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Letter from the Fund

- By Executive Director Anumeha Kumar

The past year has been another year of great challenges and great accomplishments. As anticipated, the Fund's amortization period increased again to 48.6 years, which moved the Fund one year closer toward triggering a mandatory FSRP and further emphasized the importance of reforming AFRF's funding structure while the Fund and its members maintained leverage to guide the reform development. While the Fund and the City of Austin failed to come to full agreement on the proposed pension changes, there was overwhelming agreement from both sides as well as from the membership that taking proactive measures to reform the system was imperative, and that waiting to trigger the mandatory FSRP would not be to the benefit of the City, the Fund, or the membership.

One of the Fund's main priorities for 2025 is passing the pension reform bill at the Texas Legislature. The bill reflects the reform proposal as approved by the board, which can be viewed in full on our website. Due to the Fund's high amortization period, the board was unable to grant a COLA for 2025. Though expected, this again came as a disappointment to the board. Over the past two years, the board prioritized finding a solution to provide predictable purchasing power protection for retired members. The Fund hopes that the passage of the bill will accomplish that goal by ensuring that members who are not actively participating in the DROP program are guaranteed a modest deferred 1% annual COLA. **Continued on next page** →



Letter from the Fund, Continued

In addition, the current proposal is fiscally responsible and focuses on the long-term sustainability of the Fund, while preserving the benefits of current firefighters and not overly burdening new hires with future benefit reductions. In preparation for the reform proposal, the Fund completed an Actuarial Experience Study and an Investment Performance Evaluation through a third-party to ensure a robust baseline, which served to inform the development of the voluntary FSRP and subsequent legislation. The Experience Study also resulted in refining a few actuarial assumptions. The board and staff were content to learn through the Evaluation that the Fund had been performing well from an investment and governance perspective. Once the necessary reforms are made, the Fund will be on a much more stable footing for the future.

The AFRF staff continue to work toward the implementation of Pension Gold IV, an updated version of the 1997 legacy software currently in use. Though the process has been lengthy and arduous, we are excited to have reached the home stretch with an anticipated completion date near the end of this year. We look forward to providing quicker and more streamlined customer service with this modernized software, which will also provide members with online access to their information come 2026. In conjunction with this implementation, staff amended and repaired many internal processes and procedures to ensure consistency with both the Fund's statute and modern business practice norms.

I would like to thank our membership for the support and understanding that they have provided to our board and staff throughout the challenges of the past two years. We have made great strides toward modernizing the administration of the Fund, as well as identifying and correcting past errors, and setting the Fund on a course to financial stability well into the future. These accomplishments did not come without road bumps, but we have appreciated all the feedback and encouragement that we have received along the way. We welcome our members to continue to stay engaged through attending our board meetings and reaching out with any questions and concerns that arise. We have the utmost respect for the service our members provide to our great city, and as always, we are here for you.

Board Election Update

AFRF held an annual election to select an active or retired firefighter to serve on the Board of Trustees. The election was conducted by an outside vendor, YesElections, and allowed for either electronic or paper ballot submission. The initial election ran from 10/17/24 - 11/6/24. Out of three candidates, incumbent John Bass claimed 48% of the 694 total votes cast, resulting in a runoff with runner-up AJ Padilla, who claimed 28% of the total votes cast. The runoff election followed the same voting procedures and ran from 12/2/24 - 12/16/24. John Bass won the runoff election and claimed 62% of the 556 total votes cast.

John Bass served as a firefighter for 20 years, including 12 years with AFD, leading up to his February 2025 retirement. Bass has served on the Board of Trustees for four years and held the Vice Chair position in 2024. Bass ran for reelection on a platform of mutual respect and cooperation amongst board trustees and on the importance of holding the health and safety of the Fund at the forefront of every decision. Bass brings to the board a wealth of finance and investment knowledge. During his tenure, Bass led the board through the implementation of a passive investment framework, which saved the Fund over \$700K annually in fees. He also served an instrumental role in the Working Group's development of a voluntary FSRP to reform pension funding (see page 3). Bass began his renewed three-year term in January 2025.



