



**AFRF**  
AUSTIN FIREFIGHTERS  
RETIREMENT FUND

**MINUTES  
BOARD OF TRUSTEES MEETING  
FRIDAY AUGUST 25, 2023, 9:00AM**

**Board Members Present**

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

**Staff and Consultants Present**

Anumeha Kumar, AFRF Executive Director  
John Perryman, AFRF CFO  
Debbie Hammond, AFRF Benefits Manager  
Gina Gleason, AFRF Board & Operations Specialist  
Shira Herbert, AFRF Accounting & QC Specialist  
Amy Thibaudeau, AFRF Benefits Specialist  
Chuck Campbell, Jackson Walker  
Alyca Garrison, Jackson Walker  
Leo Festino, Meketa  
Aaron Lally, Meketa  
Colin Kowalski, Meketa (virtual)  
Craig Chainkin, Callan (virtual)  
Perry Hopper, Callan (virtual)  
Jim Voytko, RVK (virtual)  
Marcia Beard, RVK (virtual)  
Scott Whalen, Verus (virtual)  
Joe Abdou, Verus (virtual)

**Community Members Present**

Rene Vallejo  
Virtual attendees not listed

**Vice Chair Fowler called the meeting to order at 9:00am.**

Public Comments:

**No public comments.**

- I. Consent Agenda for the following:
  - a. Minutes of the regular meeting of July 24, 2023
  - b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

**Vice Chair Fowler requested a moment of silence to honor the firefighters who had passed. Trustee Woolverton made a motion to approve all items on the consent agenda. Trustee Bass seconded the motion. The motion passed unanimously.**

- II. Meketa 2Q23 Investment Performance Review, including the following:
  - a. Economic and market update

**Aaron Lally provided a snapshot of Fund performance for the second quarter, indicating positive performance with close to \$20 million in unrealized gains. Mr. Lally explained that with 20% of its**

portfolio in private equity, the Fund had been in a favorable situation last year when the stock markets were down and private equity was up. He continued to explain that performance had reversed this year with stock markets up and private equity down. Mr. Lally stated that the reversal was not reason for concern with the Fund's private equity allocation, based on its long-term favorable returns. Mr. Lally stated that the current value of the Fund is \$1.15 billion. He further explained that all asset classes were within the policy range, with the only meaningful difference being real estate coming in at 2% under target, driven by real estate market prices decreasing. Regarding returns, Mr. Lally indicated that the Fund was up 1.5% for the quarter and 4.7% year to date. Trustee Bass noted the lag in returns associated with private equity and how the difference in reporting can impact the portfolio and potentially mask risk. No motion necessary.

b. Passive framework progress report

Aaron Lally stated that the Fund had made some good progress with up to \$74 million moved from active to passive and another \$10 million being executed for August. Trustee Bass asked a question regarding moving assets from small and midcap investments into corresponding indices. Leo Festino stated the Fund has a meaningful exposure to small cap investments with some of the current active managers, and therefore he was not too concerned about not moving those investments into corresponding indices as was done with other categories of investments in the past. No motion necessary.

c. Highclere fee reduction update

Leo Festino informed the Board that Highclere had agreed to institute fee savings based on client tenure with the manager. He explained that the fee savings would reflect a discount of one basis point per year going forward in perpetuity until a maximum discount of 15 basis points is reached. Having been with Highclere for 10 years, the Fund would receive a 10-basis point discount beginning in the fourth quarter of this year, which would translate to approximately \$37,000 per year in fee savings. No motion necessary.

d. Private equity – performance peer benchmarking

Leo Festino reminded the Board that Meketa reviews private equity performance once a year. He explained that despite recent losses, private equity and primary venture have been strong investments over the last decade. To illustrate that point, Mr. Festino described the 21.1% per year average gain over the last three years, which had generated significant wealth for the Fund. Mr. Festino continued to describe the performance of specific private equity fund investments within four quartiles, as compared to peers. He explained that all but one fund had generated positive returns; the one that had not was the Fund's smallest investment, making the loss de minimis. In summary, Mr. Festino explained that private equity had stronger years such as 2018, 2019 and 2021, and weaker years such as 2022, but on average it has been a very positive set of investments for the Fund, in which real wealth had been generated. No motion necessary.

