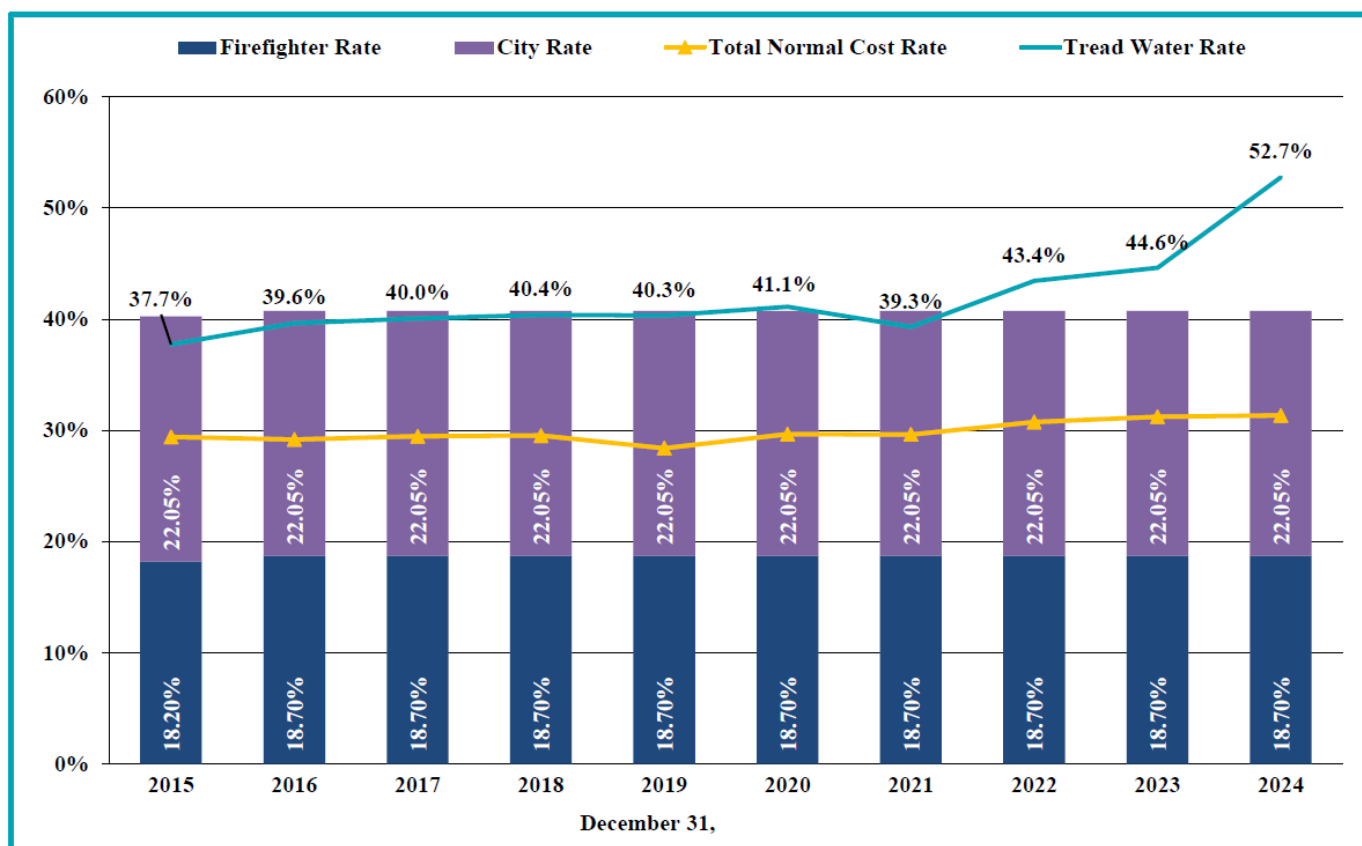
SECTION I – SUMMARY

Contributions Versus Tread Water

The next chart compares the city and member contribution rates, as shown by the bars, to the normal cost and tread-water rates, shown by the lines, as of each valuation date. The normal cost rate, the orange line, is the percentage of salary needed to fund the benefits earned in a year for the active members. The Tread Water Contribution Rate, the teal line, is the rate of payroll by the City and members in total, which, if contributed, would result in the UAL remaining the same in the following year if all experience exactly matched the assumptions. The Tread Water Contribution Rate is equal to the normal cost rate plus interest on the UAL.

As shown below, the total contributions exceed the normal cost rate for all years shown. The difference between the tops of the bars and the orange line represents the portion of contributions that are available to fund the UAL. The chart also shows that the normal cost rate has been relatively stable over this period, staying within approximately one percentage point of 30%.

The stacked bars show that the sum of the city's and members' contribution rates has been greater than the Tread Water Contribution Rate by a small margin for most years over this period. However, since the 2022 asset loss began being recognized, the Tread Water Contribution Rate has been higher than the fixed contribution rates for 2022 and 2023. In 2024, this shortfall increased further with AVA being reset to MVA as required by HB 2802.



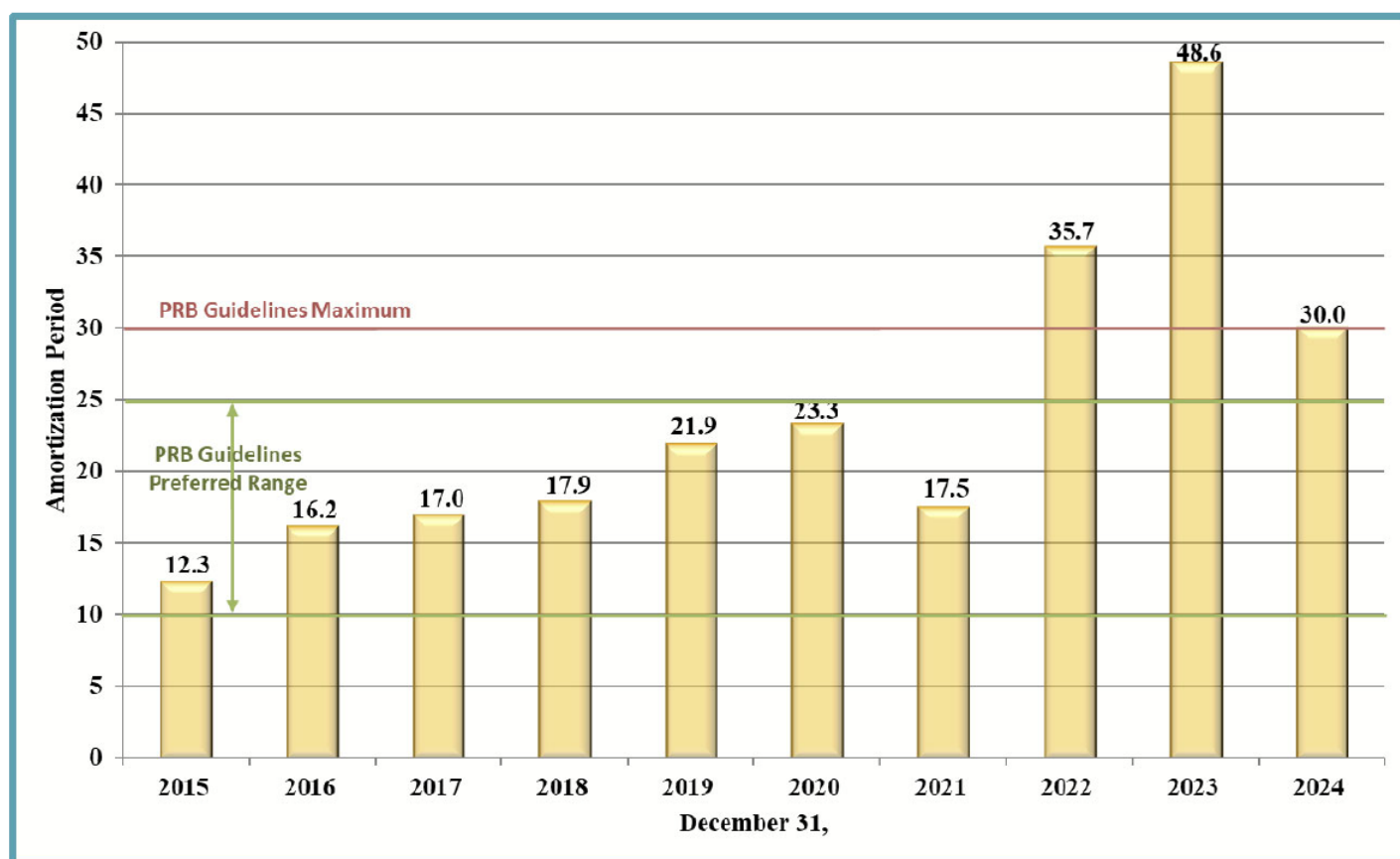
AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY

Amortization Periods

The chart below shows the effective amortization period for funding the UAL based on the AVA as of each valuation date from 2015 through 2023. Beginning in 2024, the amortization period, also referred to as the funding period, is calculated as of the date the contribution, as actuarially determined by each valuation, becomes effective. Due to leveraging and how compound interest operates, the funding period can vary significantly from year to year.

The Pension Review Board (PRB) provides funding guidelines for public pensions in Texas, including that the contributions received by funds should be sufficient to pay the normal cost each year as well as amortize the fund's UAL over a period not to exceed 30 years, with 10-25 years being the preferred range. Without the passage of HB 2802, the amortization period would have increased to 69.3 years. With the passage of HB 2802, the amortization period as of the effective date of the contributions determined by this December 31, 2024 valuation is 30.0 years.



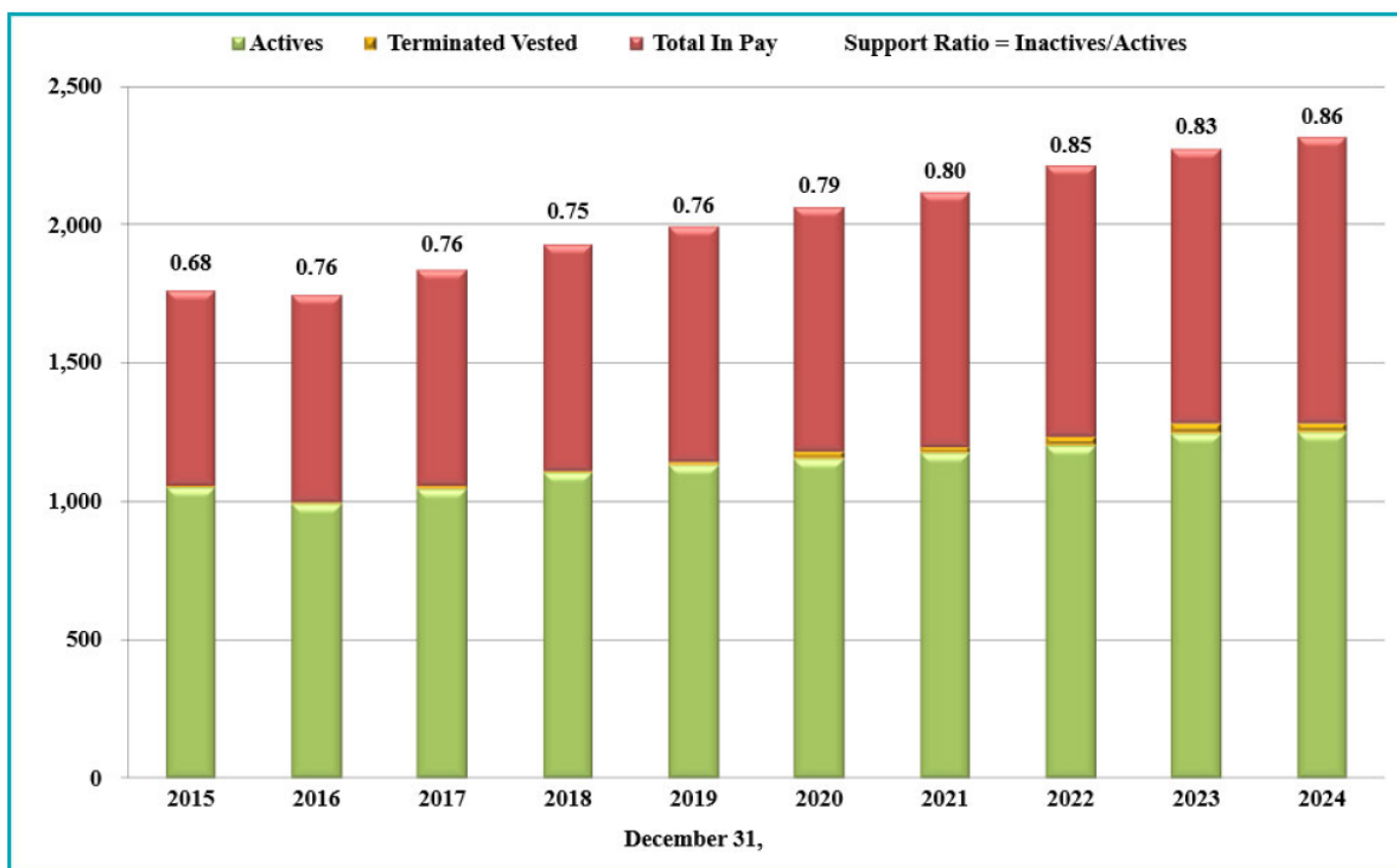
**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

SECTION I – SUMMARY

Member Trends

The following chart shows the membership counts of the Fund at successive valuations. The numbers above each bar represent the ratio of inactive members, those currently receiving benefits (red bars), and terminated vested members (yellow bars) to active members (green bars) as of each valuation date, referred to as the support ratio.

The number of inactives per active has generally steadily increased during the period shown. An increasing ratio is a sign of plan maturity and should continue to be monitored. As a plan becomes more mature, the assets backing the retiree benefits become large relative to the contribution base, i.e., the active member payroll. As assets grow relative to the pensionable payroll, any experience gain or loss can significantly impact the actuarial valuation results. This maturity risk is discussed further in Section III of this report.



All active members as of the current December 31, 2024 valuation date are Group A members. Group B members will first be reflected in the December 31, 2026 actuarial valuation.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY

Projections

This baseline projection is based on the December 31, 2024 valuation, including the 7.30% rate of return assumption. It is important to note that the Fund's actual experience will not conform exactly to the assumptions every year. As a result, in addition to the baseline projection of 7.30% investment returns, we provide additional projections, or stress testing, in Section III based on varying returns in the future, as variation in this assumption is typically the most significant driver of variation in valuation results.

The projections, both the baseline in this section and the varying returns in Section III, assume there will be no future gains or losses on the liability and that the Fund receives the statutory contribution rates each year. As such, these projections assume that all valuation assumptions are exactly met, including the long-term rates of return specified and assumed for each scenario, as well as the covered payroll increasing by 2.50% annually in all scenarios.

