



AFRF
AUSTIN FIREFIGHTERS
RETIREMENT FUND

**MINUTES
BOARD OF TRUSTEES MEETING
FRIDAY DECEMBER 20, 2024, 9:00AM**

Board Members Present

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
Shira Herbert, AFRF Accounting & QC Specialist
Amy Thibaudeau, AFRF Benefits Specialist
Chuck Campbell, Jackson Walker
Alyca Garrison, Jackson Walker
Denise Rose, Jackson Walker
Aaron Lally, Meketa (virtual)
Brad Schlueter, Schlueter Group

Community Members Present

Rene Vallejo
Kate Alexander, City of Austin (virtual)
Virtual attendees not listed

Vice Chair Bass 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 November 18, 2024
 - b. Service retirement benefits for new retirees, beneficiaries, and alternate payees

Vice Chair Bass requested a moment of silence for the active firefighter who had passed in November. Trustee Fowler made a motion to adopt both items on the consent agenda. Trustee Woolverton seconded the motion. The motion passed unanimously.

- II. Consider Initiatives for 2025 Texas Legislative Session 89(R), including granting authorization to Executive Director with respect to legislative initiatives

Anumeha Kumar stated that the board had approved the voluntary Funding Soundness Restoration Plan (FSRP) pension reform proposal at the November board meeting. She explained that the sole intent of this item was for the board to determine whether to grant authorization to the Executive Director to proceed with legal counsel to draft and file a bill. Trustee Fowler moved to approved granting authorization to the Executive Director with respect to legislative initiatives. Trustee Woolverton seconded the motion. Trustee Fowler questioned the status with the City of Austin, to which Ms. Kumar confirmed that the City was still at impasse with the Fund regarding the increase to the legacy unfunded liability and intended to file a competing bill during the legislative session.

She explained that the Fund would continue to reach out to the City in an attempt to work toward an agreed solution and would continue to work with Cheiron to consider options regarding the legacy unfunded liability. Trustee Fowler questioned whether refraining from filing a bill would put the Fund at a disadvantage, to which Ms. Kumar confirmed that it would put the Fund in a difficult strategic position due to the City filing a bill. Regardless of the impasse, she continued, the consensus between both parties was that the issue should be addressed as soon as possible to put the Fund back on sound financial footing. Trustee Fowler stated that due to the impasse with the City and the need to defend the Fund's position against their competing bill, Ms. Kumar should have the authority to do whatever is necessary to help protect the Fund. Ms. Kumar thanked Trustee Fowler and clarified that the bill would be reflective of the pension reform proposal approved by the Board at its November meeting with the only major difference being an 18.7% member contribution rate for both Group A and Group B. Trustee Weaver voiced her support for taking legislative action to improve the financial health of the Fund, but noted that she would not be able to support the motion due to the components that remained at issue from the initial reform proposal. She expressed her continued hope that the Fund and the City would come together with a joint legislative proposal. Trustee Woolverton echoed that hope and noted his skepticism regarding the success of either proposal if the two remained significantly different. Vice Chair Bass thanked the trustees for their perspectives and voiced his agreement with granting Ms. Kumar the authority to move forward with the bill. The motion passed with a 3-1 vote. Trustee Weaver voted in opposition to the motion.

III. Consider contract approval for Fund Lobbyist

Anumeha Kumar explained that passing a reform package through the legislative session would be a difficult process, and while the Schlueter Group would continue to provide general guidance, staff was recommending that the board hire a legislative consultant for this session, who would partner with the Schlueter Group from January through June. Ms. Kumar introduced Denise Rose and stated that she was uniquely positioned for the role due to her extensive experience working with the legislature as well as her position as a partner at Jackson Walker, which would allow her to work closely with Chuck Campbell and Alyca Garrison as they draft the bill. Ms. Rose introduced herself and provided the board with an overview of her qualifications. Trustee Weaver asked if the contract would only involve the legislative initiative or if it would also involve legislative monitoring of pension-related bills, to which Ms. Kumar confirmed that it would be all-encompassing for the upcoming legislative session. Trustee Fowler asked about the expectations for Fund members to be present at the Capitol to testify or support the Fund's position, to which Ms. Rose replied that presence would be important to show the Fund's investment in the bill, but many aspects still needed to be determined, such as the Speaker of the House and the members sponsoring the legislation. She stated that she would continually monitor the process and would inform the board in advance regarding that timing. Trustee Weaver noted that moving forward, the Fund should also consider a lobbyist contract, separate from the Schlueter Group, that would be specific to pension-related matters and not stray into firefighter issues outside of the Fund. Trustee Woolverton voiced his agreement. Trustee Fowler moved to approve the Fund lobbyist contract. Trustee Woolverton seconded the motion. The motion passed unanimously.