e. Private equity – possible new investment

Aaron Lally explained that the Fund currently has \$200 million worth of exposure to private equity, but with much of that exposure in mature funds, the Fund must make an additional investment to maintain same level of exposure. Mr. Lally highlighted two firms, Constitution Capital Partners and LGT, both of whom the Fund currently invests with and that are in the process of raising new funds. He explained that both firms are less expensive than the general offerings on the market but are very different organizations overall. Constitution Capital Partners is a smaller employee-owned firm with a North American focus and a lower fee structure, while LGT is a much larger firm with an international focus, more diversification, and a higher fee structure. Mr. Lally informed the Board that the goal was to

select one of the two firms for a potential interview in November. Vice Chair Fowler questioned the deadline for making a commitment, to which Mr. Lally indicated a mid-2024 deadline. Trustee Weaver questioned the parameters surrounding the total term with Constitution Capital Partners and Trustee Bass followed up with a question regarding prolonged collection of management fees. Mr. Lally provided clarification and indicated that there was no material difference between the terms of the two firms and Leo Festino provided further explanation about the negotiation involved in term extension. The trustees asked a few more questions pertaining to performance of the two firms and the next steps in the process. Trustee Weaver indicated a preference for Constitution Capital based on their fee structure and North American geographic focus. Vice Chair Fowler echoed the preference from the perspective of cutting expenses for the Fund. Trustee Bass agreed and requested Meketa's input, to which Mr. Festino voiced his support for their preference. Trustee Weaver suggested the Board interview Constitution Capital Partners at the November meeting. No motion necessary.

f. Private equity – possible new approach to investing (direct vs. FOF)

Leo Festino explained that past conversations regarding a fee savings initiative and moving from active to passive investments prompted him to share some educational content to facilitate the Board's understanding of different approaches to private equity exposure. Mr. Festino provided some historical background regarding the work Meketa had done with the Fund around 2014-2015 when the Fund began to increase its exposure to private equity through allocation of capital to fund of funds (FOF). Mr. Festino provided a detailed explanation of how FOF investments work, noting that they are contractual in nature with commitments over a long period. The other approach, he explained, would be to bypass the FOF and do primary fund investing with the advice of a hired consultant. Mr. Festino explained the advantages of direct investment would include more control and precision with the pacing and commitments and a lower fee structure without any carried interest fee. The major disadvantage to this approach, he continued, would be a significant allocation of time to making decisions on small investment amounts. He explained that the choice of approach often depends on the size of the fund, but AFRF is at a size where either option is feasible. Mr. Festino further educated the Board on the process of primary fund investing. Vice Chair Fowler asked if Meketa had any examples of other funds doing direct investing, to which Mr. Festino offered to provide a list. Vice Chair Fowler expressed interest in learning more about the strategy for the sake of reducing costs, but due to the bandwidth of office staff, suggested proceeding only after Pension Gold V4 had been successfully implemented. Trustee Bass agreed that staff capacity is the most important consideration and voiced support for continuing the conversation in the future. Mr. Festino reminded the Board that another private equity investment would still need to be made in the short term but suggested that the 1–2-year window following that investment would be a good time to come to a decision about a future approach. No motion necessary.

III. Update on PRB MET training, reporting, and compliance

Anumeha Kumar followed up on a past request from the Board to provide a status update on the training requirements for trustees. She reported that all trustees were compliant with the Minimum Educational Training (MET) requirements for the Pension Review Board (PRB). She shared the PRB-2000 form which she would be submitting at the end of the month, as well as a compliance report that she had requested directly from the PRB. Ms. Kumar stated that the reports only capture training relevant to the PRB requirements, but on a staff level, she would like to track all trainings that the trustees had attended. No motion necessary.