Voluntary Funding Soundness Restoration Plan (FSRP)

Following months of negotiation with the City of Austin, the AFRF Board of Trustees entertained proposal presentations from both the AFRF Working Group (WG) and the City's Chief Financial Officer, Ed Van Eenoo, at their November meeting. In a vote of 3-2, the board approved the reform proposal presented by the WG. While AFRF and the City agreed on most points presented in their competing proposals, including the imperativeness of taking legislative action and reforming the pension structure through the addition of a second tier and an actuarially determined contribution structure, they disagreed on the approach to Cost of Living Adjustments (COLAs), for which the WG proposed a prefunded 1% automatic deferred COLA and the City proposed continuing the ad hoc structure with the addition of an escalating financial stability threshold test and City Council approval. Mayor Watson and Trustee Weaver voted against the WG proposal due to COLA provision, which would temporarily increase the unfunded liability of the plan. The Austin Firefighters Association also held a vote in November to determine whether to support any pension reform legislation. Union members voted overwhelmingly to pursue pension reforms, demonstrating their understanding of and support for the board's efforts to ensure long-term financial stability of the Fund. In December, the board voted 3-1 to grant authorization to the Fund's Executive Director to work with legal counsel to draft a bill for the 2025 legislative session, citing an additional need to defend the Fund's position against the City of Austin's competing bill. For more information on this topic, please refer to *AFRF News Issues 3 and 4*, recent board meeting minutes, and the *Plan Sustainability* page, all which can be found on AFRFund.org.

The Year Ahead

At the January board meeting, the Board of Trustees elected Trustee Aaron Woolverton to serve in the Vice Chair position for 2025. Woolverton retired from AFD in 2020 with 28 years of service and has served on the AFRF Board of Trustees for two years.

This year, the board will focus on passing necessary reforms through the Texas Legislature, which is currently in session and is scheduled to run through June 2, 2025. At the time of publication, AFRF is actively working on filing its bill. The City of Austin has also filed a competing bill with intent to reform the benefit and funding structure of AFRF. Representative John H. Bucy III has authored HB2802 on behalf of the City of Austin. Details of all legislative bills can be viewed using the Texas Legislature Online Bill Lookup at capitol.texas.gov. AFRF encourages its members to attend its monthly board meetings for further updates regarding the progression of these two bills. Meeting recordings are also available on AFRFund.org.

The State of the Fund

Investment Performance | The economy was healthy in 2024 with falling inflation and a Federal Reserve interest rate cut. Through September, all major asset classes were positive, led by US equities and more specifically, technology stocks leading the broader market. As of September 30, 2024, the Fund had a 6.8% year-to-date return. The final 2024 investment return numbers will be reported to the board at their February meeting.

2025 COLA Decision | In November, the Fund's actuary presented a Cost of Living Adjustment (COLA) Analysis as laid out in Fund Statute section 9.04 and Fund Rules sections VII and VIII. Based on the results of the analysis, the actuary recommended that no COLA be granted for 2025 due to the Fund's amortization period exceeding the 25-year maximum set forth in the policy. The board has contemplated moving away from an ad hoc COLA structure, which is no longer deemed sustainable by the Texas Pension Review Board or by the Actuarial Standards of Practice, and has included a provision for a 1% deferred annual COLA option within their legislative reform proposal.

Investment Policy Statement | In response to recommendations included in the Investment Practices and Performance Evaluation (IPPE) completed by Callan in May 2024, the Fund's investment consultant, Meketa, moved portions of the Operating Procedures into the Investment Policy Statement (IPS) for consistency and incorporated the additional refining adjustments that Meketa and the Fund's legal counsel agreed upon. Changes to the IPS included adding language addressing the general philosophy of the passive framework approach that the board had implemented over the past year, as well as revising the investment performance benchmarks to add short and long-term approaches to evaluate Fund performance. Changes to the IPS were initially considered by the board at their December meeting and following statutory procedural requirements, will be considered for final adoption at their February meeting.

In Remembrance

To the families and friends of those who passed away in 2024, the AFRF board and staff would like to extend our deepest sympathies for your loss and express our gratitude for the years of service they provided to the citizens of Austin.