IV. Investment Policy Statement (IPS) and Operating Procedures Review

Anumeha Kumar explained that staff had worked with Jackson Walker to make sure that the two critical governing documents, the Investment Policy Statement (IPS) and Operating Procedures, went through a robust legal review when implementing the changes recommended by Callan and Meketa. Ms. Kumar further explained that, at a high level, the proposed changes pertained to three main categories: recommendations from Callan through the Investment Practices and

Performance Evaluation (IPPE), the passive investment approach that the board had engaged in over the past couple years with Meketa, and cleanup related changes for consistency between the documents, which also included a revision to the securities litigation policy. Ms. Kumar noted that the Pension Review Board (PRB) IPS Guidelines recommended that current practices be reflected in the IPS for future board members and that the benchmark used to evaluate Fund performance be fully investible and consistent with the Fund's actual asset allocation. Regarding the securities litigation policy, Ms. Kumar explained that the changes reflected an increase to the loss threshold from \$250K to \$500K, in relation to the Fund's asset size, and permission for the Executive Director to determine the level of Fund involvement if the deadline to pursue lead plaintiff status were to precede the regular board meeting date. Ms. Kumar introduced the Fund's investment consultant, Aaron Lally, to provide further details on the changes that were made to the documents. Mr. Lally stated that the changes were all consistent with the discussion from the prior meeting and with other board discussions that had taken place over the past year and a half. He explained that many of the redline edits pertained to cleanup changes within the text, but noted that an important one was the benchmarking approach. Mr. Lally explained that Meketa's recommended benchmarking approach was two-fold, with one benchmark that is long-term and another that is short-term. He explained that the total Fund performance benchmark was fully investable and consisted of three index funds that the Fund could easily invest in at a low cost, which would serve as a measurement to discern whether added complexity equated to added value for the portfolio. Mr. Lally further explained that regression analysis had determined that the simple benchmark, which consisted of stock and bond securities, did a good job replicating the Fund's return pattern over the long term. Over a shorter period, he continued, the Fund would refer to the dynamic benchmark that was already included in Meketa's quarterly performance reports but was now formally memorialized in policy. Mr. Lally reported that active management had been a historical default for pension plans due to past affordability and availability of index funds, but passive was now a better baseline and low-cost starting point to which more complexity could be added through active management when warranted. Mr. Lally added that there was some additional cleanup language under the proxy-voting section to ensure proxy-voting was only used in the best interest of the Fund and its beneficiaries. The trustees had no questions regarding the changes to the IPS. Mr. Lally explained that the Operation Procedures had become more streamlined as a result of key elements being moved to the IPS. He highlighted some new language under "Investment Manager Selection and Termination" that reflected a recommendation from Callan to formally document the Fund's processes. He added that Ms. Kumar had already addressed the changes to the securities litigation policy. Vice Chair Bass thanked Mr. Lally for his explanation and rationale. He reiterated that the changes to the total Fund benchmark were considered gold standard per many entities, such as the PRB, Meketa, and the CFA Institute, and emphasized that the benchmark was statistically representative of the Fund. He thanked both Meketa and Jackson Walker for all the work they had done behind the scenes to amend those two documents. Ms. Kumar explained that approving the changes to the IPS would statutorily require three readings with board approval at each juncture, with the second reading occurring in January and the final approval considered in February. Chuck Campell added that no commentary period would be required for the IPS review. Trustee Weaver requested a modification to the securities litigation section to include a required notification to the Chair or Vice Chair before the Executive Director can make a decision regarding the Fund's level of involvement in a case. Ms. Kumar confirmed that language could be added to reflect Trustee Weaver's request and clarified that the situation would only arise if there was no regularly scheduled board meeting prior to the deadline. Alyca Garrison stated that Jackson Walker would make the requested revision to the securities litigation policy language prior to the second reading. Trustee Fowler made a motion to adopt the Investment Policy Statement and Operating Procedures review with modifications on first reading. Trustee Woolverton seconded the motion. The motion passed unanimously.

V. Annual Performance Evaluation of the Executive Director (Closed Session)

The board entered closed session at 9:39am pursuant to Texas Government Code Section 551.074 to discuss personnel matters related to agenda item V. The board resumed open session at 10:13am with no action taken during the closed session. Trustee Fowler moved to approve the Executive Director's salary, effective as of January 1, 2025, as discussed. Trustee Weaver seconded the motion. Trustee Fowler emphasized that there had been an enormous amount of change-over in the pension office over the last three years, which included rebuilding the office staff, moving into an updated and higher-performing pension software, and dealing with the current legislative process and Funding Soundness Restoration Plan. Trustee Fowler acknowledged the difficulty of those changes and expressed his appreciation for Anumeha Kumar's performance throughout each step. Vice Chair Bass reiterated Trustee Fowler's sentiments and added that Ms. Kumar was relentless in her work. He thanked both Ms. Kumar and the staff for their hard work behind the scenes, noting that few people fully understand the amount of time, energy, and effort that goes into the work that they do. Vice Chair Bass explained that the Executive Director compensation adjustment was reflective of what was agreed upon during the prior year's review, which had been implemented over the course of the year and put into effect now. The motion passed unanimously.