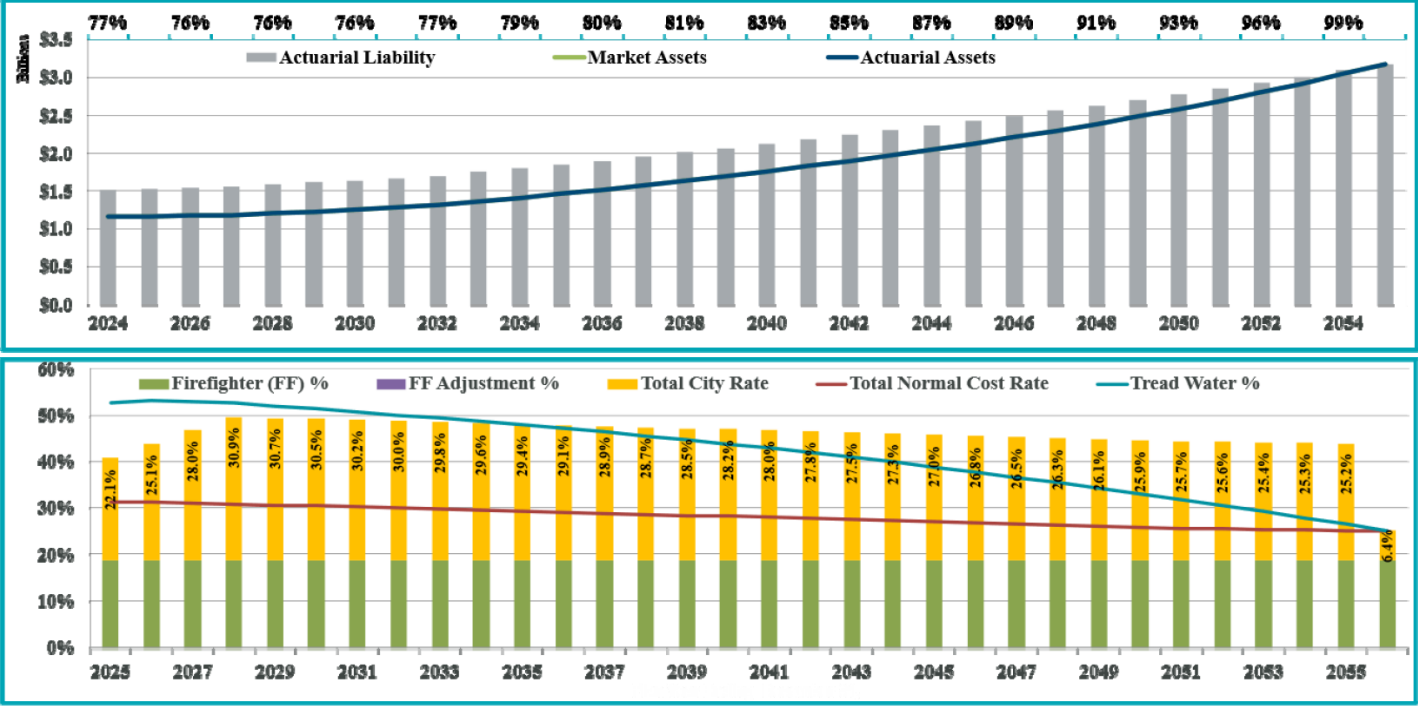
This first chart compares the Market Value of Assets (MVA) (blue line) and the Actuarial or Smoothed Value of Assets (AVA) (green line) to the Fund's actuarial liabilities (AL) (gray bars). Additionally, at the top of each chart, we display the Fund's AVA funded ratio (the ratio of AVA to AL). The years shown in the chart represent the valuation date as of December 31 for each labeled year.

The baseline chart below shows that if all actuarial assumptions, including the current 7.3% rate of investment return assumption, are exactly met, the Fund's AVA funded ratio, shown along the top of the chart, is projected to slightly decrease initially from the current level of 77% then gradually increase to 100% by 2055.

The second chart provides information related to the expected contributions to the Fund. The green bars represent the expected firefighter contributions, which are 18.7% in all years in this baseline projection. The yellow bars reflect the City of Austin contributions, including the Legacy Contribution Amount. As shown in the graph, the City's contribution is expected to increase as the ADC is fully phased-in through 2028, and then it is expected to decrease as Group B members enter the Fund upon the retirement of Group A members. The red line is the total normal cost rate based on an open projection reflecting Group B's lower normal cost. The teal line provides the treadwater percentage. Expected contributions are below the Tread Water Contribution Rate until 2032, meaning the UAL is expected to increase in dollar terms until this point due to negative amortization. Beginning in 2033, the contributions are projected to be large enough to begin paying down the UAL. Although not shown in the graph below, the purple bars represent the increase in firefighter contributions required to ensure the Fund receives the full ADC in years when the City's contribution hits the corridor maximum.

AUSTIN FIREFIGHTERS RETIREMENT FUND ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION I – SUMMARY



**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

SECTION II – RISK SHARING VALUATION STUDY

Passage of HB 2802

With the passage of HB 2802, AFRF must have its actuary perform an Initial Risk Sharing Valuation Study (RSVS) as of December 31, 2024. The results of this RSVS will determine the City of Austin's contribution requirement for the 2026 calendar year.

Before HB 2802, AFRF was financed through fixed contribution rates as a percentage of compensation of 18.70% for members and 22.05% for the City of Austin. HB 2802 changed the employer portion of AFRF's financing from a fixed rate to an Actuarially Determined Contribution (ADC), subject to an annual corridor. HB 2802 changed the firefighter portion of AFRF's funding from a fixed rate to a fixed rate subject to adjustment as necessary to ensure AFRF receives the full ADC in years where the corridor limits the City of Austin rate. This firefighter adjustment is similarly subject to a maximum increase of 2% from the 18.70% rate, for a total maximum rate of 20.70% for firefighters.

The ADC will include the cost of all benefits accrued annually and administrative expenses, reduced by 18.70% of pensionable payroll contributions paid by active members before any applicable adjustment required by the funding policy, plus an amount to amortize UAL over fixed periods. The City of Austin's total contribution rate thus adjusts annually as needed to reflect the Fund's experience, subject to the City of Austin's maximum contribution, as discussed in the contribution corridors section that follows. While AFRF's total firefighter contribution, equal to the standard 18.70% plus any necessary ADC adjustment, is similarly calculated annually, the rate paid by firefighters only adjusts from the 18.70% in years in which the maximum corridor limits the City of Austin's contribution.

City of Austin Contribution Calculations

The City's ADC, before the application of the corridor, consists of three components established through annual Risk-Sharing Valuation Studies (RSVS).

- **Municipal Legacy Contribution Amount:** Fixed dollar amortization payments for the Legacy Liability. The Legacy Liability is determined in this Initial RSVS, dated December 31, 2024, based on the assumptions and methods adopted by the AFRF Board for the December 31, 2023 valuation, except for using the Market Value of Assets as of December 31, 2024 as the Actuarial Value of Assets and assuming a 0.25% future COLA annually for Group A members.

The Legacy Liability will be amortized over 30 years, starting in 2026, using the level-percent-of-pay method with a 2.5% payroll growth assumption after a three-year phase-in. After the phase-in, this results in a schedule of annual dollar payments that increase by 2.5% each year (keeping pace with expected payroll) and are designed to eliminate the Legacy Liability by December 31, 2055.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION II – RISK SHARING VALUATION STUDY

The 30-year schedule of Municipal Legacy Contribution Amounts are set in the initial RSVS and **do not change with** experience—it is a fixed plan for retiring the Legacy Liability (unless the City of Austin elects to contribute extra at any time to accelerate payoff, in which case a revised schedule would be calculated).

- **Employer Normal Cost Rate:** Each year's valuation will calculate the normal cost for benefit accruals for active firefighters as a salary-weighted average plus the necessary percentage to fund administrative expenses. The standard 18.7% member contribution rate reduces this total normal cost to produce the Employer Normal Cost Rate. Because this normal cost is an average of the active population, as Group A members retire and new firefighters are hired into Group B, with a reduced benefit structure but the same member contributions, the Employer Normal Cost Rate will gradually decline over time. While the initial RSVS projects a 30-year schedule of Employer Normal Cost Rates for use as the corridor midpoints, the actual normal cost rate and resulting employer normal cost rate will be recalculated annually based on the actual active membership characteristics and payroll.
- **Amortization Rate:** New actuarial gains or losses recognized in each subsequent RSVS will be amortized as Liability Layers with a layered amortization approach.
 - Liability Loss Layers (new UAL due to unfavorable experience or changes increasing liabilities) are amortized over individual, 20-year periods as a level percentage of payroll.
 - Liability Gain Layers (reduction in UAL due to favorable experience or changes) are amortized over the same period as the largest outstanding loss layer, or 20 years if no loss layers exist.
 - The amortization payments for each layer start one year after the valuation in which they are recognized.

By amortizing each year's experience as an individual layer, it is ensured that all new shortfalls are paid off within a reasonable period.

The City's Actuarially Determined Contribution (ADC) in a given year is the sum of: (1) the applicable Municipal Legacy Contribution (fixed dollar from the initial RSVS), converted to a percentage using the Projected Pensionable Payroll from the applicable subsequent RSVS, plus (2) the Estimated Municipal Contribution Rate, which is the Employer Normal Cost Rate (including administrative expenses) plus the Amortization Rate. The Estimated Municipal Contribution Rate is designed to cover the City's portion of normal costs and address any new unfunded liabilities that arise after the Legacy Liability is established. The final Municipal Contribution Rate, the basis on which the City of Austin pays its non-Legacy Liability contributions, is determined by applying the contribution corridors discussed in the following section to the Estimated Municipal Contribution Rate.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION II – RISK SHARING VALUATION STUDY

Contribution Corridors

HB 2802 established a corridor for the City of Austin’s Municipal Contribution Rate around the Employer Normal Cost Rates projected in the initial RSVS, referred to as Corridor Midpoints, with a $\pm 5\%$ margin. Each year, the Minimum Municipal Contribution Rate equals the Corridor Midpoint minus 5%, and the Maximum Municipal Contribution Rate equals the Corridor Midpoint plus 5%. The final Municipal Contribution Rate that the City of Austin will pay in addition to its Municipal Legacy Contribution Amount will be determined in each subsequent RSVS on the following basis:

- If the calculated rate would drop below the corridor minimum, the City of Austin’s rate is held at the minimum (the floor) – except that until the Fund is at least 90% funded, the City will not reduce its rate below the corridor midpoint (meaning early gains are retained in the Fund and used to bolster funded status and dampen the impact of later losses instead of being used to reduce the City of Austin’s funding requirements).
- If the calculated City rate rises above the corridor maximum, the City will pay the maximum rate, and the firefighters’ contribution rate will increase as necessary to cover the contributions required beyond the Corridor Midpoint plus 5%, up to a maximum of an additional 2% of pensionable payroll (to a maximum of 20.7%). If the maximum 20.7% from members is insufficient to cover the required cost, the City of Austin and the AFRF Board are required to meet and determine additional funding solutions.
- These “**contribution corridors**” are designed to allow contribution rates for both the City of Austin and members to automatically adjust to a degree as needed to ensure the Fund receives adequate and appropriate funding while limiting the magnitude of these automatic adjustments and ensuring the parties are brought together to adjust and address AFRF’s funding when needed.

Initial Risk Sharing Valuation Study Results

First, we present the Legacy Liability and Legacy Liability Payments. The amortization of the Legacy Liability has been adjusted to account for the 3-year phase-in and the one-year delay-in contributions from the valuation date. This adjustment includes interest on the UAL plus a credit for the estimated contributions to be received towards the payment of the UAL in AFRF for the calendar year ending December 31, 2025. The Legacy Liability Payments are fixed dollar amounts as noted in the schedule below and are based on a closed 30-year amortization period and a level percent of payroll method using a 2.5% of payroll growth assumption.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION II – RISK SHARING VALUATION STUDY

Projection of Remaining Legacy Liability and Legacy Liability Payments		
Fiscal Year Ending	Remaining Legacy Liability	Fiscal Year Payment
12/31/2024	\$ 349,466,268	\$ -
12/31/2025	363,346,992	-
12/31/2026	373,887,029	15,430,983
12/31/2027	380,644,615	19,825,290
12/31/2028	383,138,405	24,417,717
12/31/2029	385,181,910	25,028,160
12/31/2030	386,726,451	25,653,864
12/31/2031	387,719,400	26,295,211
12/31/2032	388,103,882	26,952,591
12/31/2033	387,818,456	27,626,406
12/31/2034	386,796,768	28,317,066
12/31/2035	384,967,187	29,024,993
12/31/2036	382,252,402	29,750,618
12/31/2037	378,569,003	30,494,383
12/31/2038	373,827,020	31,256,743
12/31/2039	367,929,435	32,038,161
12/31/2040	360,771,652	32,839,115
12/31/2041	352,240,935	33,660,093
12/31/2042	342,215,799	34,501,595
12/31/2043	330,565,361	35,364,135
12/31/2044	317,148,636	36,248,239
12/31/2045	301,813,789	37,154,445
12/31/2046	284,397,332	38,083,306
12/31/2047	264,723,252	39,035,388
12/31/2048	242,602,086	40,011,273
12/31/2049	217,829,927	41,011,555
12/31/2050	190,187,347	42,036,844
12/31/2051	159,438,255	43,087,765
12/31/2052	125,328,659	44,164,959
12/31/2053	87,585,349	45,269,083
12/31/2054	45,914,469	46,400,810
12/31/2055	-	47,560,830

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION II – RISK SHARING VALUATION STUDY

Next, we present the corridor minimum, midpoint, and maximum rates related to the non-Legacy Liability portion of the City of Austin’s contributions based on the Initial Risk Sharing Valuation Study as of December 31, 2024.

Actuarially Determined Contribution Corridor				Actual City
Fiscal Year Ending	Corridor Minimum	Corridor Midpoint	Corridor Maximum	Contribution Rate
12/31/2026	7.62%	12.62%	17.62%	12.62%
12/31/2027	7.41%	12.41%	17.41%	
12/31/2028	7.18%	12.18%	17.18%	
12/31/2029	6.96%	11.96%	16.96%	
12/31/2030	6.73%	11.73%	16.73%	
12/31/2031	6.50%	11.50%	16.50%	
12/31/2032	6.30%	11.30%	16.30%	
12/31/2033	6.07%	11.07%	16.07%	
12/31/2034	5.85%	10.85%	15.85%	
12/31/2035	5.63%	10.63%	15.63%	
12/31/2036	5.40%	10.40%	15.40%	
12/31/2037	5.18%	10.18%	15.18%	
12/31/2038	4.95%	9.95%	14.95%	
12/31/2039	4.71%	9.71%	14.71%	
12/31/2040	4.48%	9.48%	14.48%	
12/31/2041	4.25%	9.25%	14.25%	
12/31/2042	4.01%	9.01%	14.01%	
12/31/2043	3.77%	8.77%	13.77%	
12/31/2044	3.52%	8.52%	13.52%	
12/31/2045	3.27%	8.27%	13.27%	
12/31/2046	3.03%	8.03%	13.03%	
12/31/2047	2.79%	7.79%	12.79%	
12/31/2048	2.57%	7.57%	12.57%	
12/31/2049	2.35%	7.35%	12.35%	
12/31/2050	2.16%	7.16%	12.16%	
12/31/2051	1.99%	6.99%	11.99%	
12/31/2052	1.83%	6.83%	11.83%	
12/31/2053	1.69%	6.69%	11.69%	
12/31/2054	1.57%	6.57%	11.57%	
12/31/2055	1.47%	6.47%	11.47%	

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION II – RISK SHARING VALUATION STUDY

In summary, for the 2026 calendar year, the City's total contribution is 12.62% of payroll for the employer's normal cost plus \$15,430,983 for the Legacy Liability Payment. The Legacy Liability Payment for 2026 is estimated to represent 12.44% of the 2026 projected pensionable payroll of \$124,002,162 resulting in a total contribution rate of 25.06%.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Actuarial valuations are dependent on assumptions about future economic and demographic experience. Based on actuarial standards of practice, these assumptions represent a reasonable estimate of future experience. However, actual future experience will never conform exactly to the assumptions and may differ significantly. This deviation is the risk that pension plan sponsors undertake in relying on a pension plan's actuarial valuation results.

This section of the report is intended to identify the primary drivers of these risks to the Fund, provide background information and assessments about these risks and drivers, and communicate the significance of these risks to the Fund and its sponsors.

Identification of Risks

As we have discussed with the Board, the fundamental risk to the Fund is that the contributions needed to pay the desired benefits become insufficient. While there are many factors that could lead to current contribution rates becoming insufficient, we believe the primary risks are:

- Investment risk
- Interest rate risk
- Longevity and other demographic risks
- Assumption change risk
- Plan change risk
- Contribution risk

Other risks that we have not identified may also turn out to be important.

Investment Risk is the potential for investment returns to deviate from what is expected. When actual investment returns are lower than the investment return assumption used in the actuarial valuation, the Unfunded Actuarial Liability will increase from what was expected and will require higher contributions than otherwise anticipated. However, when actual returns exceed the assumption, the resulting unfunded liability measurements and Actuarially Determined Contributions will be lower than anticipated. The Fund's asset allocation determines the potential volatility of future investment returns. The affordability of the investment risk is determined by the amount of assets invested relative to the size of the plan sponsor or other contribution base. As seen in the following historical section, this risk has been a significant driver of deviations in the actual measurements for this Fund from those expected by the prior valuations.

Interest Rate Risk has the potential for interest rates to be different than expected. For public plans, short-term fluctuations in interest rates have little or no effect, as the Fund's liability is usually measured based on the expected return on assets. Longer-term trends in interest rates, however, can have a powerful effect.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Longevity and Other Demographic Risks are the potential for mortality or other demographic experience to be different than expected. Generally, longevity and other demographic risks emerge slowly over time as the actual experience deviates from what is expected. In addition, the extensive number of assumptions related to longevity and other demographic experience often result in offsetting factors contributing to the Fund's overall liability experience. As such, these risks are often dwarfed by other risks, particularly those due to investment returns.