Elmer Adamson | 1932-2024

Richard Bowen | 1935-2024

Michael Crabill | 1957-2024

James Felter | 1956-2024

James Glenn | 1964-2024

Darrell Head | 1973-2024

John Jenkins | 1944-2024

Randy Kohutek | 1983-2024

John Konarsky | 1952-2024

Robert Labenski | 1943-2024

Charlie Lunday | 1942-2024

Vergil Maples | 1946-2024

Daniel Potts | 1960-2024

Roger Thomas | 1945-2024



The State of the Fund, Continued

PAS Software Update | Fund staff continue to work toward the implementation of Pension Gold IV, the new pension administration system (PAS) software. All internal processes are expected to be fully implemented by January 2026, including a period of parallel processing with the 1997 legacy system. The online MemberDirect portal, which will allow members to easily update demographic information, obtain basic retirement estimates, and view DROP balances, is expected to be completed and available to all members by mid-2026. In conjunction with the software conversion, the Fund will be bringing payroll in house starting in 2026. This decision was based on the capabilities of the new PAS software and the cost-savings that would be achieved by decreasing customization expenses for the base software.



Congratulations 2024 Retirees!

The AFRF staff would like to formally congratulate you on your retirement. We thank you for your many years of service to the citizens of Austin! AFD will host its annual retirement party on May 6, 2025, at the Creedmoor Community Center. Please join us in honoring these new retirees!

Lawrence Andry	Christopher Dibrell	Ben Litteral
Jose Arguelles	Lynn Eichler	Joseph Loughran
Tyrus Baker	James Fedro	Damian McKeon
William Bonewitz	Terry Gray	James Rae
John Boucher	Mark Harris	Duncan Rennie
Andrew Britcher	Ron Hutto	Victor Rubio
David Brown	Terry Hoad	Bradley Sheehan
Keith Brown	Brandon Jennings	Kevin Shuler
James Burhkuhl	Jeffrey Kalebick	Brian Tanzola
Frank Calabrese	Bryan Kent	Peter Teliha
Richard Davis	Al Korzekwa	Edward Tidwell
Michael Dean	John Lenz	Dan Wolfe

Member Services

Contact Information | Remember to keep your contact information up to date with AFRF, including your phone number, mailing address, and personal email address.

1099-Rs | State Street Retiree Services has completed the mailing of 1099-Rs for 2024. Members who moved out of state in 2024 will likely receive a 1099-R for each state. Please contact AFRF if you require any corrections or to request a digital copy of your 1099-R.

HELPS Retiree Act | As a reminder, the Healthcare Enhancement for Local Public Safety Retiree Act allows retired public safety officers to reduce their taxable earnings by up to \$3,000 for medical insurance premiums paid during a calendar year. The medical premiums no longer need to be paid directly from your pension to the insurance company. Please note that this reduction does not appear on your annual 1099-R form. For more information about claiming the reduction, consult your personal tax advisor or see *IRS Publication 575*.

Annual DROP Statements | For members who participate in the DROP program and have an active balance in their account, an annual DROP Statement was mailed to your address on file in January. If you did not receive your statement, please confirm that your contact information is up to date.

Considering Retirement? | Please contact us for retirement estimates or to schedule a benefits counseling session at least 30 days in advance of your intended retirement date to minimize potential delays. Counseling can be conducted virtually or at the AFRF office.

Important Dates

March

- 15** | Deadline for March DROP Request
- 28** | March Regular Board Meeting

April

- 15** | Deadline for April DROP Request
- 25** | April Regular Board Meeting

May

- 06** | Annual AFD Retirement Party
- 15** | Deadline for May DROP Request
- 26** | Office Closed for Memorial Day
- 23** | May Regular Board Meeting

June

- 15** | Deadline for June DROP Request
- 19** | Office Closed for Juneteenth
- 27** | June Regular Board Meeting

July

- 04** | Office Closed for Independence Day
- 15** | Deadline for July DROP Request
- 25** | July Regular Board Meeting

August

- 15** | Deadline for August DROP Request
- 22** | August Regular Board Meeting

September

- 01** | Office Closed for Labor Day
- 01** | Trustee Nomination Period Begins
- 15** | Deadline for September DROP Request
- 15** | Trustee Nomination Period Ends
- 29** | September Regular Board Meeting

October

- 15** | Deadline for October DROP Request
- 24** | October Regular Board Meeting

Updates to this calendar can be found on AFRFund.org.



Connect with Us

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