



Austin
Firefighters
Retirement Fund
AFRF

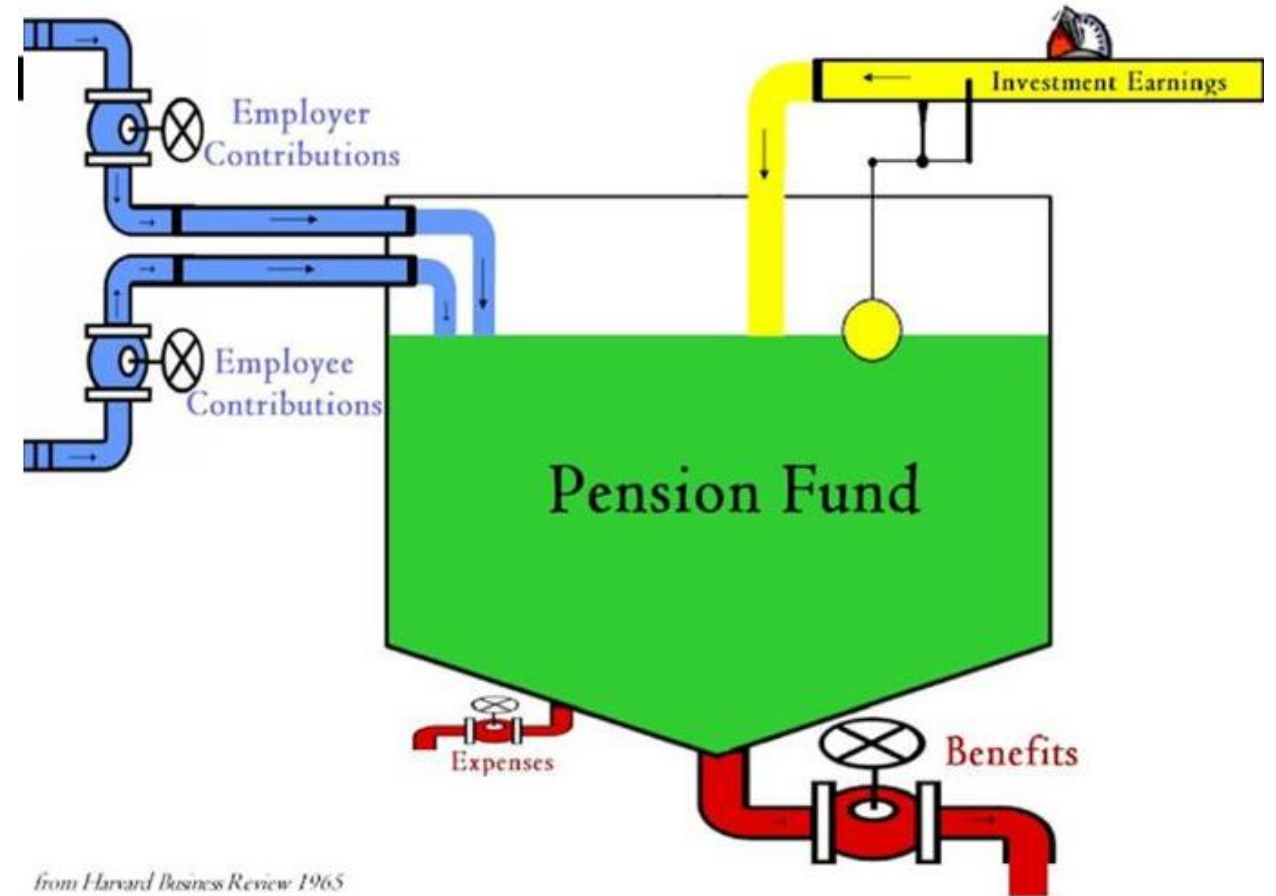
INFORMATION SESSION

DECEMBER 2023

DB Plan Financing

$$C + I = B + E$$

Contributions + Income =
Benefits + Expenses



DB Plan Financing Cont...



Contributions and **investment earnings** pay for the future benefits owed to the plan members.



Investment consultants, based on the investment policy, advise the plan on the appropriate asset mix to hold to meet the plan's objectives.



Actuaries help quantify the cost of benefits. They use actuarial methods to calculate and predict the benefits.