Assumption Change Risk is the potential for the environment to change such that future valuation assumptions are adjusted to be different from the current assumptions. For example, declines in interest rates over time due to economic factors may result in a change in the assumed investment rates of return used in the valuations. In terms of demographic factors, a healthier workforce may result in changes in employee behavior such that retirement rates are adjusted to reflect employees working longer. In addition, mortality rates are adjusted to account for members living longer and receiving more years of their retirement benefits. Assumption change risk is an extension of the risks previously identified, but rather than capturing the risk as it is experienced, it captures the cost of recognizing a change in environment resulting in the current assumption no longer being reasonable.

Plan Change Risk represents the possibility of legislated changes made to the statutes governing the Fund. This includes any changes to the benefits paid by the Fund or the contributions that must be paid by the city and the members to the Fund. Over the history of this Fund, these changes have included granting cost-of-living adjustments (COLAs), which increase the benefits paid to members designed to provide purchasing power protection from inflation, changes to the multipliers and minimums used to determine the amount of member benefits, and changes to the contributions that the city and members must pay. As shown in the chart that follows, plan changes, principally the granting of COLAs, have been a significant driver of liability changes for the Fund over the last ten years.

Contribution risk refers to the possibility that actual contributions will differ from those expected. For example, contributions may not align with the plan's funding policy or may be constrained by the maximum contribution corridor, resulting in total contributions falling below a reasonable Actuarially Determined Contribution level.

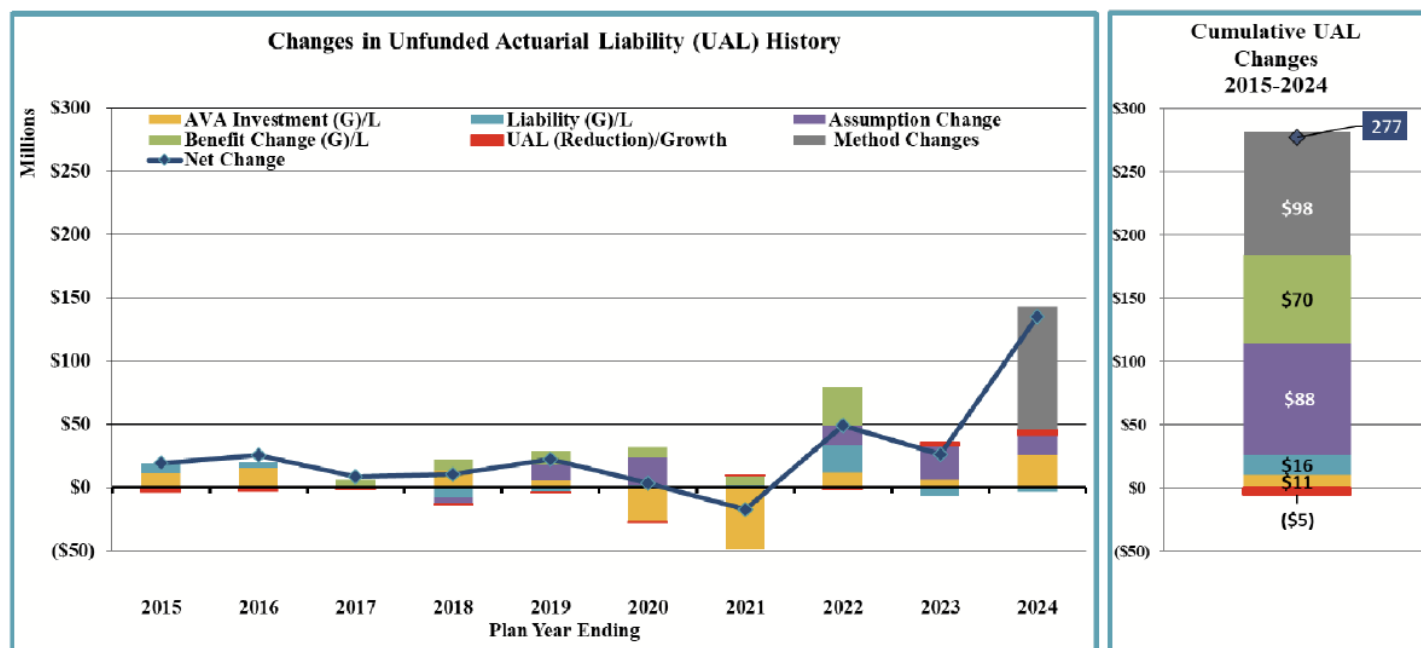
Historical UAL Changes

The chart below shows the components of changes in the Unfunded Actuarial Liability (UAL) for the Fund over the last ten years, including investment gains and losses on the Actuarial Value of Assets, liability gains and losses, assumption and method changes, and the paying down of the UAL. Amounts below the horizontal axis are gains or decreases to the UAL, while amounts above the axis are losses or increases to the UAL. The dark blue line shows the net UAL change.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Historical Changes in UAL 2015-2024



On a smoothed asset basis, the investment gains and losses (gold bars) from 2015 to 2024 reflect investment losses on a smoothed or AVA basis in seven of the ten years shown. However, two of these years, 2020 and 2021, had significant gains such that over the 10-year period, in aggregate, investment losses only increased the UAL by approximately \$11 million. Method changes (gray bar) increased the UAL by approximately \$98 million. The method change captures resetting AVA to MVA as required by HB 2802.

On the liability side (teal bars), the Fund has experienced a net liability experience loss that increased the UAL by approximately \$16 million over this period. Assumption changes (purple bars) have increased the UAL by approximately \$88 million over the 10-year period. The assumption changes have included lowering the discount rate from 7.75% to 7.30%, updating the mortality assumptions, and updating other demographic assumptions. Reflecting the 0.25% per year COLA assumption as required by HB 2802 increased the UAL by approximately \$15 million. Benefit changes noted by the green bar reflect the increase in liability for COLAs granted in the last ten years. Over this period, the granted COLAs have added \$70 million to the UAL.

Finally, each year, the UAL is expected to decrease/(increase) as the total contributions received by the Fund exceed/(are less than) the contributions needed to pay the normal cost for the benefits earned in the current year. In aggregate, the contributions received by the Fund in excess of normal cost have decreased the UAL by approximately \$5 million over the last ten years. Most of these amounts are below the x-axis, meaning the contributions were sufficient to pay the normal cost and reduce the UAL by some amount. With the 2022 asset loss, the 2024 total fixed contributions were less than the tread water contribution, so the UAL increased for 2024 by \$4 million.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Plan Maturity Measures

The future financial condition of a mature pension plan is more sensitive to each of the risks identified above than a less mature plan. Before assessing each of these risks, it is important to understand the maturity of this Fund compared to other plans and how the maturity has changed over time.

Plan maturity can be measured in various ways. Still, all focus on one basic dynamic: the larger the plan is compared to the contribution or revenue base that supports it, the more sensitive the plan will be to risk. The measures below have been selected as the most important in understanding the primary risks identified for this Fund.

Inactives per Active (Support Ratio)

One simple measure of plan maturity is the ratio of the number of inactive members, those currently receiving benefits and terminated vested members, to the number of active members. The revenue base supporting the plan is usually proportional to the number of active members, so a relatively high number of inactives compared to actives indicates a larger plan relative to its revenue base as well.

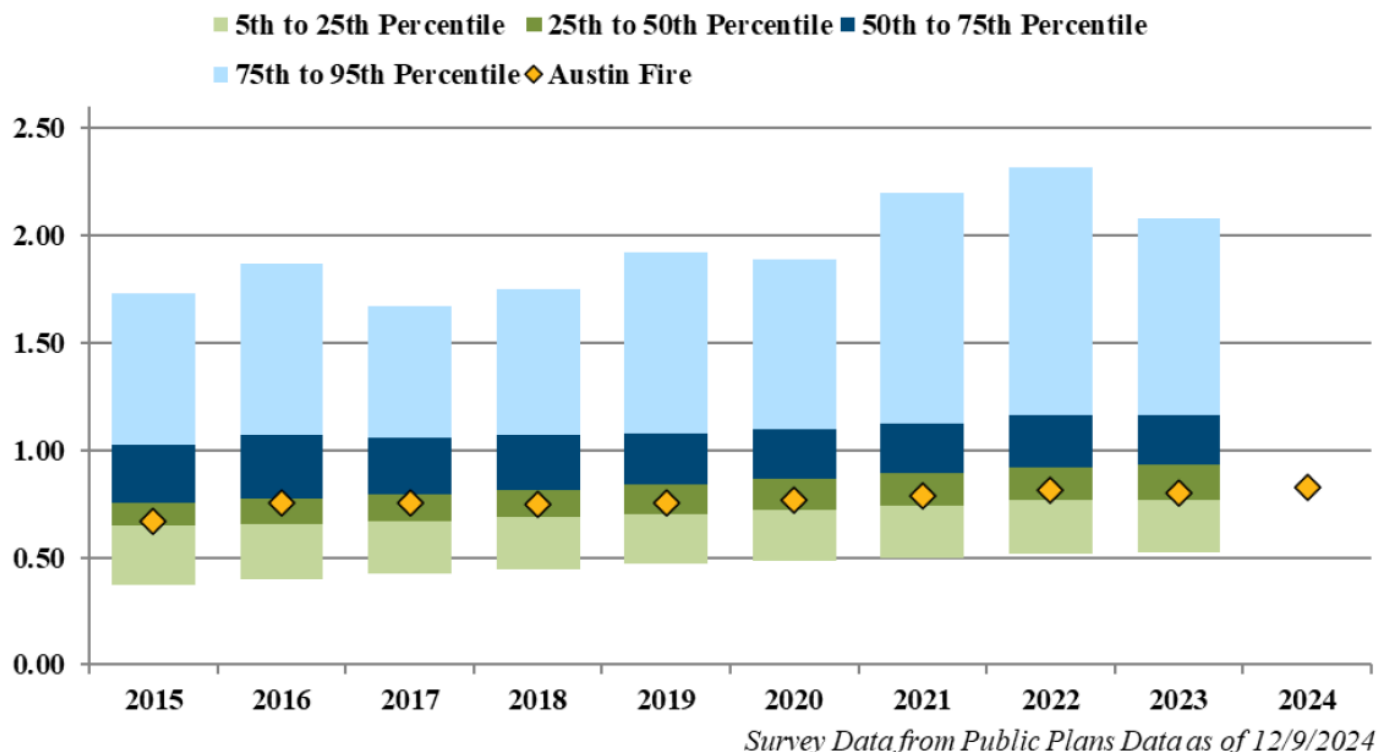
The Boston College's Center for Retirement Research, the National Association of State Retirement Administrators (NASRA), MissionSquare, and the Government Finance Officers Association (GFOA) maintain the Public Plan Database, which contains the majority of state plans (121) and many (108) large municipal plans. It covers over 95% of the membership in public plans and over 95% of the assets held by public pension plans.

The following chart shows the support ratio for all plans in this database since 2015. The colored bars represent the central 90% of the support ratios for the plans in the database. The Austin Firefighters Retirement Fund is represented in the chart by gold diamonds.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Support Ratio



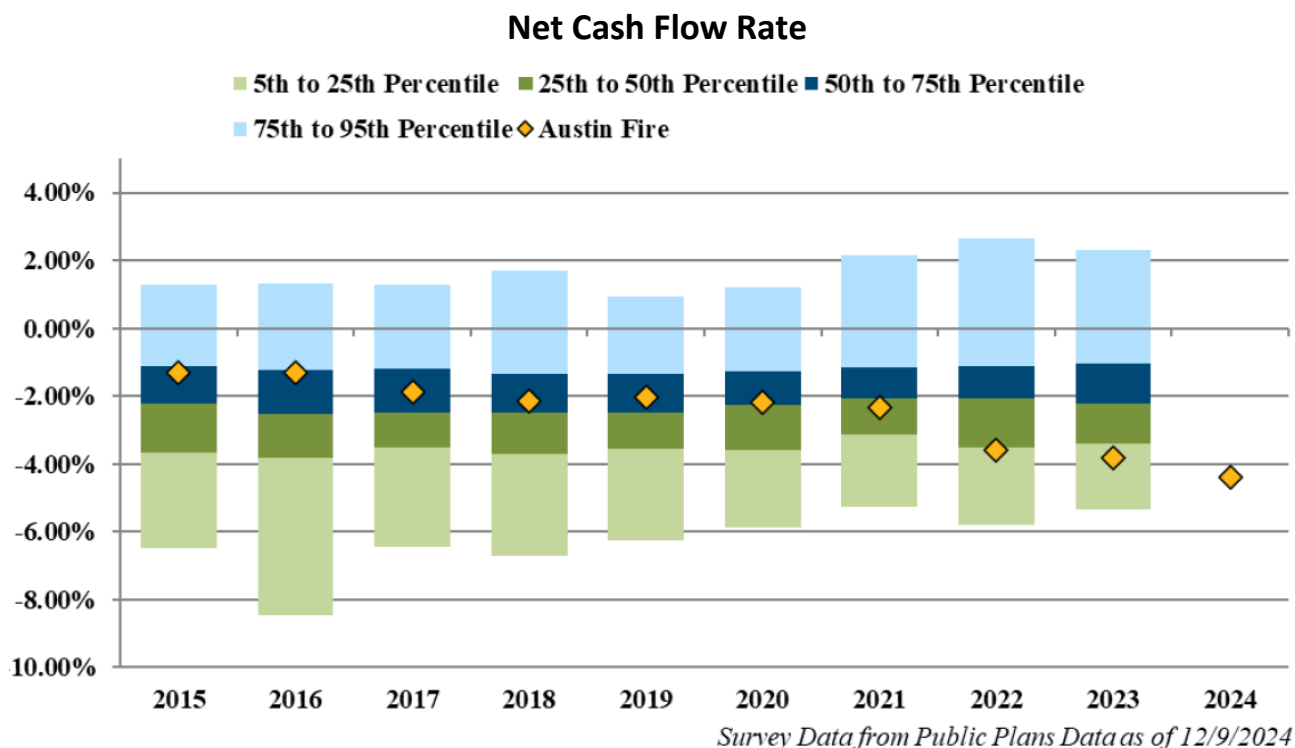
This chart shows that the Fund is not as mature as other plans in this database. The support ratios for the universe of public plans shown have increased over the period as they mature, with the Fund’s support ratio increasing at a similar pace. The Fund has remained below the 50th percentile for the entire period.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Net Cash Flow

The net cash flow of the plan as a percentage of the beginning-of-year assets indicates the Fund's sensitivity to short-term investment returns. Net cash flow is equal to contributions less benefit payments and administrative expenses. Mature plans can have large amounts of benefit payments compared to contributions, particularly if they are well-funded. Investment losses in the short-term are compounded by the net withdrawal from the plan, leaving a smaller asset base to try to recover from the investment losses. Large negative cash flows can also create liquidity issues.