IV. Discuss and consider RFP responses for the Investment Practices and Performance Evaluation (IPPE), including conducting Board interviews of qualified firms and vendor selection

Anumeha Kumar provided an overview of the RFP process, stating that the RFP had been issued in July and received seven responses. Ms. Kumar explained that the evaluation factors outlined in the RFP

were applied to the responses to determine the top three contenders, which were then recommended to the Board for interview. Ms. Kumar noted that all three firms had experience conducting IPPEs for Texas plans and then described the interview format to the trustees. During the interviews, representatives of each firm introduced themselves and shared their experience within their firm and within the investment industry. They each identified their experiences working with comparable systems, explained their processes for conducting peer research and described their approach to consulting their clients. Trustees asked questions pertaining to the way custom peer groups were determined, the approach to supporting clients following a recommendation, and the level of detail that could be provided regarding fees and commissions as a benchmark against industry peers. Following the interviews, the trustees and Ms. Kumar all named their top preferences from the three, all of whom identified Callan within their selection. Naming Callan's thorough interview responses and informative sample report as reasons for her preference, Trustee Weaver motioned to hire Callan to conduct the IPPE. Trustee Woolverton seconded the motion. The motion passed unanimously.

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

a. General comments

**No general comments.**

b. Update on RFP for Auditing Services

Anumeha Kumar informed the board that an RFP for Auditing Services had been on the schedule for this year. However, due to a heavy staff workload including the IPPE evaluation, Pension Gold project, Actuarial Experience Study and year-end reports, Ms. Kumar requested that the RFP for Auditing Services be moved to next year. Trustee Weaver voiced support for adjusting the schedule, but questioned how the future schedule of issuing RFPs may be impacted. Ms. Kumar clarified that the RFP schedule is not a statutory requirement, therefore the Board has flexibility to amend the schedule and could reevaluate the issuance of the RFP for Auditing Services next year when the RFP for Investment Consultant also comes due. Chuck Campbell further emphasized the flexibility of the schedule, explaining that its intention was for the Board to periodically decide whether they want to issue an RFP, rather than a requirement for issuance. Vice Chair Fowler and Trustee Woolverton echoed Trustee Weaver's support for delaying the RFP due to staff workload.

c. Update on Summer Newsletter

Anumeha Kumar informed the board that a robust draft of the newsletter was in the works and noted her intention to publish and distribute the newsletter to the membership within the coming week. She explained that this edition of the newsletter was primarily focused on financial actuarial updates based on the annual reports, as well as fund-related activities that the board and staff have been engaged in.

d. Update on Pension Gold implementation project kickoff

Anumeha Kumar provided an update on the Pension Administration System project, noting that the website was finished, the Electronic Document Management System (EDMS) and backfile conversion was nearing completion, and the process for implementing the Pension Gold software had begun. Ms. Kumar informed the board that the vendor, LRS, was scheduled to present an in-depth update on the project during the September board meeting.

- e. Trustee 2023 election update

**Anumeha Kumar offered a brief reminder that the nomination period runs from September 1 through September 15, 2023. She noted that the nomination letter had been mailed out to the membership and posted to the AFRF website per the Fund Rules.**

- f. Internal financial statements, transactions and Fund expense reports for month ending July 31, 2023

**Anumeha Kumar pointed out one item under the Operating Budget Summary that significantly exceeded the approved budget amount. Ms. Kumar explained that the IRS notified the Fund in the summer of 2022 of unpaid taxes owed from the second quarter of 2022. In the time since that notification, Ms. Kumar explained that staff had maintained communication with the IRS while working with Jackson Walker to research what had happened. She further explained that the Fund had paid the principal amount that was owed and was now in the process of requesting a waiver for the penalty fees. The Board had no questions regarding the matter.**

- VI. Roadmap for future meetings

**Vice Chair Fowler noted that he would like to keep the topic of investing approach and fee structure on the radar, acknowledging that it may be two years before the Board makes a decision on the matter. Anumeha Kumar noted that she had added an additional item to the roadmap for September regarding IT infrastructure and cyber security. Vice Chair Fowler and Trustee Weaver questioned whether trustees are expected to partake in cybersecurity training as a statutory requirement. After some discussion with Chuck Campbell, it was determined that cybersecurity training for trustees would be good practice, but not statutorily required since trustees do not have access to Fund computers or proprietary information.**

- VII. Call for future agenda items

**No requests for future agenda items.**

**Hearing no objections, Vice Chair Fowler adjourned the meeting at 11:28am.**

**Board Members**

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