Key Financial Health Measures

Two measures are frequently used to assess a system's financial health:

FUNDED RATIO

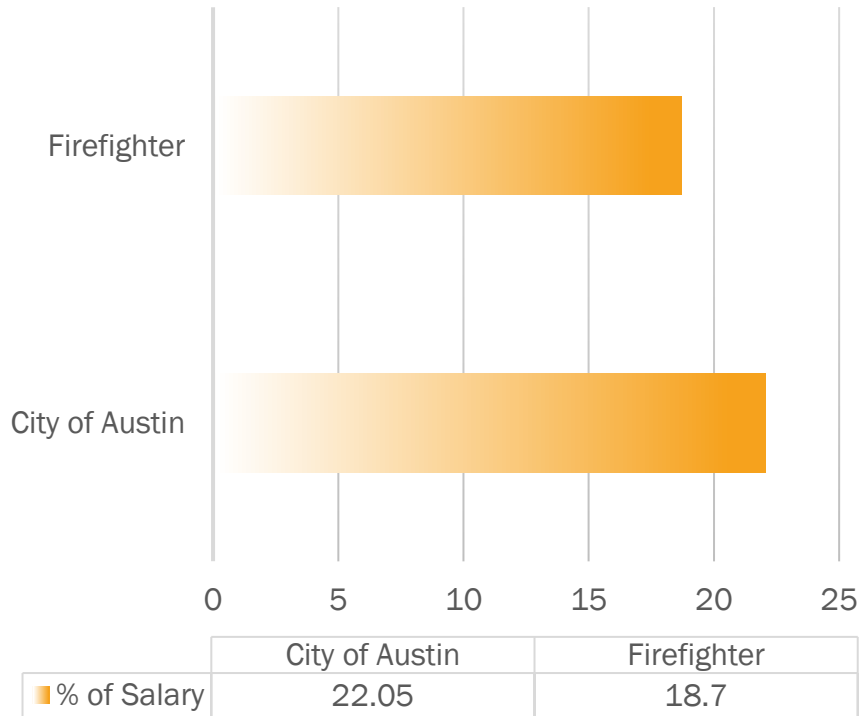
This is the proportion of a system's accrued liabilities that are covered by the assets. The funded status of AFRF as of December 2022 was **86.9%**.

AMORTIZATION PERIOD

This is the expected time period for a system to pay off its unfunded liability. The amortization period for AFRF as of December 2022 was **35.7 years**.

Contributions, Vesting, Eligibility

CONTRIBUTIONS



VESTED BENEFIT

10 Years of Service

Upon termination of employment with the fire department, a member may elect to leave their accumulated deposits in the Fund.

NORMAL RETIREMENT

Age 50 with 10 Years of Service
OR 25 Years of Service at any age

EARLY RETIREMENT

Age 45 with 10 Years of Service
OR 20 Years of Service at any age

Benefit Calculation

Years x 3.3% x Salary

Years of Service

x 3.3%

x Highest Average Salary

= Monthly Benefit



Years of Service reflects the amount of time a member has been contributing to the Fund. Firefighters typically begin contributions 6 months after employment.



Pension Factor - Every DB Plan sets its own factor. The factor for AFRF is 3.3% which is higher than average for pensions.



Highest Average Salary is calculated from the highest 36 months of salary during the time of employment, not including any bonuses or supplemental pay.