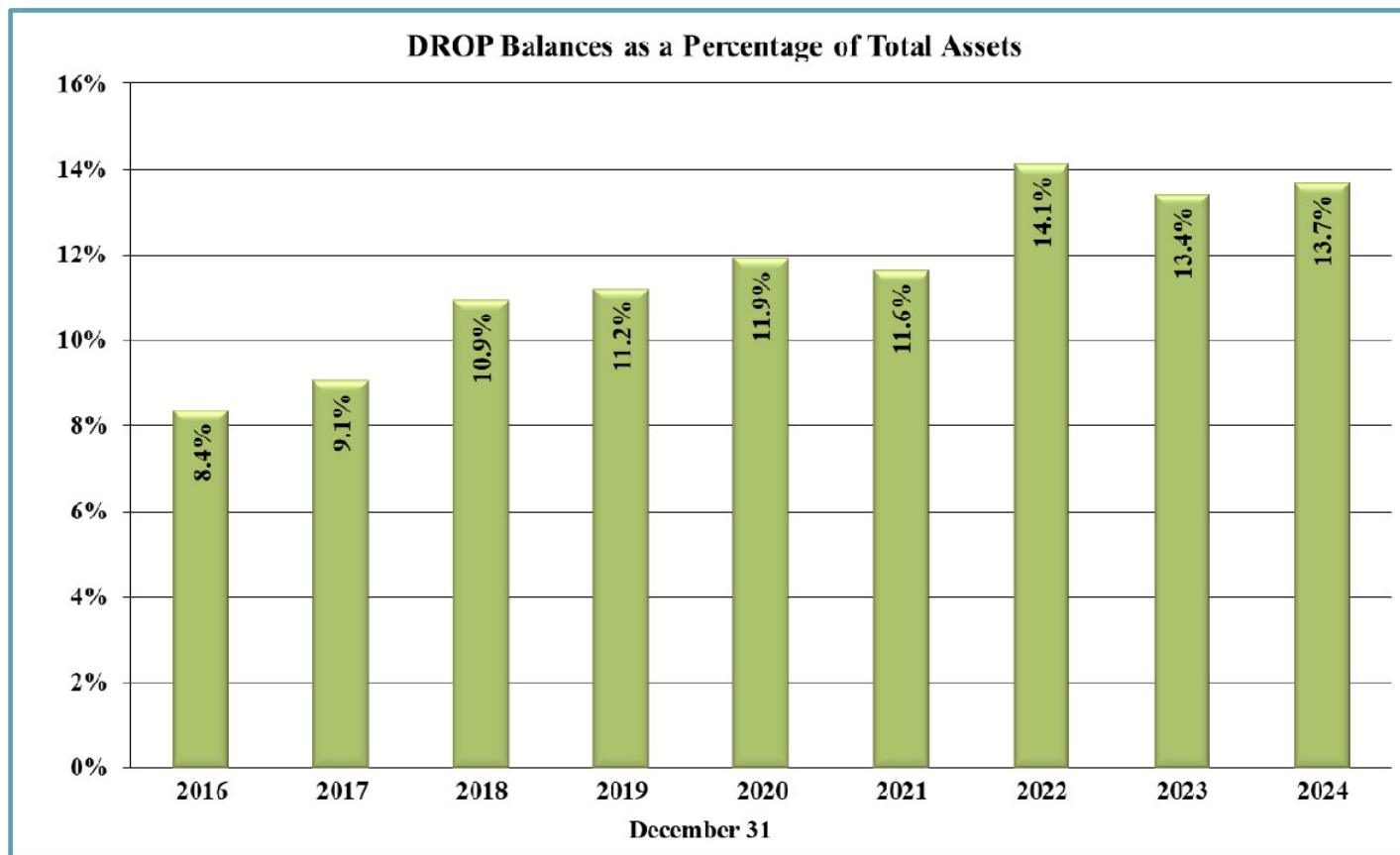
The chart above shows the distribution of net cash flow as a percent of assets, again with the bars showing the 5th to 95th percentile for the plans in the Public Plans Database. The gold diamonds show the Fund's experience for this metric, allowing comparison to the other plans. Up until 2020, the Fund was consistently above the 50th percentile. However, in 2021, the Fund's cash flow as a percentage of assets decreased, putting the Fund in the 25th to 50th percentile. The decrease in this percentage is primarily due to the Fund maturing.

Additionally, as DROP payments increase relative to the size of the Fund, this will likely create additional volatility in this measurement from year to year. The chart that follows shows the percentage of assets attributable to DROP balances since this information was first reported with the 2015 valuation.



AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK



This graph is provided because the Fund's assets must be invested considering the liquidity needed to pay out DROP accounts to members. This is a specific risk applicable to this Fund due to the structure of the benefits provided.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Actuarial Standards of Practice No. 4 – Disclosures

Low Default Risk Obligation Measure (LDROM)

The Fund invests in a diversified portfolio to maximize investment returns at a reasonable level of risk. The lowest risk portfolio for a pension plan would be composed entirely of low-default-risk fixed income securities whose cash flows match the benefit cash flows of the Fund. Such a portfolio, however, would have a lower expected rate of return than the diversified portfolio. The Low-Default-Risk Obligation Measure (LDROM) represents the funding liability if the Fund invested its assets in such a portfolio. As of December 31, 2024, we estimate that such a portfolio based on the FTSE Pension Liability Index would have an expected return of 5.51% compared to the Fund's discount rate of 7.30%, and the LDROM would be \$1,800,455,219 compared to the Actuarial Liability of \$1,514,813,506. The \$285,641,713 difference represents the expected savings from bearing the risk of investing in the diversified portfolio. Alternatively, it also represents the cost of eliminating the investment risk.

If the Fund were to invest in the LDROM portfolio, the reported funded status would decrease, and employer contributions would need to increase. Benefit security for Fund members relies on a combination of the assets in the Fund, the investment returns generated from those assets, and the promise of future contributions. If the Fund were to invest in the LDROM portfolio, it would not alter the amount of assets currently in the Fund; however, it would reduce the expected future investment returns and decrease the Fund's funded ratio. However, the variability of future investment returns would narrow significantly.

Implications of Contribution Allocation Procedure on Funded Status

Based on the December 31, 2024 actuarial valuation, it is expected that:

- The Unfunded Actuarial Liability (UAL) will increase from \$349 million as of December 31, 2024, to \$388 million as of December 31, 2032, then gradually decrease until the UAL is fully amortized as of December 31, 2055.
- The Fund's funded status will remain relatively level until 2032 and then gradually improve to 100% as of December 31, 2055.

Reasonable Actuarially Determined Contribution ("Reasonable ADC")

Actuarial Standards of Practice No. 4 (ASOP 4) requires the actuary to calculate and disclose a reasonable Actuarially Determined Contribution. In our professional opinion, the contribution required by HB 2802 as described in Section II is a "Reasonable ADC" since it pays off the UAL over a reasonable time period with the Legacy Liability fully retired by December 31, 2055, and any new UAL established after December 31, 2024 amortized within 20 years.



AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Deterministic Scenarios/Stress Testing

We developed four hypothetical scenarios to illustrate how deviations from the assumed investment returns may impact future funded ratios and contributions. The scenarios presented are illustrative and intentionally balanced between positive and negative scenarios. They are intended to illustrate the importance of both the return itself and the timing of such returns.

The charts on the following pages show the projections under each of these theoretical scenarios:

Scenario	Description
A	Asset returns that are 1% higher than the expected return of 7.3% annually
B	Asset returns that are 1% lower than the expected return of 7.3% annually
C	Asset return for 2025 that is 10% higher than the expected return of 7.3% and then equal to the expected 7.3% for each year thereafter
D	Asset return for 2025 that is 10% lower than the expected return of 7.3% and then equal to the expected 7.3% for each year thereafter

The following pages provide the individual scenario projection charts in the same format as those included for the baseline scenario in Section I. The top projection chart compares the Market Value of Assets (MVA) (gold line) and the Actuarial or Smoothed Value of Assets (AVA) (blue line) to the Fund's actuarial liabilities (AL) (gray bars). In addition, at the top of each chart, we show the Fund's AVA funded ratio (ratio of AVA to AL). The second chart provides contribution information based on the selected economic scenarios.

The projected Actuarial Value of Assets (AVA) assumes the continued use of the 5-year asset smoothing method, as described in Appendix C. The projections also assume that both the City and firefighters make the required contributions outlined in HB 2802. These contributions are subject to the maximum corridor and a 2% of pay cap on increases for firefighters.

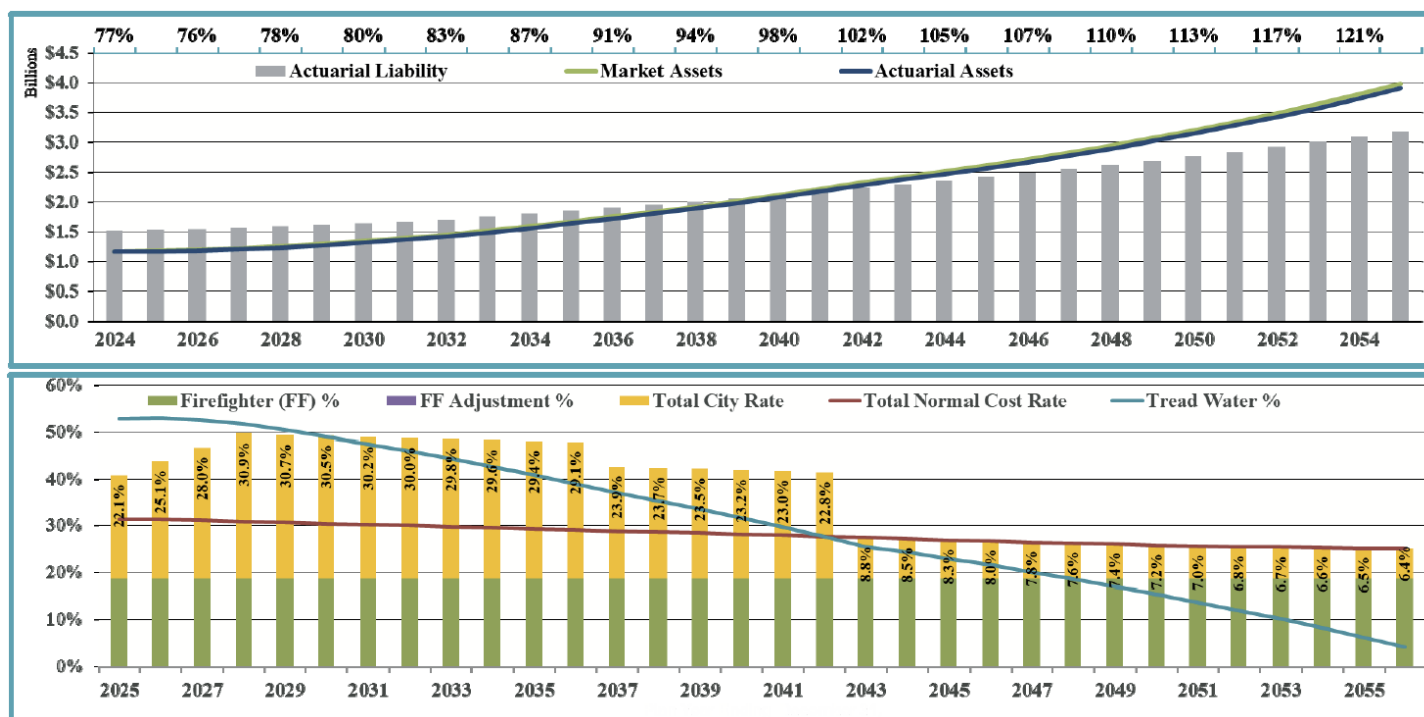
In the pessimistic scenarios, these contribution limits may result in total contributions from the City and firefighters falling short of the Actuarially Determined Contribution (ADC). In such cases, the City and AFRF would need to identify additional funding solutions, which are not reflected in the projections presented. Conversely, in optimistic scenarios, the potential for granting cost-of-living adjustments (COLAs) may increase. This may warrant revisiting the COLA assumption in future valuations – an adjustment that is also not reflected the projections.

AUSTIN FIREFIGHTERS RETIREMENT FUND ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Scenario A – Fund Earns 8.3% for Each Year Over the Projection Period

In this scenario, earning an additional 1% investment return each year over the projection period accelerates the Fund's path to full funding, reaching 100% funded status by December 31, 2041—approximately 14 years earlier than if returns were 7.3% annually. Once the funded ratio reaches 90%, the City is permitted to contribute below the corridor midpoint, resulting in reduced contributions between 2036 and 2037. After the Fund reaches full funding, it is assumed the City will continue to contribute the employer normal cost. This projection does not incorporate any changes to the COLA assumptions for either Group A or Group B. However, under more favorable investment return scenarios, the likelihood of granting COLAs increases. If COLAs are granted at a higher level than assumed, the assumptions may need to be updated, which would raise the actuarial liability and offset some of the projected improvement in the funded ratio.

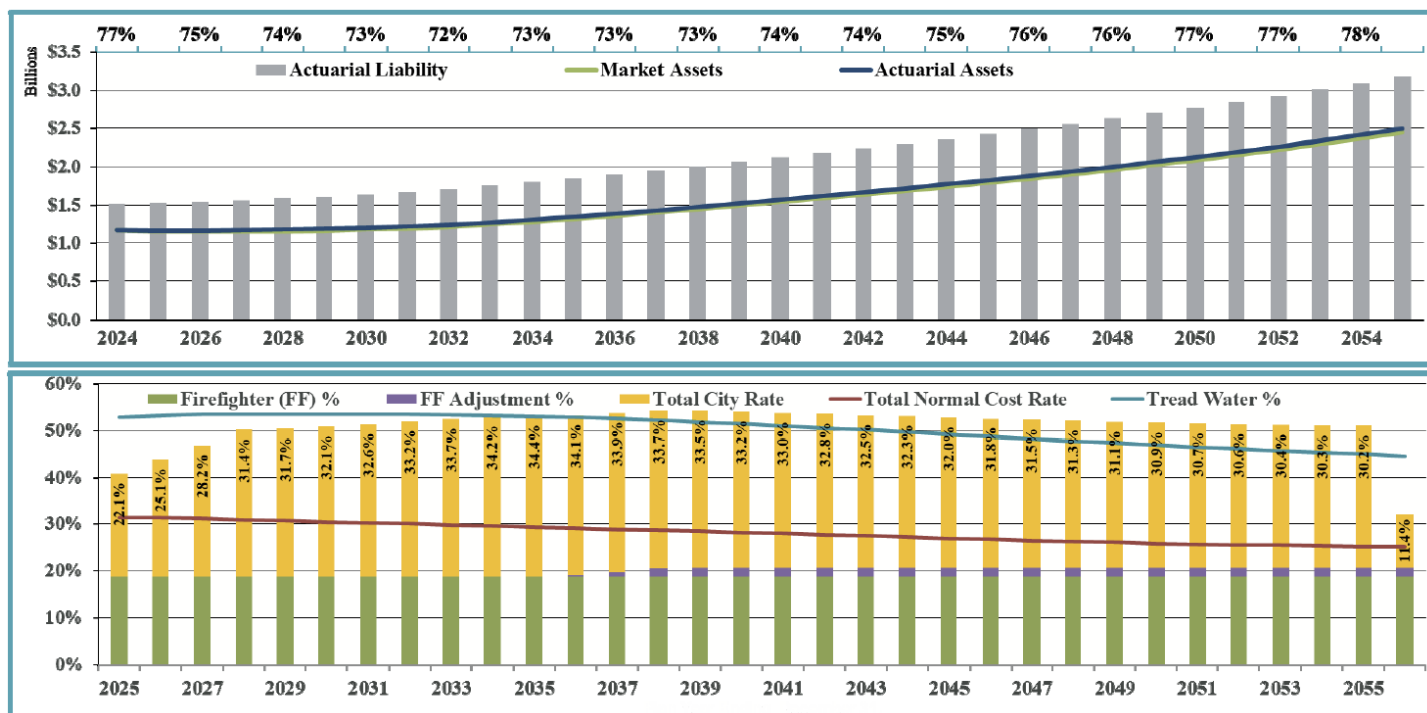


AUSTIN FIREFIGHTERS RETIREMENT FUND ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Scenario B – Fund Earns 6.3% for Each Year Over the Projection

Under this scenario, the asset return shortfall of 1% per year causes the City to reach the corridor maximum in the 2034 RVS and the additional 2% firefighter contributions are reached three years later in 2037. At that point, HB 2802 requires the Fund and the City to identify funding solutions. Because total contributions fall short of the Actuarially Determined Contribution (ADC), the funded ratio does not reach 100% by December 31, 2055.

