



AFRF
AUSTIN FIREFIGHTERS
RETIREMENT FUND

**MINUTES
BOARD OF TRUSTEES MEETING
MONDAY SEPTEMBER 30, 2024, 9:00AM**

Board Members Present

Mayor Kirk Watson, Chair
John Bass, Vice Chair
Belinda Weaver, Treasurer
Doug Fowler, 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 (virtual)
Shira Herbert, AFRF Accounting & QC Specialist
Amy Thibaudeau, AFRF Benefits Specialist
Chuck Campbell, Jackson Walker
Alyca Garrison, Jackson Walker

Community Members Present

Rene Vallejo
Donald Lowe
Kate Alexander, City of Austin
Virtual attendees not listed

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

Public Comments:

No public comments.

I. Consent Agenda for the following:

- a. Minutes of the regular meeting of August 23, 2024
- b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

Mayor Watson called for a moment of silence to honor a retired firefighter who passed in August. Trustee Fowler made a motion to approve both items on the consent agenda. Trustee Woolverton seconded the motion. The motion passed without objection.

II. Discuss priorities for 2025 Legislative Session, including update on Voluntary Funding Soundness Restoration Plan (FSRP)

Anumeha Kumar provided an update on the status of the Voluntary Funding Soundness Restoration Plan, emphasizing that the FSRP requirement had not yet been triggered but was projected to be triggered at the next valuation date in 2025. Ms. Kumar reviewed the proactive measures the board had taken by forming the Working Group to address the issue ahead of triggering the requirement. Ms. Kumar provided an overview of the information contained in the draft pension reform proposal, noting that while it had been presented to the Pension Review Board (PRB) and Fund membership for feedback, it had not yet been agreed to by the City of Austin. Ms. Kumar described the structural issue that had been identified by the Working Group and actuaries related to cost-of-living adjustments (COLAs). She explained that the Fund had historically treated COLAs as a gain-sharing mechanism, negating any investment gain cushioning that could have protected the Fund during market declines, such as had occurred in 2022. Ms.

Kumar further explained that due to the legislative change codified in statute in 2013, which required COLAs to be granted at the full Consumer Price Index for Urban Consumers (CPIU) after passing a financial stability test, the Fund has not been able to grant a COLA for the past three years. Since Fund members do not participate in social security, she continued, a major goal that the board had established as fiduciaries was to provide some form of purchasing power protection to retirees while preserving the long-term health of the Fund. Ms. Kumar described some additional considerations, which included ensuring the proposal was not overly cost-prohibitive to the City and ensuring from a workforce management perspective that the future tier would not shoulder the entire financial burden of the reform. Ms. Kumar described one significant provision change that would require active and new members to decide between participating in the DROP program or participating in a deferred 1% automatic COLA, which would be applied annually starting at the later of age 62- or five-years post-retirement, similar to when retirees of other systems become eligible to receive social security benefits. She detailed the exceptions that would apply to current retirees and actives eligible for normal retirement at the time of implementation, to avoid any potential rush to retirement. Ms. Kumar also explained a change to the DROP provision, which intended to manage risk associated with the program, wherein the annual 5% interest credit would lower to 2.5% during years in which the Fund experienced a zero or negative annualized investment return. Additionally, she explained, the new hire group would have a 4% annual interest credit rate that would lower to 2% during such years, and they would only be eligible to participate in forward DROP, which would both help to manage risk associated with the DROP program as well as to incentivize those members to continue working past their point of normal retirement eligibility. Ms. Kumar explained that the other significant changes for the new hire group would include a single life annuity default, no option for early retirement, a 3% multiplier, and a slightly lowered contribution rate. Lastly, she added, non-vested terminated members would no longer receive interest credited to refunds. In culmination, she explained, the provision changes would result in a significantly lowered normal cost (from 31% to 25.9%) as well as a proportionally lowered long-term contribution cost for the City. Ms. Kumar stated that there had been many commonalities between the Working Group's and the City's proposals, and the City was largely in agreement with the Working Group from a funding structure and actuarially determined contribution standpoint. However, she continued, the City had concerns regarding the legacy unfunded liability and the increase to the unfunded liability that would be incurred if the proposal were to pass. Ms. Kumar explained that the Working Group viewed the issue from a long-term structural standpoint and that the proposal would put the Fund on a path of financial soundness by lowering future costs. When the Working Group presented the proposal to the PRB and the City shared their concerns, she continued, the PRB provided them with positive feedback regarding the new hire contribution rate and providing purchasing power protection to retirees and encouraged the Working Group and the City to work on an agreed upon solution.