VI. Consider approval of the proposed 2025 Budget

Anumeha Kumar presented the proposed operating budget for 2025 and explained that the increase in total expense from 2024 was predominately reflective of additional expenses that the Fund expected to incur in association with the legislative session work, including actuarial, legal, and legislative consulting. She described some additional increases, which included retiree payroll, the inbuilt annual increases for regular contracts such as for the financial consultant, legal counsel, and IT consultant, and increased condo association fees for the office building that the Fund owns. Ms. Kumar informed the board that she had negotiated with Cheiron to define a scope of actuarial work for the legislative session which would include a fee cap. She explained that the insurances that had been in place since she started with the Fund had also increased, and that she would evaluate whether the insurances continued to meet Fund needs after concluding the legislative process and software implementation. Regarding administrative expenses, Ms. Kumar requested a lump sum of \$20K-\$25K to use for merit-based adjustments to staff salaries, which would translate to a potential 3-4% raise for each staff member, if earned. She recommended that the board reevaluate total staff compensation in 2026 based on the Logic Compensation study findings from the prior year. Vice Chair Bass made a motion to approve the proposed 2025 budget as presented with the adjustments for merit pay in addition compensation of \$20K-\$25K for staff, as well as the compensation adjustment for the Executive Director. Trustee Fowler seconded the motion. The motion passed unanimously.

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

a. General comments

No general comments.

b. Securities Litigation update

Alyca Garrison provided a brief report on a case that had been brought to the Fund by one of the securities monitoring firms with a recommendation to consider pursuing a lead plaintiff status. Ms. Garrison explained that the lead plaintiff filing deadline had passed prior to the board meeting, but Jackson Walker had still gone through the process of evaluating their recommendation in accordance with Fund policy. She stated that after full consideration and a discussion with the monitoring firm, Jackson Walker determined that it was not in the best interest of the Fund to pursue lead plaintiff status at that time. Ms. Garrison added that the situation had illustrated a reason for the recommendation to change the securities litigation policy, as discussed in item IV. The trustees had no questions and declined the option to enter closed session for further discussion about the case.

c. Pension Administration System (PAS) software implementation update

Anumeha Kumar thanked the staff for their hard work throughout the software implementation process. She informed the board that while Provaliant had been approved to provide implementation oversight, staff had decided to take on the additional workload themselves and the Provaliant expense had been removed from the proposed 2025 budget. Ms. Kumar explained that the software implementation process consisted of three main deliverables, of which the first and second had been completed and the third had been recently initiated. She described the process for each deliverable, which included documenting every step that the staff follows for all possible internal processes; then the vendor, LRS, would come back with designs related to each of those steps for the staff to review, answer questions, and provide additional feedback on to inform the development of the software. Then, she continued, the staff would be tasked with running hundreds of lengthy test cases through the software to identify any potential errors. Ms. Kumar emphasized that the design review process had been cumbersome and time-consuming, and that staff had been doing the groundwork as well as managing and monitoring the process without Provaliant, on top of performing all the other daily tasks for the Fund, such as processing payroll, responding to member inquiries, generating retirement estimates, and handling member visits and consultations. She reiterated that she could not thank staff enough for their hard work. Ms. Kumar also thanked Jackson Walker for their role in answering the critical questions from the staff week to ensure that proper precedents were set for the future. She informed the trustees that additional changes would need to be made to the software if the reform package passes through legislation, and that she would provide an update accordingly. Trustee Weaver thanked the staff and noted her personal experience with arduous system implementations.

d. Board Meeting Dates for 2025

Anumeha Kumar advised the trustees to add the proposed board meeting dates to their calendars. Trustee Fowler noted that he would be available for all dates except for the date in May. Ms. Kumar stated that staff would consider alternate dates for May and would bring another schedule to the board once all dates were confirmed.

e. Final internal financial statements, transactions, and Fund expense reports for month ending October 30, 2024

Anumeha Kumar stated that there was nothing additional to report in the final version of the

October financial reports. The trustees had no questions regarding the financial reports.

- f. Internal financial statements, transactions, and Fund expense reports for month ending November 30, 2024

Anumeha Kumar stated that there was nothing notable to report for November. She informed the board that the final end-of-year financial reports would be presented at the January meeting and that the only over-budget items were those associated with the Funding Soundness Restoration Plan, as previously discussed. Trustee Weaver asked about staff experience with the transition to Frost Bank, to which John Perryman replied that the transition had been a very positive experience, and that Frost provided outstanding customer service in comparison to the prior bank. He noted that the Frost savings account also participated in a money market, so the interest earned from that account was superior to that of the prior bank.

- VIII. Roadmap for future meetings

The trustees had no questions or requests regarding the roadmap.

- IX. Call for future agenda items

Trustee Fowler requested that a discussion on the number of allowed DROP distributions be added to a future agenda, based on some discussions that had taken place on the retiree Facebook page. He also requested that staff provide some background information regarding the process that the board underwent when the number of allowed DROP distributions was last increased from 8 to 12, and some information regarding the impact of an increase on staff workload, including the consideration of hiring an additional staff member at a future date. Anumeha Kumar confirmed that the item could be added to the January agenda and that staff would come prepared with the requested information.

Hearing no objections, Vice Chair Bass adjourned the meeting at 10:41am.

Board Members

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