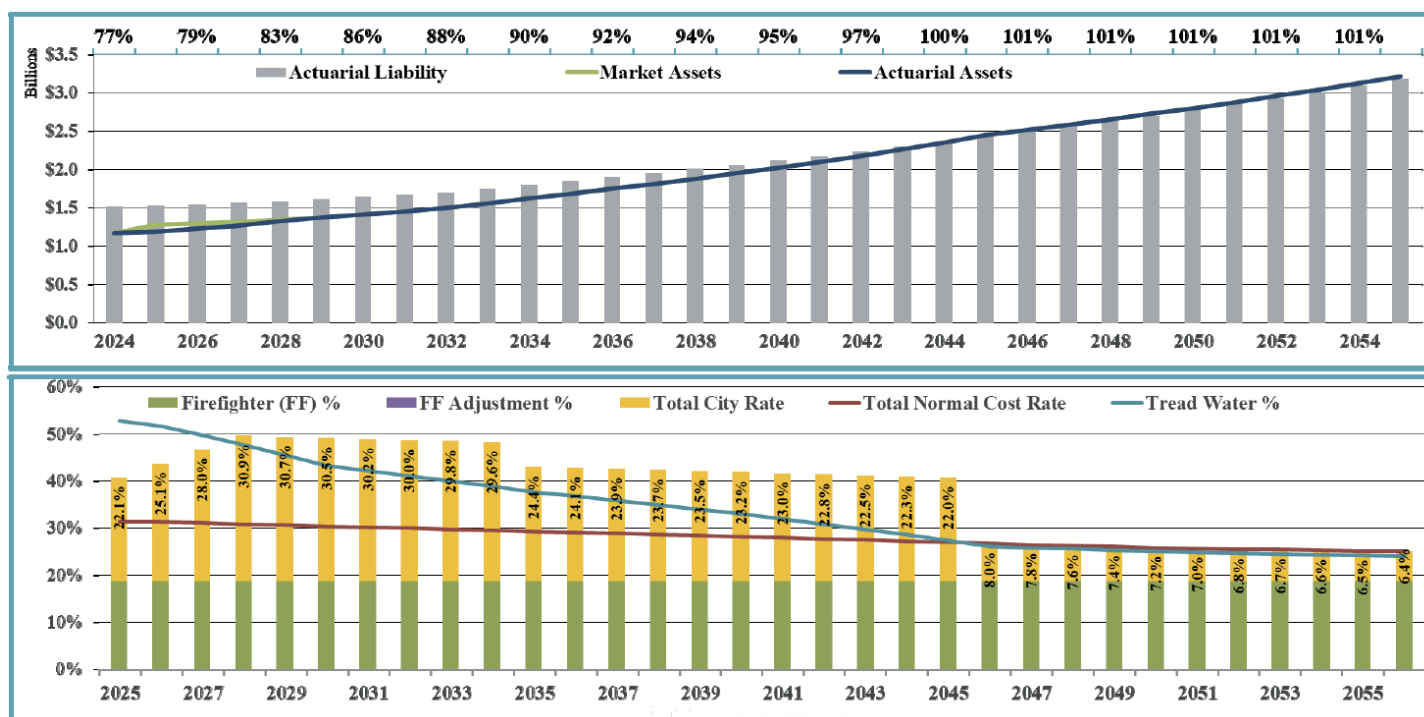


AUSTIN FIREFIGHTERS RETIREMENT FUND ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Scenario C – Fund Earns 17.3% for 2025 (10% above the expected return), then 7.3% per year each year thereafter

Similar to Scenario A, the additional investment return significantly accelerates the timeline for the Fund to reach 100% funded status, which is projected by December 31, 2044 in this scenario. Once the funded ratio reaches 90%, the City is permitted to contribute below the corridor midpoint, resulting in lower contributions between 2034 and 2035. After the Fund achieves full funding, it is assumed that the City will continue contributing the employer normal cost. This projection does not reflect any changes to the COLA assumptions for either Group A or Group B. However, under optimistic return scenarios, the likelihood of granting COLAs increases. Should COLAs be granted at a higher level than assumed, the assumptions may need to be revised, which would increase the actuarial liability and offset some of the projected improvement in the funded ratio.

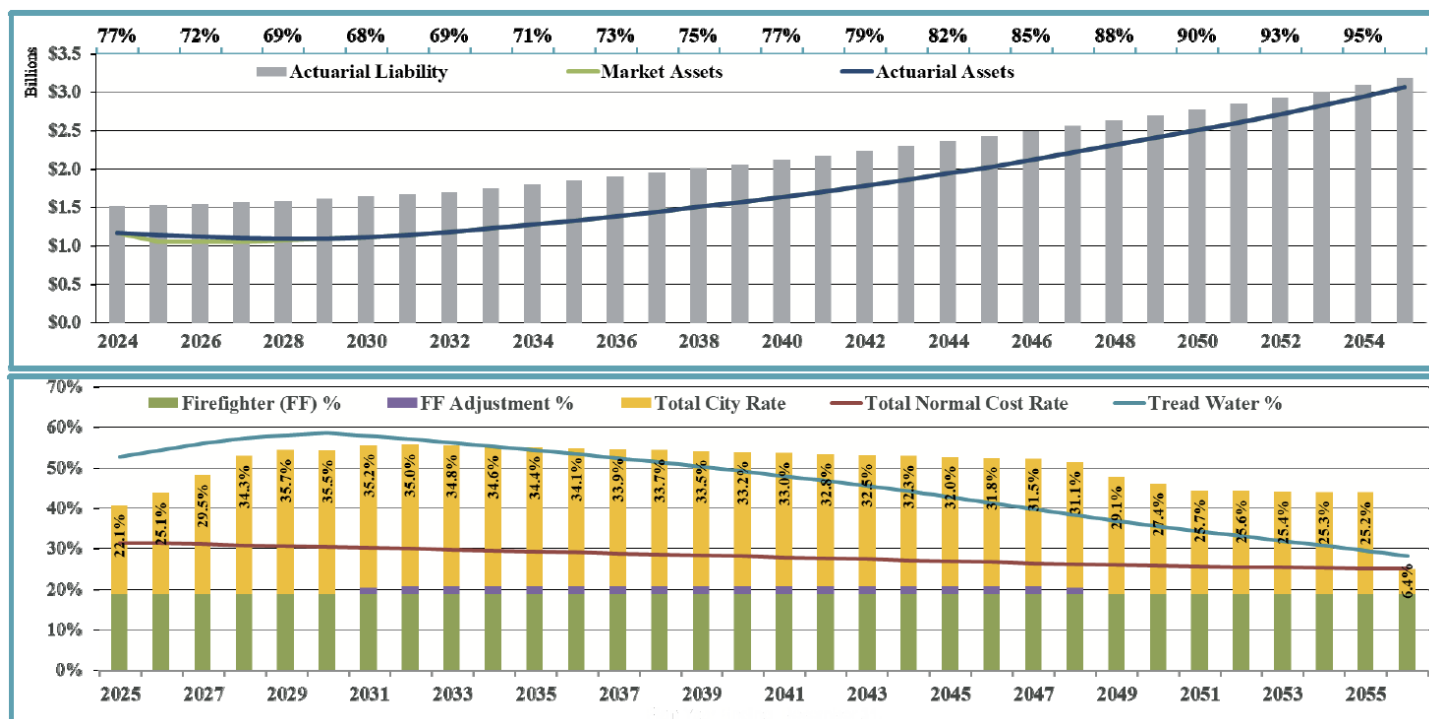


**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

SECTION III – IDENTIFICATION AND ASSESSMENT OF RISK

Scenario D – Fund Earns -2.7% for 2025 (10% below the expected return), then 7.3% per year each year thereafter

Under this scenario, the asset return shortfall in 2025 results in the City reaching the corridor maximum in the 2028 RVS and the additional 2% firefighter contributions are reached two years later in 2030. At that point, HB 2802 requires the Fund and the City to identify funding solutions. With total contributions not meeting the ADC, the funded ratio does not reach 100% by December 31, 2055.



AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION IV – ASSETS

Assets play a key role in the Fund's financial operation and in the decisions that the Board of Trustees may make regarding future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact benefit levels, employer contributions, and the ultimate security of members' benefits.

In this section, we present detailed information on the Fund's assets, including:

- Disclosure of the Fund's assets as of December 31, 2024
- Statement of the changes in market values during the year
- Development of the Actuarial Value of Assets
- A comparison of the year's investment performance to the return assumption

Disclosure

The Market Values of Assets represent “snap-shot” or “cash-out” values, which provide the principal basis for measuring financial performance from one year to the next. However, market values can fluctuate widely with corresponding swings in the marketplace. As a result, smoothed market values are usually used when reviewing a plan's financial condition,

The Actuarial Value of Assets (AVA) is based on market values that have been adjusted for investment gains and losses. Prior to HB 2802, the methods employed by this Fund set the actuarial value equal to the market value, adjusted for a five-year phase-in of investment experience gains and losses. Under HB 2802, the AVA is required to be set equal to the Market Value of Assets (MVA) for this December 31, 2024 valuation. While the Board has not adopted the methods applicable for future valuations, it is anticipated that use of a smoothed value balancing volatility with accuracy will be resumed with future valuations.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION IV – ASSETS

The assets below are based upon audited financial data furnished by the Fund's staff. The components of the market value of assets as of the current and immediately prior valuation year, as well as the change in these categories and the total market value of assets during the valuation year ending December 31, 2024 is summarized below.

Table IV-1 Statement of Market Value of Assets as of December 31,			
	2024	2023	% Change
Assets			
Cash & Short-Term Investments	\$ 10,257,895	\$ 9,926,468	3.34%
Receivables	203,099	253,269	(19.81%)
Fixed Income	342,930,024	331,716,446	3.38%
Domestic Equities	271,048,604	254,473,069	6.51%
International Equities	251,441,589	237,993,931	5.65%
Real Estate	86,712,059	91,280,409	(5.00%)
Natural Resources	29,268,041	33,647,743	(13.02%)
Private Equities	173,844,153	203,403,057	(14.53%)
Total Assets	\$ 1,165,705,464	\$ 1,162,694,392	0.26%
Liabilities			
Due to broker	\$ 358,226	\$ 0	0.00%
Accrued Expenses and Other Liabilities	0	0	0.00%
Total Liabilities	\$ 358,226	\$ 0	0.00%
Market Value of Assets	\$ 1,165,347,238	\$ 1,162,694,392	100.23%

Numbers may not add due to rounding

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION IV – ASSETS

The chart below shows the calculation of the investment gain/loss. On a market value basis, the Fund earned a 4.73% return during 2024, a total investment return of \$53.7 million, resulting in a net Fund asset loss on a market value of assets basis of \$29.3 million. On an Actuarial Value of Assets basis before reflecting setting the Actuarial Value of Assets to Market Value of Assets, the Fund had a return for the year of 5.22% which is below the 7.30% return assumed in the prior year's valuation, producing a loss of \$25.6 million to the Fund on that basis. With the passage of HB 2802, the Actuarial Value of Assets was set to the Market Value of Assets, resulting in a reduction of \$97.6 million and a net actuarial asset return of -2.75%.

Table IV-2
Changes in Value of Assets

	<u>Market Value of Assets</u>	<u>Actuarial Value of Assets</u>
1. Value of Assets - December 31, 2023	\$ 1,162,694,392	\$ 1,250,115,476
2. Calculation of Net Cash Flow		
(a) Member Contributions	\$ 22,071,057	\$ 22,071,057
(b) Employer Contributions	26,024,963	26,024,963
(c) Benefit Payments and Refunds	(96,508,820)	(96,508,820)
(d) Administration Expenses	(2,668,345)	(2,668,345)
(d) Net Cash Flow	\$ (51,081,145)	\$ (51,081,145)
3. Value of Assets - December 31, 2024	\$ 1,165,347,238	\$ 1,262,938,038
4. Net Investment Income [3. - 1. - 2.(d)]	\$ 53,733,991	\$ 63,903,707
5. Average Value of Assets [1. + 1/2 x 2.(d)]	\$ 1,137,153,820	\$ 1,224,574,904
6. Rate of Return [4. / 6.]	4.73%	5.22%
7. Assumed Rate of Return	7.30%	7.30%
8. Expected Net Investment Income	\$ 83,045,067	\$ 89,522,486
9. Investment Gain/(Loss) [4. - 8.]	\$ (29,311,076)	\$ (25,618,779)
10. AVA set to MVA Adjustment	N/A	\$ (97,590,800)
11. Final Value of Assets - December 31, 2024 [3+10]	\$ 1,165,347,238	\$ 1,165,347,238
12. Rate of Return Reflecting Final Assets	4.73%	-2.75%

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION IV – ASSETS

The following table illustrates the development of the Actuarial Value of Assets prior to reflecting the HB 2802 required reset to Market Value of Assets. The Actuarial Value of Assets represents a “smoothed” value developed by the actuary to reduce or eliminate erratic results that could develop from short-term fluctuations in the Market Value of Assets.

The Fund's Actuarial Value of Assets is based on the Market Value of Assets adjusted by a five-year smoothing of gains and losses on a market value basis. Additional details regarding this methodology are included in Appendix C of the report.

Table IV-3
Development of Actuarial Value of Assets

	Original	
	Gain/(Loss)	Deferred Portion
Defer 0% of 2020 Gain	\$ 79,891,968	\$ 0
Defer 20% of 2021 Gain	87,212,015	17,442,403
Defer 40% of 2022 Gain	(242,577,437)	(97,030,975)
Defer 60% of 2023 Loss	9,077,722	5,446,633
Defer 80% of 2024 Gain	(29,311,076)	(23,448,861)
Total Deferred Gain/(Loss) for AVA Calculation		\$ (97,590,800)
Market Value of Assets at December 31, 2024		\$ 1,165,347,238
Total Unrecognized Gain/(Loss)		(97,590,800)
Original Actuarial Value of Assets at December 31, 2024		\$ 1,262,938,038
Actuarial Value as a Percent of Market Value		108.4%
Actuarial Value of Assets at December 31, 2024		
AVA set to MVA as required by pension reform		\$ 1,165,347,238
Actuarial Value as a Percent of Market Value		100.0%

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION IV – ASSETS

The final table in this section summarizes the annual returns on both a Market and Actuarial Value of Assets value for the last ten years and provides averages over the last five and ten years for these two metrics.

Table IV-4 Historic Investment Return		
Year Ending December 31,	Market Value	Actuarial Value *
2024	4.7%	-2.8%
2023	8.1%	6.8%
2022	-11.6%	6.3%
2021	14.9%	12.0%
2020	15.4%	10.2%
2019	15.7%	7.1%
2018	-2.7%	6.2%
2017	17.1%	7.8%
2016	7.0%	5.8%
2015	0.7%	6.3%
Average Returns		
Last 5 years:	5.8%	6.4%
Last 10 years:	6.5%	6.5%

* The 2024 return reflects impact of pension reform. Prior to pension reform the investment return on an actuarial value basis was 5.22%.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION V – LIABILITIES AND EXPERIENCE GAINS/(LOSSES)

In this section, we provide detailed information related to the Fund's liability measurements, including:

- Disclosure of the Fund's liabilities,
- Development of the experience gains and losses from liabilities; and
- Detailed development of the sources of the liability gains and losses during the year.

The table that follows presents the present value of future benefits and the actuarial liabilities by membership status for the current and immediately preceding valuations. It also includes the normal cost for both valuations, as a dollar amount and as a percentage of the total pensionable payroll.

Table V-1			
Present Value of Future Benefits (PVFB) Detail and Liability Allocations			
	December 31, 2024		December 31, 2023
<u>Present Value of Future Benefits (PVFB)</u>			
Active Member Benefits	\$	950,570,347	\$ 929,544,905
Service Retirees, including DROP		845,837,429	809,962,511
Beneficiaries		59,784,854	55,478,855
Disability Retirees		7,037,235	7,371,979
Terminated Vested		4,727,230	4,240,326
Total Present Value of Future Benefits	\$	1,867,957,095	\$ 1,806,598,576
<u>Actuarial Liability</u>			
Active Member Benefits	\$	597,426,758	\$ 583,528,059
Service Retirees, including DROP		845,837,429	809,962,511
Beneficiaries		59,784,854	55,478,855
Disability Retirees		7,037,235	7,371,979
Terminated Vested		4,727,230	4,240,326
Total Actuarial Liability (AL)	\$	1,514,813,506	\$ 1,460,581,730
Total Normal Cost, middle of year	\$	35,799,396	\$ 34,350,082
Total Normal Cost as a % of Expected Payroll		30.07%	29.96%
Administration Expenses		<u>1.25%</u>	<u>1.25%</u>
Total Normal Cost Plus Admin. Expenses			
as a % of Expected Payroll		31.32%	31.21%
Expected Payroll	\$	119,063,835	\$ 114,653,245

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION V – LIABILITIES AND EXPERIENCE GAINS/(LOSSES)

The table below presents the changes in actuarial liability during the plan year. In general, the actuarial liability of any retirement Fund is expected to change at each subsequent valuation for various reasons. In each valuation, we report on those elements of the change in liabilities that are of particular significance, potentially affecting the Fund's long-term financial outlook. The first table summarizes the expected and actual liability as of December 31, 2024. The second table provides more details on the year's liability (gain)/loss components.

