

AUSTIN FIREFIGHTERS RETIREMENT FUND

Proposed Rule Change for Beneficiary Designations

Questions and Answers

In General

What is the Fund proposing with respect to its rule on Beneficiary Designations?

The Board of Trustees (the “**Board**”) is proposing to change Section VI of the Fund Rules to do the following:

1. Discontinue the ability to change beneficiary designations after retirement except in two limited situations;
2. Invalidate existing beneficiary designation forms of certain active or retired members who are currently married or forms that impermissibly name a current or former spouse; and
3. Disregard all existing contingent (backup) beneficiary designations.

Who does this rule change affect?

This change affects all current active and retired Group A members.

If you are a Group B member, the rules addressing your beneficiary designations in connection with a benefit option that provides for a survivor benefit will not change.

When do these changes take effect?

The proposed effective date is December 1, 2026. This effective date will occur after the initial approval by the Board in September and final approval at the November regular meeting in accordance with Fund rules. All Group A retirees will have the ability to make beneficiary designation changes under the existing rule prior to December 1st.

Changes to Beneficiary Designations After Retirement

What is the current rule with respect to beneficiary changes after retirement?

Currently, retirees are allowed to change a beneficiary designation twice after retirement. Any benefit change results in a reduction to the retiree’s benefit as determined by the Fund’s actuary in accordance with the rules.

What is the proposed modification to this rule?

If the proposed rule is adopted, a Group A retiree will no longer be able to change the beneficiary designation made at retirement, except in two limited circumstances. Please note: Retirees will

still only be permitted to change their beneficiary designation twice after retirement, even taking into consideration the two exceptions below.

What are the two exceptions to the rule prohibiting beneficiary changes after retirement?

- Post-retirement marriage: If you marry after retirement, you may change your designated beneficiary to your new spouse within 90 days after the date of your marriage, subject to the applicable actuarial reduction to your benefit. However, this designation will only take effect after you remain married to your spouse for at least 24 months and provided that you do not have a dependent child (as defined in Vernon's Texas Civil Statutes Article 6243e.1 (the "*Act*")) eligible for a survivor benefit.
- Youngest dependent child reaches age 22: If you had a dependent child at retirement, and your youngest dependent child has since reached age 22 (or otherwise no longer qualifies as a dependent child), you may designate a beneficiary within 90 days after the day your youngest child reaches age 22 or otherwise no longer qualifies as a dependent child, subject to the applicable actuarial reduction and provided that you do not have a surviving spouse eligible for a survivor benefit.

Can I change my beneficiary designation before the new rule takes effect?

Yes. Between now and December 1, 2026, you may submit a new beneficiary designation or change your existing one. Your benefit will be reduced actuarially, just as it is today for beneficiary changes made after retirement under Fund rules. The Fund will notify all Group A retirees about this window following the initial adoption of the proposed rule. After December 1, 2026, you may not make any further changes except in the two situations described above.

Why is the Fund making this change?

The Board is proposing this rule change for these important reasons:

- To avoid unexpected actuarial costs to the Fund by ensuring the operation of survivor benefits is consistent with how such benefits are funded and valued at the time of retirement;
- To minimize IRS compliance risk by more closely adhering to regulatory requirements;
- To eliminate the practice of delaying beneficiary changes to the detriment of the Fund; and
- To ensure and safeguard the integrity of beneficiary designations.

Invalidation of Existing Beneficiary Designation: Spouses

What is the proposed rule?

The following beneficiary designations will be permanently invalidated:

- Designations that exist for any active or retired member who is married as of December 1, 2026;

- Designations that impermissibly name a current or former spouse of the active or retired member; and
- Designations that exist for any member after the birth or adoption of a dependent child.

Why invalidate a beneficiary designation of a married member?

Beneficiary designations are not currently permitted to be made by married active members or retirees, as their spouses receive a benefit automatically through Section 7.01 or 7.02 of the Act, respectively. However, some historical forms remain on file for current married members as a result of prior Fund administration. This rule would invalidate any historical beneficiary designations on file for married members (both active and retired) as of December 1, 2026, except for certain designations of retired members as described below. Note: Current spouses of married actives would remain eligible for a benefit under Section 7.01, and current spouses of retirees married at the time of retirement would remain eligible for a benefit under Section 7.02.

Why invalidate a beneficiary designation that names a current or former spouse of a member?

Neither active members nor retirees are currently permitted to name a spouse as a beneficiary, and this prohibition has been recognized since September 1, 2012. However, some historical forms remain on file that name a current spouse or former spouse as beneficiary due to prior Fund administration. This rule would invalidate any such historical beneficiary designations.

Why invalidate a beneficiary designation of a member after the birth or adoption of a dependent child?

Beneficiary designations are not currently permitted to be made by active or retired members with dependent children, as their dependent children receive a benefit automatically through Section 7.05 of the Act. However, some historical forms remain on file for members with dependent children as a result of prior Fund administration. This rule would invalidate any historical beneficiary designations on file for members with dependent children as of December 1, 2026. Note: Dependent children would remain eligible for a benefit under Section 7.05.

Why invalidate these forms now?

If these historical beneficiary designations are recognized upon the death of a retiree who is no longer married, such recognition would operate as a change in the beneficiary of the death benefit occurring after retirement. The purpose of this rule change is to prevent these post-retirement beneficiary changes for the reasons cited above, including avoiding adverse actuarial consequences and ensuring IRS compliance. Additionally, this change is to conform Fund operations with the statutory requirements for survivor benefits.

Are there any exceptions?

Yes. Any beneficiary designation form on file with the Fund of a married retiree, including forms that designate a spouse of the retiree, will not be invalidated if (1) the marriage occurred after retirement and on or after September 1, 2025, and the retiree designated a spouse as a beneficiary

and agreed to an actuarial reduction to his or her benefit at the time the designation was made, or (2) the retiree married prior to September 1, 2025, but his or her spouse is not currently eligible for a survivor benefit under Section 7.02 of the Act.

Under the Act as modified effective September 1, 2025, the spouse of a retiree resulting from a post-retirement marriage was no longer entitled to a benefit under Section 7.02, but could be named as a beneficiary if the retiree agreed to an actuarial reduction of his or her benefit. These beneficiary designations are consistent with the proposed rule and will continue to be recognized.

Additionally, this rule will not invalidate forms under which a beneficiary is already receiving a benefit.

Disregarding of Contingent Beneficiaries

What is a contingent beneficiary?

A contingent beneficiary is an individual named on a form to receive the survivor benefit in the event that the individual who is named as the primary beneficiary predeceases the retiree.

What is the current treatment of contingent beneficiaries?

The Fund discontinued the practice of naming contingent beneficiaries several years ago. However, some historical forms of the Fund that were utilized to make beneficiary designations did allow members to name a contingent beneficiary. These contingent beneficiaries have been recognized by the Fund since they were made on forms produced by the Fund.

Why disregard contingent beneficiary designations now?

If a primary beneficiary of a retiree's benefit predeceases the retiree, and the contingent beneficiary is now entitled to the benefit, the effect is a change in beneficiary after retirement. Post-retirement changes to beneficiaries are being discontinued for the reasons cited above, and discontinuing contingent beneficiaries is consistent with this practice. In addition, contingent beneficiaries operate without any actuarial reductions to the benefit which is financially adverse to the Fund. Please note: If a contingent beneficiary is already receiving benefits, that designation will be honored.