Trustee Fowler added that while it had taken some time for the membership to develop an understanding of the matter, the Working Group had obtained some great feedback from the membership over the prior months. He emphasized that the goals of the Working Group were to come up with a sustainable plan that would provide predictable security to retirees to aid in their financial planning rather than giving rise to speculation about the approval of an ad hoc COLA each year. He explained that the Working Group had also consulted with the Austin Fire Department administration to hear their concerns regarding the impact of retirements on department vacancies and the overtime pay budget. Trustee Fowler reiterated that Fund members do not participate in social security and added that those who do qualify for social security through additional work have their benefit significantly reduced due to their participation in the Fund, making the COLA provision a very important aspect of the proposal. Trustee Fowler voiced his confidence in the current structure of the draft proposal. Vice Chair Bass thanked Anu and Trustee Fowler for their

work on the proposal and expressed his appreciation to the board and the membership for coming together to work on the FSRP on a voluntary basis, noting that by taking immediate action, they had demonstrated a level of seriousness and dedication to avoid incurring additional costs for all parties involved. He reiterated the importance of reforming the COLA structure from the standpoint of properly accounting for the cost rather than deferring the cost to the future and noted that a 1% automatic COLA would ultimately be less expensive than the historical average of ad hoc COLAs granted by the Fund. Vice Chair Bass also voiced his confidence in the DROP provision of the proposal, which both acknowledged the importance of the benefit and minimized some of the associated risk.

Trustee Weaver expressed her appreciation for all the work that had gone into developing the proposal as well as her hope for the Working Group and the City to come to an agreed upon solution before holding a vote for full board approval of the proposal. She asked a clarifying question regarding the rationale for the proposed DROP interest crediting rates, to which Vice Chair Bass and Ms. Kumar described some of the alternate options considered by the Working Group that had been less feasible due to logistical and legal considerations and the preferences shared by the membership. Ms. Kumar stated that their solution best addressed many competing goals. Trustee Fowler followed up to address the proposed lower contribution rate for new hires, stating that the decision followed discussions between the Working Group and the Austin Firefighters Association, who reported fewer applications to the cadet program and increased complaints regarding their contribution rate relative to peers in Central Texas. Ms. Kumar added that the PRB had expressed concern about new members of pension systems paying most of the cost of their benefit, which influenced the Working Group to propose a contribution rate split that was proportional to the contribution rate split of current active members. Trustee Weaver shared her concern that the significant increase in unfunded accrued liability carved out in the proposal was an obligation of the City that was not factored into the contribution rate. Ms. Kumar acknowledged the point and explained that the issue would be settled over the long term. She further explained that relative to peer systems, the unfunded liability would still be lower than that of Austin Police Retirement System (APRS) and City of Austin Employees Retirement System (COAERS), and while there had been concerns regarding firefighters retiring at a higher multiplier and level of benefit than police, the benefit for police increases with the addition of social security at age 62 while the benefit for firefighters erodes. Vice Chair Bass followed up to note that the unfunded liability should also be viewed in the context of the mandatory FSRP and the significant additional expenses that would be incurred due to lag if no voluntary action had been taken by the board. Ms. Kumar added that the PRB, the Actuarial Standards of Practice (ASOP) and the Governmental Accounting Standards Board (GASB) had all stated that ad hoc structures were not a sound way of funding COLAs and would no longer be allowed per their guidelines. Mayor Watson thanked the board and noted that they had touched on many key points for continued discussion. No motion necessary.

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

a. General comments

Anumeha Kumar stated that while there had been a delay in publishing the newsletter, it had been completed and posted to the AFRF website. Trustee Weaver commended the publication.

b. Board of Trustees Election Update

Anumeha Kumar informed the Board that three candidates had accepted nomination, including Vice Chair Bass, Richard Meyers, and AJ Padilla. She stated that their biographies had been posted to the AFRF website and explained that staff had been following the same election procedures as in the prior year with the same third-party election vendor, YesElections.

c. Update on Depository Bank Transition

Anumeha Kumar reported that the depository bank transition had been completed and the Fund had received the first contribution from the City of Austin into the new Frost Bank account. She noted that the former Sunflower Bank account would remain open for one month past the completion date. Trustee Weaver asked a follow up question regarding outstanding checks and the measures taken to ensure proper timing of closure for the Sunflower Bank account. In response, John Perryman explained that most processes are done electronically, and the few checks processed through bill pay were monitored and had been completed two weeks prior. He further explained that three entities direct deposit funds into the account and all had been notified and were ready to proceed with the new account.

d. Internal financial statements, transactions, and Fund expense reports for month ending August 31, 2024

Anumeha Kumar stated that the budget was on track and had nothing noteworthy to report. The trustees had no questions regarding the financial reports.

IV. Roadmap for future meetings

Anumeha Kumar stated that some preliminary items had been added to the roadmap for early 2025 and that Gina Gleason would be reaching out to the trustees soon to schedule the 2025 board meeting dates.

V. Call for future agenda items

No future agenda items were called for.

Hearing no objections, Mayor Watson adjourned the meeting at 9:40am.

Board Members

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