Table V-2	
Changes in Actuarial Liability	
Actuarial Liability as of December 31, 2023	\$ 1,460,581,730
Normal Cost	33,161,023
Benefit Payments	(96,508,820)
Interest	105,582,691
Assumption Changes	15,855,915
Benefit Changes	<u>(380,510)</u>
Expected Actuarial Liability as of December 31, 2024	\$ 1,518,292,029
Actual Actuarial Liability as of December 31, 2024	\$ 1,514,813,506
Actuarial Liability (Gain)/Loss	\$ (3,478,523)

Table V-3	
Actuarial Liability (Gain)/Loss by Source as of December 31, 2024	
Salary/Service Increase	\$ (2,189,211)
Retirement	(149,035)
Termination	(61,703)
Disability	(182,743)
Retiree Mortality	1,615,733
Other Experience	<u>(2,511,564)</u>
Experience (Gain)/Loss	\$ (3,478,523)

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION VI – ACTUARIALLY DETERMINED CONTRIBUTION BENCHMARK

Actuarially Determined Contribution Benchmark (“ADC Benchmark”)

Because the city and members each contributed to the Fund at a fixed rate before HB 2802 under Vernon’s Texas Civil Statute, Article 6243e.1, the Board developed an Actuarially Determined Contribution (ADC) benchmark for comparative purposes in the Fund’s Funding Policy dated December 16, 2019. This ADC benchmark is developed using the actuarial assumptions and methods identical to those disclosed in this report, except as follows:

Amortization Period—The ADC benchmark is the contribution rate that, if in effect as of the valuation date, would amortize the UAL as of the valuation date in 30 years. Note that while the Fund’s Funding Policy only specifies this 30-year open amortization period benchmark, a similar benchmark based on amortizing the UAL as of the valuation date fully over 20 years is provided for informational purposes.

Payroll Growth Assumption—The ADC benchmark will be calculated using a payroll growth assumption of the lesser of 3.0% and the Austin Fire Department’s average payroll growth over the last ten (10) years. This assumption is specified in the Fund’s Funding Policy. Since the 10-year average as of December 31, 2024 is 3.08%, a payroll growth assumption of 3.0% is used for this valuation’s ADC Benchmark calculations.

This Funding Policy has not yet been updated to reflect HB 2802. As such, we have provided the ADC Benchmark as required in this Funding Policy. See Section II for further discussion of the funding changes effective with HB 2802.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

SECTION VI – ACTUARIALLY DETERMINED CONTRIBUTION BENCHMARK

Table VI-1		
Development of Actuarially Determined Contribution Benchmark (ADC)		
For Plan Year Beginning 12/31 of:	2024	2023
<u>Valuation Results</u>		
Actuarial Liability	\$ 1,514,813,506	\$ 1,460,581,730
Actuarial Value of Assets	1,165,347,238	1,250,115,476
Unfunded Actuarial Liability (UAL)	\$ 349,466,268	\$ 210,466,254
Total Normal Cost ¹	\$ 37,287,694	\$ 34,350,082
Expected Payroll	\$ 119,063,835	\$ 114,653,245
Member Contribution Rate	18.70%	18.70%
Current City Contribution Rate	22.05%	22.05%
Total Statutory Contribution Rate	40.75%	40.75%
<u>ADC Benchmark</u>		
Normal Cost Rate ¹	31.32%	31.21%
Amortization of UAL Rate	17.24%	10.78%
Total Cost Rate	48.56%	41.99%
City Contribution Rate Based on ADC Benchmark	29.86%	23.29%
City Rate Surplus/(Deficit)	(7.81%)	(1.24%)

¹ Middle of the year and includes 1.25% of payroll for administration expenses effective December 31, 2023.

If determined to amortize the UAL fully over 20 years instead of the 30 years specified in the Fund's Funding Policy, the city contribution rate based on the "ADC Benchmark" as of December 31, 2024 would be 34.43%, producing a (12.38%) deficit relative to the current 22.05% statutory city contribution rate.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX A – FUND MEMBERSHIP

The data for this valuation was provided electronically in Excel format by the Fund’s office. Cheiron did not audit any of the data, but we did perform an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality. The data for active and inactive members is as of December 31, 2024.

The following pages contain a summary of the data provided:

- Member status reconciliation from December 31, 2023 to December 31, 2024
- Active member statistics, including age, service, and salary
- Age and service distribution for active members as of December 31, 2024
- Inactive member statistics, including age and average benefit amounts
- DROP statistics and DROP balance reconciliation

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX A – FUND MEMBERSHIP

Table A-1 Member Status Reconciliation						
	Actives	Term Vested Or Awaiting Refund	Retirees	Disability Retirees	Beneficiaries and Alt Payees	Total
1. December 31, 2023 Valuation	1,246	36	809	15	171	2,277
2. Additions						
a. New Entrants	48				6	54
b. Total	48	-	-	-	6	54
3. Reductions						
a. Benefits Expired						-
b. Refunds	(2)				(1)	(3)
c. Deaths with no Beneficiaries			(3)		(4)	(7)
d. Total	(2)	-	(3)	-	(5)	(10)
4. Changes in Status						
a. Disabled						-
b. Non Vested Termination	(5)	5				-
c. Retired	(36)		36			-
d. Terminated Vested						-
e. Death with Beneficiaries	(2)		(8)	(1)	11	-
f. Rehire						-
g. Data Corrections		(5)			1	(4)
h. Total	(43)	-	28	(1)	12	(4)
5. December 31, 2024 Valuation	1,249	36	834	14	184	2,317

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX A – FUND MEMBERSHIP

Table A-2			
Active Members Statistics			
	December 31, 2024	December 31, 2023	% Change
<u>Active Members in Valuation</u>			
Count			
Total	1,249	1,246	0.24%
Average Current Age			
Total	41.2	41.1	0.17%
Average Service			
Total	11.9	11.9	0.00%
Average Reported Pay			
Total	\$92,725	\$85,943	7.89%

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

APPENDIX A – FUND MEMBERSHIP

**AGE/SERVICE DISTRIBUTION OF ACTIVE MEMBERS
ACTIVE MEMBERS AS OF DECEMBER 31, 2024**

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	10	28	0	0	0	0	0	0	0	0	38
25 to 29	20	69	7	0	0	0	0	0	0	0	96
30 to 34	16	105	74	2	0	0	0	0	0	0	197
35 to 39	2	83	129	44	4	0	0	0	0	0	262
41 to 44	0	4	88	61	46	10	0	0	0	0	209
45 to 49	0	0	8	55	54	71	12	0	0	0	200
50 to 54	0	0	0	2	22	74	44	8	0	0	150
55 to 59	0	0	0	1	0	22	41	18	1	0	83
60 to 64	0	0	0	0	0	1	6	7	0	0	14
65 to 69	0	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0
Total	48	289	306	165	126	178	103	33	1	0	1,249

Average Age = 41.2

Average Service = 11.9

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX A – FUND MEMBERSHIP

Table A-3 Inactive Member Statistics			
	December 31, 2024	December 31, 2023	% Change
<u>Vested Terminated Members and Awaiting Refund</u>			
Count			
Total	36	36	0.00%
Average Current Age			
Total	39.4	39.1	0.91%
<u>Retirees, including DROP Members</u>			
Count			
Total	834	809	3.09%
Average Current Age			
Total	66.5	66.0	0.67%
Average Monthly Benefit			
Total	\$6,059	\$6,004	0.91%
<u>Disability Retirees</u>			
Count			
Total	14	15	-6.67%
Average Current Age			
Total	64.6	64.5	0.14%
Average Monthly Benefit			
Total	\$3,854	\$3,820	0.89%
<u>Beneficiaries and Alternate Payees</u>			
Count			
Total	184	171	7.60%
Average Current Age			
Total	68.3	68.7	-0.70%
Average Monthly Benefit			
Total	\$2,907	\$2,940	-1.13%

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

APPENDIX A – FUND MEMBERSHIP

Table A-4 DROP Statistics and DROP Balance Reconciliation			
	December 31, 2024	December 31, 2023	% Change
Number of DROP	326	330	-1.20%
Total DROP Balance	\$159,436,132	\$155,823,975	2.30%
As a % of Trust Assets	13.68%	13.40%	2.10%
Average DROP Balance	\$489,068	\$472,194	3.60%
<u>Reconciliation of DROP Balances</u>			
12/31/2023 Balance		\$155,823,975	
Deposits		26,281,926	
Interest		7,801,389	
Withdrawals		(30,471,158)	
12/31/2024 Balance		\$159,436,132	

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX B – SUMMARY OF PLAN PROVISIONS

Group A Members

1. Membership Requirement

All commissioned civil service and Texas state-certified firefighters with at least six months of service employed by the City of Austin fire department that were hired before January 1, 2026.

2. Salary

Salary (compensation) means base pay and longevity pay. No other forms of pay are included within the pensionable salaries.

3. Average Monthly Compensation

The average of the member's compensation for the 36 months of highest compensation.

4. Service Credit

One month of service credit is earned for each month the member makes the required contribution to the Fund.

5. Member Contributions

18.70% of Salary; subject to increase as needed to ensure the Fund receives the full ADC if City's maximum corridor is reached up to a maximum of 2%.

6. Normal Retirement

Eligibility: Age 50 with 10 years of service or 25 years of service, regardless of age.

Amount: 3.3% of average monthly compensation for each year of service with a minimum of \$2,000 per month.

Normal Form of Payment: Life Annuity with 75% continued to the Surviving Spouse (or designated beneficiary if the participant is unmarried).

7. Early Retirement

Eligibility: Age 45 with 10 years of service or 20 years of service regardless of age.

Amount: 3.3% of average monthly compensation for each year of service.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX B – SUMMARY OF PLAN PROVISIONS

8. Disability Retirement

Eligibility:	Upon approval of disability by the Board of Trustees.
Amount:	3.3% of average monthly compensation for each year of service (but not less than 20 years).

9. Death while an Active Employee

Eligibility:	Termination of employment due to death.
Amount:	The surviving spouse or designated beneficiary will receive 75% of the member's accrued benefit based on the greater of their service at death or 20 years of service. Each dependent child of a surviving spouse will receive 15% of the Member's accrued benefit, but not less than 9.9% of Average Monthly Compensation, with a reduction if there are more than five surviving dependent children.

10. Deferred Retirement

Eligibility:	Ten years of service. Must also elect to leave their member contributions in the Fund.
Amount:	The accrued benefit is payable at Normal Retirement eligibility, with such eligibility determined as if the member had remained employed.

11. Non-Vested Termination

Eligibility:	Less than ten years of service.
Amount:	A lump sum of member contributions with accumulated interest through December 31, 2025. Effective January 1, 2026, interest will not be earned on contributions.

12. Deferred Retirement Option Plan (DROP)

Under this program, a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP)

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX B – SUMMARY OF PLAN PROVISIONS

account. The monthly “payments” would be an amount equal to what the member’s monthly annuity would have been if the member had retired as of that eligible DROP date. Any eligible cost-of-living adjustments (COLAS) would be applied to the monthly annuity during this DROP period. During the DROP period, the member would have all their pension contributions and applicable annual interest of 5%. When the member retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed (all or part) to the member from the DROP account. After termination, the DROP account continues to earn interest at 5% per year until withdrawn.

In lieu of electing to participate in the DROP before actual retirement, a member who is eligible for normal service retirement may elect to terminate active service as a firefighter and establish the DROP account at termination. Under this “RETRO or BACK DROP,” the firefighter’s DROP account reflects the accrual from the actual termination date back to a date on or after the date they become eligible for normal service retirement.

The maximum period under which a firefighter can participate in a DROP is seven years. A firefighter may elect to establish a DROP account after reaching normal or early service retirement eligibility. Twelve total withdrawals are allowed while the retiree’s DROP account balance remains in the pension plan, with a maximum of four withdrawals in any year. These limits on withdrawals can be altered by board policy as long as such change is determined to be feasible. The withdrawals can either be in the form of a distribution to the retiree (provided the retiree reaches age 50 before retiring) or a rollover into a qualified IRA. The entire DROP balance must be withdrawn from the fund by April 1st of the calendar year following the year the retiree reaches age 70½.

13. Cost of Living Adjustments (COLA) Prior to January 1, 2026

When deemed affordable, eligible pension recipients are entitled to annual cost-of-living adjustments (COLA). COLAs are approved only when the fund’s actuary has advised the Board that such adjustment would not impair the fund’s financial stability based on the COLA Adjustment Policy approved by the Board. The COLAs are to be based on the annual percentage increase in the Consumer Price Index (CPI-U).

Members who retire under Early Retirement are only eligible for COLAs once they would have reached Normal Service Retirement eligibility had they continued their employment. The COLAs provided over the last ten years are as follows:

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

APPENDIX B – SUMMARY OF PLAN PROVISIONS

Effective Date	COLA
12/31/2024	0.00%
12/31/2023	0.00%
12/31/2022	0.00%
12/31/2021	5.40%
12/31/2020	1.40%
12/31/2019	1.70%
12/31/2018	2.30%
12/31/2017	2.20%
12/31/2016	1.50%
12/31/2015	0.00%

Effective January 1, 2026

The COLA amount, up to 1.5% per year, may be approved by the Board if the financial stability tests described below are met. Participants are eligible for any approved COLA upon reaching the later of age 67 and 5 years after retirement (age 69 if retired under early retirement).

The financial stability tests that must be satisfied, including the liability of the proposed COLA are:

1. Funded ratio on an AVA basis \geq 80% for years 2024 – 2039, 85% for years 2040–2044, and 90% for 2045 and later
2. Amortization period \leq 25 years for years 2024 – 2034, 20 years for years 2035–2039, and 15 years for 2040 and later
3. City's contribution rate \leq corridor midpoint + 4%
4. No COLAs may be granted in any year beginning a year and a day after the Fund reports:
 - a. A negative investment return
 - b. A five-year investment return below the assumed return

Note that 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.

14. Changes Since Last Valuation

With the passage of HB 2802 / SB 2345, non-vested terminations no longer receive interest on their contributions after January 1, 2026 and COLA eligibility, COLA amount, and financial stability tests were changed.

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

APPENDIX B – SUMMARY OF PLAN PROVISIONS

Group B Members

1. Membership Requirement

All commissioned civil service and Texas state-certified firefighters with at least six months of service employed by the City of Austin fire department that were hired on or after January 1, 2026.

2. Salary

Salary (compensation) means base pay and longevity pay. No other forms of pay are included within the pensionable salaries.

3. Average Monthly Compensation

The average of the member's compensation for the 60 months of highest compensation.

4. Service Credit

One month of service credit is earned for each month the member makes the required contribution to the Fund.

5. Member Contributions

18.70% of Salary; subject to increase as needed to ensure the Fund receives the full ADC if City's maximum corridor is reached up to a maximum of 2%.

6. Normal Retirement

Eligibility: Age 50 with 10 years of service or 25 years of service regardless of age.

Amount: 3.0% of average monthly compensation for each year of service with a minimum of \$2,000 per month.

Normal Form of Payment: Life Annuity

7. Disability Retirement

Eligibility: Upon approval of disability by the Board of Trustees.

Amount: 3.0% of average monthly compensation for each year of service (but not less than 20 years).

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX B – SUMMARY OF PLAN PROVISIONS

8. Death while an Active Employee

Eligibility:	Termination of employment due to death
Amount:	The surviving spouse or designated beneficiary will receive 75% of the member's accrued benefit based on the greater of their service at death or 20 years of service. Each dependent child of a surviving spouse will receive 15% of the Member's accrued benefit, but not less than 9.9% of Average Monthly Compensation, with a reduction if there are more than five surviving dependent children.

9. Deferred Retirement

Eligibility:	Ten years of service. Must also elect to leave their member contributions in the Fund.
Amount:	The accrued benefit is payable at Normal Retirement eligibility, with such eligibility determined as if the member had remained employed.

10. Non-Vested Termination

Eligibility:	Less than ten years of service.
Amount:	A lump sum of member contributions.

11. Deferred Retirement Option Plan (DROP)

Under this program, a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP) account. The monthly "payments" would be an amount equal to what the member's monthly annuity would have been if the member had retired as of that eligible DROP date. During the DROP period, the member would have 50% of their pension contributions and applicable annual interest of 4%. When the member retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed (all or part) to the member from the DROP account. After termination, the DROP account continues to earn interest until withdrawn at 4% per year if the Fund reports a positive return. If the Fund reports a return less than 0%, the following calendar year the DROP account earns 2% per year.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX B – SUMMARY OF PLAN PROVISIONS

The maximum period under which a firefighter can participate in a DROP is seven years. A firefighter may elect to establish a DROP account after reaching normal retirement eligibility. Twelve total withdrawals are allowed while the retiree's DROP account balance remains in the pension plan, with a maximum of four withdrawals in any year. These limits on withdrawals can be altered by board policy as long as such change is determined to be feasible. The withdrawals can either be in the form of a distribution to the retiree (provided the retiree reaches age 50 before retiring) or a rollover into a qualified IRA. The entire DROP balance must be withdrawn from the fund by April 1st of the calendar year following the year the retiree reaches age 70½.

12. Cost of Living Adjustments (COLA)

Performance-based COLA targeting 1% per year based on the Fund's asset returns for the previous five years. COLA amount equals 50% of the amount by which the five-year average return exceeds the assumed rate of return reduced by a 2% threshold (subject to a 0% minimum and 2% maximum). Participants are eligible for the approved COLA upon reaching the later of age 67 and 5 years after retirement.

13. Changes Since Last Valuation

Group B created by passage of HB 2802.

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Rate of Investment Return

7.30%, net of investment expenses only.

2. Price Inflation

2.5% per year.

3. Rates of Salary Increase

Salary increases are split into a wage inflation assumption of 2.50% and a merit scale based on service, shown below.

Years of Service	Merit Increase
0	7.00%
1	7.00%
2	6.50%
3	1.50%
4	0.50%
5	4.50%
6-7	1.00%
8	4.50%
9	0.50%
10	1.00%
11	3.50%
12	1.50%
13	1.00%
14	3.50%
15-16	1.00%
17	3.50%
18-19	1.00%
20	3.50%
21	0.50%
22+	0.00%

For fiscal 2024 and 2025, the salary increase assumption reflects additional base increases of 5.7% and 1.5%, respectively, based on the latest agreement between the City of Austin and Austin Firefighters Association Local 975.

4. Aggregate Payroll Growth

2.50% per year.

**AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024**

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

5. Disability

Age	Rate
Under 30	0.013%
30-39	0.040%
40-49	0.067%
50+	0.033%

6. Mortality Rates

Active and Vested Terminated Lives:

PubS(A)-2010 Mortality Table for Employees.

Retiree Lives:

PubS(A)-2010 Mortality Table for Healthy Retirees.

Contingent Survivor Lives:

PubS(A)-2010 Mortality Table for Contingent Survivors.

Disabled Lives:

PubS(A)-2010 Mortality Table for Disabled Retirees.

Generational mortality improvements are projected from 2010 using Scale MP-2021.

7. Withdrawal

Withdrawal rates are based on department and service, as shown below.

Years of Service	Rate
0-4	1.50%
5-14	0.75%
15+	0.00%

8. Retirement Rates

Age	Rate
Under 43	0.00%
43-48	3.00%
49-51	4.00%
52-53	7.00%
54	12.00%
55-57	20.00%
58-60	35.00%
61-62	50.00%
63+	100.00%

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

9. DROP Election

Group A Members are assumed to elect either normal retirement or DROP, with the DROP period maximizing the present value of their retirement benefits, including reflecting the impact of previously granted COLAs the member would be eligible for during the assumed DROP period. Group B Members are assumed to maximize their DROP period after age 50 up to 5 years.

10. Existing DROP Balances

Members with existing DROP balances are assumed to withdraw their balances over the next eight years, but no later than age 70 ½.

11. Future Cost-of-Living Adjustment Assumption

0.25% per year for Group A and 1.0% per year for Group B.

12. Active Payment Form Assumption

Life annuity with 75% continued to the surviving spouse (or designated beneficiary) for Group A and Life Annuity for Group B.

13. Percent Married

100% of actives are assumed to be married.

14. Beneficiary Age

A Male participant is assumed to be three years older than his beneficiary.

A Female participant is assumed to be one year younger than her beneficiary.

15. Dependent Children

50% of active members are assumed to have dependent children, and the youngest child is assumed to be one year old.

16. Administrative Expenses

Administrative expenses of 1.25% of payroll are added to the normal cost.

17. Technical and Miscellaneous Assumptions

Decrement timing: Beginning of year.

Terminated vested members: All terminated vested members are assumed married and assumed to retire at normal retirement eligibility.

The limits in IRC sections 415(b) and 401(a)(17) are assumed to increase 2.5% per year.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

18. Low-Default-Risk Obligation Measure (LDROM) Discount Rate

The discount rate for LDROM is based on the FTSE yield curve as of December 31, 2024 and the Fund's expected future benefit cash flows. The single equivalent rate as of December 31, 2024 is 5.51%.

19. Disclosures regarding Models Used

In accordance with Actuarial Standard of Practice (ASOP) No. 56 *Modeling*, the following disclosures are made related to the valuation software:

A. Valuation Software

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech), to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in the assumptions or output of ProVal that would affect this valuation. We have reviewed the underlying workings of this model to the degree feasible and consistent with ASOP No. 56 and believe them to be appropriate for the purposes of the valuation.

B. Projections

Projections in this report were developed using P-Scan, our proprietary tool for the intended purpose of developing projections. The projections shown in this report cover multiple individual scenarios and the variables are not necessarily correlated. We are not aware of any material inconsistencies, unreasonable output resulting from aggregation of assumptions, material limitations or known weaknesses that would affect the projections shown in this report.

The projections are based on the same census data and financial information as of December 31, 2024 as disclosed in this actuarial valuation. The projections assume continuation of the plan provisions, actuarial assumptions in effect as of December 31, 2024, and active membership remains at current levels. They do not reflect the impact of any changes in benefits (other than those required by HB 2802) or actuarial assumptions that may be adopted after December 31, 2024.

The projections assume that all future assumptions are met except where specifically indicated. Future outcomes become increasingly uncertain over time; therefore, general trends and not absolute values should be considered when reviewing these projections. Further, for the purpose of these projections, we have only reflected the impact of new entrants entering the Fund in aggregate and have not developed individual liabilities or detailed profiles related to these potential new entrants. We feel this is appropriate for the purpose of these projections, but if they were to be used for other purposes, this may not be appropriate, and alternative projections may need to be developed.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

20. New Entrant Profile for Initial Risk Sharing Valuation and Projections

When existing Group A members are assumed to decrement and no longer be active after December 31, 2025, it is 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. For the purposes of these projections, we assumed that the characteristics of future hires will exactly mirror the 127 members (94% male, 6% female) hired in 2023 and 2024. In our professional judgement, this assumption is reasonable and appropriate for the purpose of this initial RSVS.

21. Changes since Last Valuation

Future cost-of-living adjustments are assumed to be 0.25% per year for Group A as required by HB 2802 and future cost-of-living adjustments are assumed to be 1.0% for Group B.

22. Rationale for Assumptions

The actuarial assumptions were chosen by the Board of Trustees, upon the recommendation of the actuaries, based on an experience study issued by Cheiron on March 25, 2024, based on data through December 31, 2022, and adopted by the Board at the March 25, 2024 meeting.

HB 2802 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 report. 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 HB 2802, in our professional judgement, this assumption is reasonable and appropriate for this purpose. However, we have not performed any quantitative analysis of this assumption.

Group B COLA provided under HB 2802 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, 1.0% per year was selected for Group B Future COLA assumption. In our professional judgment, this assumption is reasonable and appropriate for the purpose of this analysis.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

Liabilities and contributions shown in this report are computed using the entry age normal funding method. Under this funding method, a normal cost rate is determined as a level percentage of pay for each active member. The normal cost rate times payroll equals the total normal cost for each member. The normal cost plus member contributions will pay for projected benefits at retirement for each active Fund member.

The actuarial liability is that portion of the present value of future benefits that will not be paid by either future employer normal cost contributions or member contributions. The difference between this liability and the assets accumulated as of the same date is referred to as the Unfunded Actuarial Liability (UAL).

Beginning with the 2026 calendar year, the contributions will be determined based on an Actuarially Determined Contribution as described in Section II of this report. Prior to January 1, 2026, the City and firefighters contributions were fixed at 22.05% and 18.70% of pay, respectively.

2. Asset Valuation Method

The actuarial value has been calculated by taking the market value of assets less 80% of the investment gain (loss) during the preceding year, less 60% of the investment gain (loss) during the second preceding year, less 40% of the investment gain (loss) during the third preceding year, and less 20% of the investment gain (loss) in the fourth preceding year.

The investment gain (loss) is calculated by taking the difference between the expected market value of assets based on an investment return assumption and the actual market value of assets.

As required by HB 2802, the actuarial value of assets was set to market value of assets as of December 31, 2024.

3. Amortization Method

Closed 30-year level percentage of pay amortization for the Legacy Liability. Future unanticipated changes in unfunded actuarial liability will be amortized as follows:

- A. Losses: Closed 20-year level percentage of pay amortization
- B. Gains: Closed 20-year level percentage of pay amortization, however the amortization period may not be shorter than the largest liability loss layer remaining amortization period.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

For the Actuarially Determined Contribution (ADC) Benchmark, the amortization method is an open 30-year level percentage of pensionable pay amortization based on a payroll growth assumption of 3.00% per the Board's Funding Policy.

4. Changes since Last Valuation

With the passage of HB 2802, the following changes were made:

- Beginning in 2026, contributions to the Fund will be based on an Actuarially Determined Contribution basis.
- The actuarial value of assets was set to the market value of assets.
- The Legacy Liability will be amortized over a closed 30-year period.
- The amortization of future changes to UAL is set to a closed, layered, 20-year amortization for future losses and gains are amortized over a closed layered period that is the equal to the period remaining for the largest liability loss layer or 20 years if no layer exists.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX D – GLOSSARY

Glossary

Corridor midpoint: the projected municipal contribution rate specified for each calendar year for 30 years as provided by the initial risk sharing valuation study, rounded to the nearest hundredths decimal place.

Corridor: the range of municipal contribution rates that are:

- (A) equal to or greater than the minimum municipal contribution rate; and
- (B) equal to or less than the maximum municipal contribution rate.

Employer normal cost rate: for a given calendar year, the normal cost rate minus the applicable firefighter contribution rate.

Estimated municipal contribution rate: for a given calendar year, a municipal contribution rate equal to the sum of the municipal normal cost rate and the amortization rate of the liability layers, as applicable, excluding the legacy liability layer, and before adjustments to the rate to be within the Corridor.

Five-year investment return: means the average money-weighted rate of return of the fund, based on a rolling five-year basis and net of investment expenses, for the applicable five-year period.

Funded ratio: the ratio of assets divided by the actuarial accrued liability. Where the asset measure is not specified, the asset basis is the smoothed, actuarial value of assets (AVA).

Group A Members: Members hired before January 1, 2026

Group B Members: Members hired on or after January 1, 2026

Group B cost-of-living adjustment percentage: a percentage that is equal to the excess of the Fund's five-year investment return over the assumed rate of return, reduced by a 2% adjustment factor, multiplied by 50 percent. The resulting COLA is limited by a minimum of zero percent and a maximum of two percent.

Legacy liability: the unfunded actuarial accrued liability determined as of December 31, 2024, and for each subsequent calendar year reduced by the municipal legacy contribution amount for the calendar year allocated to the amortization of the legacy liability; and adjusted by the assumed rate of return adopted by the board of trustees for the calendar year ending December 31, 2024.

Level percent of payroll method: an amortization method that defines the amount of the liability layer recognized each calendar year as a level percent of pensionable payroll until the amount of the liability layer remaining is reduced to zero.

Liability gain layer: a liability layer that decreases the unfunded actuarial accrued liability.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX D – GLOSSARY

Liability layer: means the legacy liability established in the initial risk sharing valuation study or for calendar years after December 31, 2024, the amount that the fund's unfunded actuarial accrued liability increases or decreases, as applicable, due to the unanticipated change for the calendar year as determined in each subsequent risk sharing valuation study.

Liability loss layer: a liability layer that increases the unfunded actuarial accrued liability. The legacy liability is included as a liability loss layer.

Maximum municipal contribution rate: for a given calendar year, the rate equal to the corridor midpoint plus the corridor margin.

Minimum municipal contribution rate: for a given calendar year, the rate equal to the corridor midpoint minus the corridor margin.

Municipal contribution rate: for a given calendar year, a percentage rate equal to the sum of the employer normal cost rate and the amortization rate, as adjusted for the corridor, if applicable.

Municipal legacy contribution amount: for each calendar year, a predetermined payment amount expressed in dollars in accordance with a payment schedule amortizing the legacy liability for the calendar year ending December 31, 2024.

Normal cost rate: for a given calendar year, the salary-weighted average of the individual normal cost rates determined for the current active member population, plus the assumed administrative expenses determined in the most recent actuarial experience study.

Payoff year: the year a liability layer is fully amortized under the amortization period.

Pensionable payroll: the compensation of all members in active service for a calendar year or pay period, as applicable.

Projected pensionable payroll: the estimated pensionable payroll for the calendar year beginning 12 months after the date of the risk sharing valuation study by projecting the prior calendar year's pensionable payroll forward two years using the current payroll growth rate assumption adopted by the board of trustees; and adjusting, if necessary, for changes in population or other known factors, provided those factors would have a material impact on the calculation, as determined by the board of trustees.

Unanticipated change: means, with respect to the unfunded actuarial accrued liability in each subsequent risk sharing valuation study, the difference between the remaining balance of all then-existing liability layers as of the date of the risk sharing valuation study that were created before the date of the study; and the actual unfunded actuarial accrued liability as of the date of the risk sharing valuation study.

AUSTIN FIREFIGHTERS RETIREMENT FUND
ACTUARIAL VALUATION AS OF DECEMBER 31, 2024

APPENDIX D – GLOSSARY

Unfunded actuarial accrued liability: the difference between the actuarial accrued liability and an asset measure. Where not specifically specified, the asset basis is the actuarial value of assets.



PLAN PROVISION SECTION

Historical Plan Provision Changes
Summary of Plan Benefits

HISTORICAL PLAN PROVISION CHANGES

Fund History

The Austin Firefighters Retirement Fund (*AFRF* or *the Fund*) was first created in 1937 by an Act of the 45th Legislature under the Texas Local Fire Fighters Retirement Act (Article 6243e, Vernon's Texas Civil Statutes). In 1975, the 64th Legislature enacted Article 6243e.1, to establish the Fund independently in state statute. AFRF is a single employer contributory defined benefit pension plan that provides retirement, disability, death, and survivor benefits to approximately 2300 active and retired firefighters of the City of Austin and their beneficiaries.

Plan Provision Changes

Significant changes in plan provisions including benefit enhancements since 1975 are as follows:

1975

- 2.0% COLA approved.
- The retirement calculations changed from using the highest 5 years' average salary to using the highest 3 years' average salary.
- The minimum monthly disability benefit changed from \$100 to \$200.
- The contribution rate by the firefighters increased from 11.85% to 13.7% of salary.
- State statute Article 6243e.1 is created pertaining only to the Austin Firefighters Pension Fund, allowing the plan to branch away from the former statewide system.

1976

- 2.0% COLA approved.

1977

- 2.0% COLA approved.

1978

- 2.0% COLA approved.
- The retirement multiplier increased from 2.0% to 2.1%

1979

- 2.0% COLA approved.
- The minimum monthly spousal benefit increased from \$100 to \$200.
- The minimum children's benefit increased from \$50 to \$100.

1980

- 2.0% COLA approved.

1981

- 2.0% COLA approved.

1982

- 2.0% COLA approved.
- The retirement multiplier increased from 2.1% to 2.2%

1983

- 2.0% COLA approved.

1984

- 2.0% COLA approved.
- The retirement multiplier increased from 2.2% to 2.3%.
- An actuarial study was conducted to increase all retirees' benefits to offset against inflation.

1985

- 4.0% COLA approved.
- The retirement multiplier increased from 2.3% to 2.5%.
- Early retirement eligibility set at age 50 and 25 years of service.
- The City of Austin contribution rate increased from 14.0% to 14.05%.
- Employee contributions treated as employer contributions for federal income tax purposes. Contributions are paid pre-taxed, creating more take home pay.
- A benefit increase for all retirees was approved to "catch benefits up" with inflation since the time of retirement. If the resulting monthly benefit for a retiree was less than \$500, then a \$500 minimum monthly benefit was approved.

1986

- 3.0% COLA approved.

1987

- 1.5% COLA approved.
- The retirement multiplier increased from 2.50% to 2.65%.
- Normal retirement eligibility remains at age 55, while normal retirement eligibility at any age was lowered from 35 years of service to 30 years of service.

1988

- 4.0% COLA approved.
- The retirement multiplier increased from 2.65% to 2.90%.

1989

- 4.25% COLA approved.
- The workers' compensation offset for disability benefits was eliminated.
- Actuarial assumption adopted that 12% of firefighters were assumed to be single at retirement.

1990

- 4.50% COLA approved.

1991

- 6.3% COLA approved.
- The minimum monthly pension benefit for eligible retirees and beneficiaries increased from \$500 to \$850.
- Normal retirement eligibility was lowered from age 55 to age 53. Normal retirement eligibility at any age was lowered from 30 years of service to 28 years of service.
- Surviving children became eligible for full spousal benefits in the event there is no surviving spouse.
- Actuarial assumption for salary growth decreased from 6.50% to 5.50% annually.

1992

- 2.9% COLA approved.
- The minimum monthly pension benefit for eligible retirees and beneficiaries increased from \$850 to \$1000.
- The actual assumption for a 5% anticipated COLA was extended through 1996.

1993

- 3.2% COLA approved.
- Normal retirement eligibility was lowered from age 53 to age 52. Normal retirement eligibility at any age was lowered from 28 years of service to 27 years of service.
- Early retirement eligibility lowered from age 50 with 25 years of service to age 50 OR 25 years of service, regardless of age.
- The survivor benefit changed to a flat 75% of retiree's benefit.
- Contribution refunds are paid with 5% interest.
- Actuarial assumption for payroll growth no longer assumed a 1% growth in membership annually.
- The actuarial assumption for a 5% anticipated COLA was extended through 1998.

1994

- 2.80% COLA approved.
- The minimum monthly pension benefit for eligible retirees and beneficiaries increased from \$1,000 to \$1,200.
- The City of Austin contribution rate increased from 14.05% to 16.05%. The firefighter contribution rate remained at 13.7% of pay.

1995

- 2.6% COLA approved.
- The retirement multiplier increased from 2.90% to 3.0%.
- Early retirement eligibility was lowered from age 50 to age 48 with at least 10 years of service. Early retirement eligibility at any age was lowered from 25 years of service to 23 years of service.
- Normal retirement eligibility was lowered from age 52 to age 50 with at least 10 years of service. Normal retirement eligibility at any age was lowered from 27 years of service to 25 years of service. A Deferred Retirement Option Plan (DROP) was added, allowing up to 2 years of service designated for DROP participation.
- The City of Austin contribution rate increased from 16.05% to 18.05%. The firefighter contribution rate remained at 13.7% of pay.
- An actuarial assumption for a 5% anticipated COLA was extended through 2002.

1996

- 2.90% COLA approved.

1997

- 3.0% COLA approved.
- Early retirement eligibility was lowered from age 48 to age 45 with at least 10 years of service. Early retirement eligibility at any age was lowered from 23 years of service to 20 years of service.
- COLA eligibility was delayed until normal retirement eligibility is met.
- The Deferred Retirement Option Plan (DROP) was extended from a maximum of 2 years to a maximum of 5 years of service.
- Benefits were made available to surviving spouses of retirees married after retirement. The requirement that a spouse's benefits terminate after remarriage was eliminated.
- The "meet and confer" agreement "bought down" firefighter contributions to 11.70%, while City contributions increased to 20.05%. Firefighters continued to get contribution credit for 13.70% per statutory requirements.
- An actuarial assumption for a 5% anticipated COLA was extended through 2004.

1998

- 2.10% COLA approved.
- The actuarial assumption for DROP participation rate was revised to 100% of the members to retire and elect a 5-year DROP one year following the age first eligible for a 5-year DROP.

1999

- 1.5% COLA approved.
- The retirement multiplier increased from 3.0% to 3.1%, to be used in all retirement and DROP calculations regardless of DROP date, effective September 1, 1999.
- The Deferred Retirement Option Plan (DROP) benefits are made available to eligible survivors of members who die before retirement but after becoming eligible for a DROP.
- A 3.33% benefit increase was approved effective September 1, 1999, for all retirees at the time based on the percentage increase of the retirement multiplier from 3.0% to 3.10%.
- After 2004, annual COLAs of 0.5% would be granted to retirees and beneficiaries if inflation was at least 0.5%. The COLA was not limited to 0.5%, but the idea was to determine required funding in advance. If inflation exceeded 0.5%, the Board and actuary would have to approve any portion above 0.5% based on the financial health of the Fund.
- Mortality rate assumption for actives and non-disabled annuitants were updated to the 1994 Group Annuity Mortality tables, to reflect industry standards.
- The Fund made an actuarial assumption of 3.50% anticipated COLA through 2004 (which was less than the 5% anticipated COLA previously assumed).

2000

- 2.60% COLA approved.

2001

- 3.4% COLA approved.
- The retirement multiplier increased from 3.10% to 3.30%, to be used in all retirement and DROP calculations regardless of the Deferred Retirement Option Plan (DROP) date, effective September 1, 2001.
- DROP extended from a maximum of 5 years to a maximum of 7 years of service.
- A survivor benefit was made available for all unmarried retirees and for unmarried firefighters who die after becoming eligible to retire per statutory provisions. The percentage is an actuarial equivalent of 75% of the firefighter's accrued benefit and is tied to the age difference of the firefighter and the designated beneficiary.
- A 6.45% benefit increase was approved, effective September 1, 2001, for all retirees at the time based on the percentage increase of the retirement multiplier from 3.10% to 3.30%.

2002

- 2.1% COLA approved.

2003

- The firefighter contribution rate increased from 13.7% to 15.7%, effective June 1, 2003. The City of Austin contribution rate remained at 18.05%.

2005

- A \$32.00 per month increase in benefits was approved for all eligible retirees.

2006

- A \$100.00 per month increase in benefits was approved for all eligible retirees.

2010

- The City of Austin contribution rate increased from 18.05% to 22.05%, completed in four 1% increments by 2013. The firefighter contribution rate increased from 15.7% to 18.7%, completed in six 0.5% increments by 2016.

2012

- The minimum monthly pension increased to \$2,000 for all annuitants who were members of the Fund in 1994 when the last adjustment of this type was made.

2013

- \$93.00 per month increase in benefits for all eligible retirees.

2014

- \$64.00 per month increase in benefits for all eligible retirees.

2015

- 1.3% COLA approved.

2016

- New fund rules (Section VI of Fund Rules as posted on website) were adopted for both active and retired firefighters regarding survivor and beneficiary designations. New optional forms of benefits (Section X of Fund Rules as posted on website) were adopted which now include the Single Life Annuity (SLA) option.

2017

- 1.5% COLA approved.
- New fund rules (Section VI of Fund Rules as posted on website) were adopted regarding the number of beneficiary designation changes allowed for unmarried retirees. New fund rules (Section XI of Fund Rules as posted on website) were adopted regarding possible retirement benefits and procedures upon indefinite suspension.

2018

- 2.2% COLA approved.

2019

- 2.3% COLA approved.

2020

- 1.7% COLA approved.

2021

- 1.4% COLA approved.

2022

- 5.4% COLA approved.

2025

- House Bill 2802 was signed into law on June 20, 2025.
- The City of Austin fixed contribution rate of 22.05% was transitioned to a modified actuarially determined contribution (ADC) structure with a $\pm 5\%$ corridor. The firefighter contribution rate remained at 18.70%, subject to a risk-sharing increase of $\leq 2\%$ to ensure the Fund receives the full ADC during any year in which the City's maximum corridor is reached.
- A new benefit tier was added, effective January 1, 2026. Firefighters hired prior to the effective date were designated as Group A, while firefighters hired on or after the effective date were designated as Group B.
- Benefit changes for Group A members were limited to an elimination of interest on non-vested contribution refunds and a modification to the COLA benefit structure. An actuarial benefit reduction was also established for all post-retirement beneficiary designations, regardless of marital status.
- Group B members maintained a similar benefit structure to Group A with different benefit parameters:
 - Normal form of payment: Single Life Annuity
 - Eligibility at age 50 with 10 years of service or 25 years of service regardless of age (no early retirement)
 - Highest Average Salary calculated with highest 60-month average of pensionable income
 - Retirement multiplier is 3.0% of highest average salary for each year of service; minimum monthly benefit set at \$2,000.
 - Forward DROP program, up to 7 years upon satisfaction of retirement eligibility
 - Performance-based ad hoc COLA structure when eligibility criteria is met
- Military service is credited for up to 5 years upon purchase, effective January 1, 2026.

SUMMARY OF PLAN BENEFITS

This section provides a general overview of AFRF's benefit provisions.* If there is any discrepancy between this general overview and state or federal law, those governing statutes will take precedence. The full [AFRF Benefits Guide](#) is available on the Fund's website.

ELIGIBILITY

All commissioned civil service firefighters of the Austin Fire Department who have been certified by the State of Texas as a firefighter become members of the Fund as a condition of employment. Once a firefighter has become a member, they will remain a member of the Fund unless they terminate service and receive a refund of accumulated contributions. Fire Cadets are not eligible to be members of the Fund while in the Fire Academy. Cadets do not make contributions to the Fund, nor do they earn service credit under the Fund during the period of training prior to becoming a commissioned civil service firefighter.

CONTRIBUTIONS

Members of the Fund contribute 18.70% of their "Compensation" to the Fund each pay period through a payroll deduction. All contributions a member makes to the Fund are considered their accumulated contributions but become part of the overall assets of the Fund. The City contributes an amount equal to 22.05% of the compensation of all members of the Fund each pay period and are not attributable to an individual member.

COMPENSATION CONSIDERED

"Compensation" for purposes of contributions to the Fund include a member's base pay and any longevity pay. Compensation does not include any amount earned from overtime pay, temporary pay in higher classifications, educational incentive pay, assignment pay, Christmas Day bonus pay, or pay for automobile and clothing allowance, if applicable.

SERVICE CONSIDERED

Members earn one month of service credit in the Fund for each month that they make a contribution to the Fund. Members do not earn service credit for any time during which they are receiving a disability retirement annuity from the Fund or during participation in the Deferred Retirement Option Plan (DROP). Military service, only which interrupts fire department service, may be considered for service credit under certain circumstances.

RETIREMENT BENEFIT

The Fund is a defined benefit plan that provides monthly retirement annuity benefits that are payable for a member's lifetime based on service credit, the average of their highest 36 months of compensation, and a 3.30% multiplier. Members become eligible for normal service retirement upon either (1) attaining age 50 with at least 10 years of service credit, or (2) accruing 25 years of service credit, regardless of age. The Fund offers multiple forms of benefits for members to choose from, including a Normal Retirement Annuity with a Joint & Survivor (75%) Benefit and an actuarially adjusted Single Life Annuity with no Survivor Benefit. Upon retirement, members receive a monthly retirement annuity benefit less required deductions for tax withholding. Additional deductions are made for members who choose to enroll in health, dental, and vision insurance offered by the City of Austin or elect other voluntary deductions in accordance with the procedures adopted by the Fund.

** Benefit provisions do not reflect legislative changes made by House Bill 2802, which will take effect January 1, 2026.*

EARLY RETIREMENT BENEFIT

Group A members qualify for early retirement upon either (1) attaining age 45 and accruing at least 10 years of credited service in the Fund or (2) accruing at least 20 years of credited service in the Fund, regardless of age. Early retirement annuity benefits are calculated the same as a normal service retirement, but the member will not be eligible for any cost-of-living adjustments (COLAs) granted by the Board until they either attain age 50 or would have accrued 25 years of credited service in the Fund, had they remained in active service through such date. Group B members are ineligible for early retirement.

DEFERRED RETIREMENT OPTION PLAN

The Deferred Retirement Option Plan (DROP) is an alternative form of benefit that members may elect once they become eligible for retirement. The purpose of the DROP is to provide financial planning flexibility to members upon retirement by providing a reduced monthly retirement annuity benefit and a lump-sum benefit, as opposed to only a monthly retirement annuity benefit. At the time a member elects to participate in the DROP, they must select an effective date for their DROP participation, which cannot be more than 7 years prior to the actual date of termination with the Fire Department. A member is considered “retired” for purposes of the Fund during the period between the DROP effective date and the actual date of termination from the Fire Department.

When a member elects to participate in the DROP, an account is established and maintained in the records of the Fund and is credited with (1) the amount of the monthly retirement annuity benefit that the member would have received had they retired on their DROP effective date, multiplied by the number of months in their elected DROP period, (2) member contributions that they make or made to the Fund during the DROP period, and (3) interest. DROP account balances are credited at the end of each month with interest equaling one-twelfth of five percent (5%). DROP participants are eligible to receive any COLAs that are granted by the Board during their DROP period, which will be applied to the monthly retirement annuity benefits that are being credited to the DROP account, as applicable. DROP participants are not eligible to receive credit for any additional service credit or salary increases that they may receive after their DROP effective date.

DROP participants may not receive a distribution from their DROP account before termination of active service as a firefighter. Upon terminating active service and beginning to receive a monthly retirement benefit annuity, DROP participants may choose to receive the amount credited to their DROP account through a single-payment distribution, or up to 12 total payments not to exceed 4 payments per year, either of which must occur prior to April 1 of the year following the year in which the participant attains age 70 ½. Different distribution requirements apply to DROP beneficiaries and alternate payees who participate in DROP through a Qualified Domestic Relations Order. All distributions are subject to a mandatory 20% federal income tax withholding unless the distribution is transferred directly by the Fund to an Individual Retirement Account (IRA) or another eligible retirement plan through a direct rollover.

VESTED BENEFIT

A member is considered vested once they accrue at least 10 years of service credit in the Fund. A member is considered “vested terminated” if they terminate service with the Fire Department after becoming vested but before becoming eligible to retire. Vested terminated members have the right to receive a monthly retirement annuity benefit on the date they attain age 50 or would have accrued at least 25 years of service credit had they remained in service with the Fire Department through such date, provided that they left their accumulated member contributions in the Fund. Vested terminated annuity benefits are calculated the same as a normal service retirement, based on service credit and highest average compensation at the time of termination.

SEVERANCE

If a member terminates employment with the Fire Department but is not eligible to retire, they may request a refund of their accumulated member contributions plus interest. In connection with the refund of accumulated member contributions, all accumulated service credit is canceled, and the member forfeits all rights to future benefits from the Fund. Members are not entitled to withdraw any contributions made by the City of Austin. If a member withdraws their contributions and is later rehired by the Fire Department, they will be treated as a new hire and will not be eligible to purchase or reinstate any service credit with the Fund.

COST-OF-LIVING ADJUSTMENTS

Each year, the Board determines whether a COLA may be granted to retired members in accordance with its COLA Adjustment Policy. A COLA may only be granted if the Board's actuary determines that granting a COLA will not impair the financial stability of the Fund. The amount of any COLA is based on the annual percentage increase in the Consumer Price Index (CPI-U), which measures inflation, and adjusted according to Fund policy.

DISABILITY BENEFIT

If a member becomes disabled while in active service with the Fire Department, regardless of whether the disability occurred while on-duty or off-duty, they will be eligible to retire and receive a disability retirement annuity if the Board, under the guidance of an independent medical board, determines that they are unable to perform the duties of a firefighter or an accommodating job within the Fire Department with comparable pay. The disability retirement annuity benefit is calculated the same as a normal service retirement, based on a minimum of 20 years of service credit.

Disability retirement benefits are subject to annual reviews following the initial 2 ½ years of receiving the benefit, or earlier if the Board reasonably believes that the member has recovered and is no longer disabled. During an eligibility review, the disability retirement benefit may be continued, reduced, or discontinued according to criteria adopted by the Board regarding the member's earning capacity, financial status, and medical records. All disability reviews are conducted under the guidance of an independent medical board.

ACTIVE DEATH BENEFIT

If a member dies while in active service, their surviving spouse is entitled to receive a lifetime monthly survivor annuity benefit from the Fund equal to 75% of the normal monthly retirement annuity benefit that the member would have received if they had retired on the date of their death, based on a minimum of 20 years of service credit. Surviving dependent children may also be eligible to receive a benefit if qualified under the Fund Rules.

SURVIVORS BENEFIT

The normal form of benefit under the Fund is a joint and survivor annuity which provides the survivor with a lifetime monthly survivor annuity benefit equal to 75% of the member's normal monthly retirement annuity benefit. Marital status and children will impact who is considered a member's "survivor" for purposes of the Fund and may be subject to an actuarial benefit reduction based on any applicable Fund Rules. The survivor is:

- Spouse, if married at time of retirement or active death
- Spouse, if married after retirement for at least 24 consecutive months prior to death
- All unmarried children under age 22 (eligible with or without a surviving spouse; benefit will vary)
- Designated beneficiary, only if no surviving spouse or children are eligible (age reduction may apply)
- Dependent parent, only if no surviving spouse or children are eligible and no beneficiary was designated