Additional Benefits

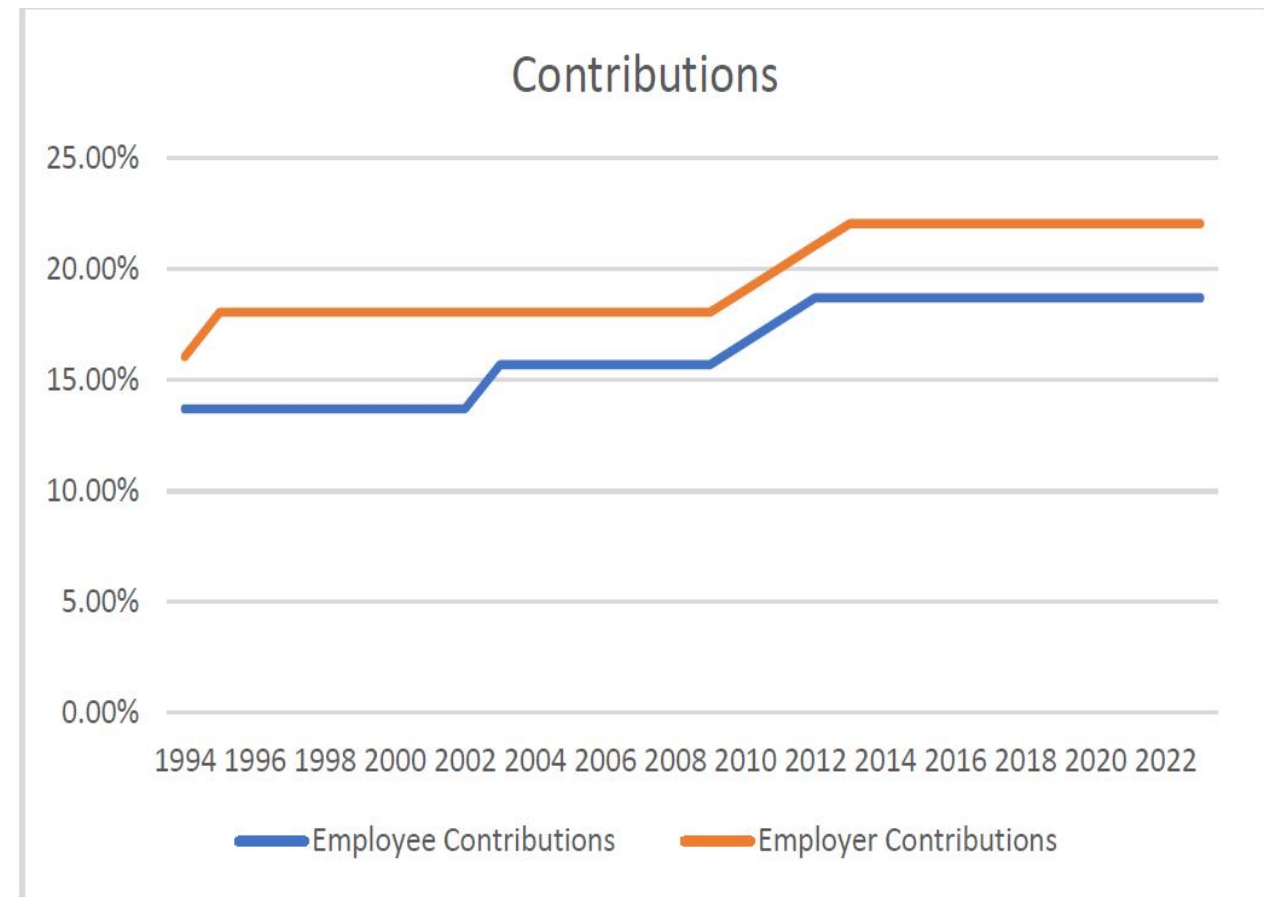
DROP : Deferred Retirement Option Plan

COLA: Cost-of-Living Adjustments

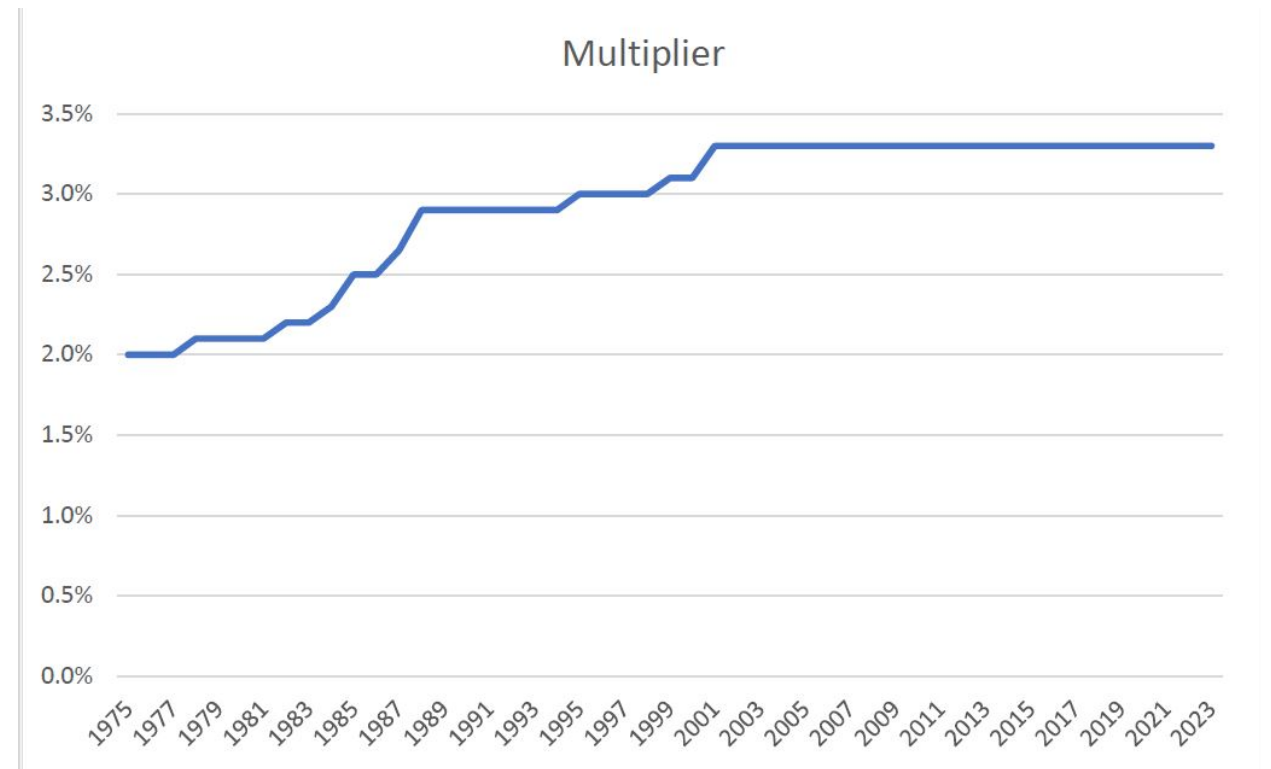
Disability Benefits

Death Benefits

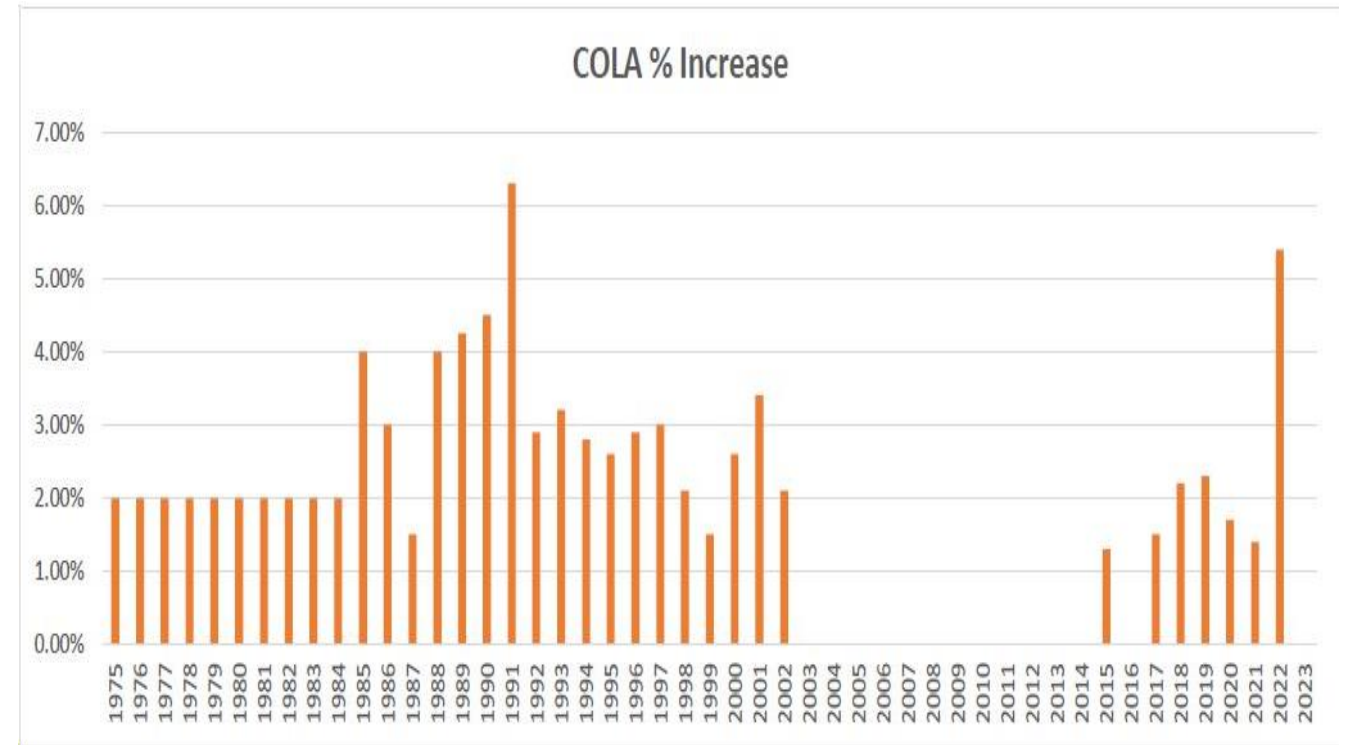
Employer and Employee Contribution History



Multiplier Change History



COLA History



Fund Statistics as of 2022 Actuarial Valuation

Actuarial Accrued Liabilities: \$1.3Billion

Market Value of Assets: \$1.1Billion

Funded Ratio: 86.9%

Amortization Period: 35.7 years

Investment Return Assumption: 7.30%

Actual Investment Return: -10.8%

Membership: 2178 members
(55% active, 45% annuitants)

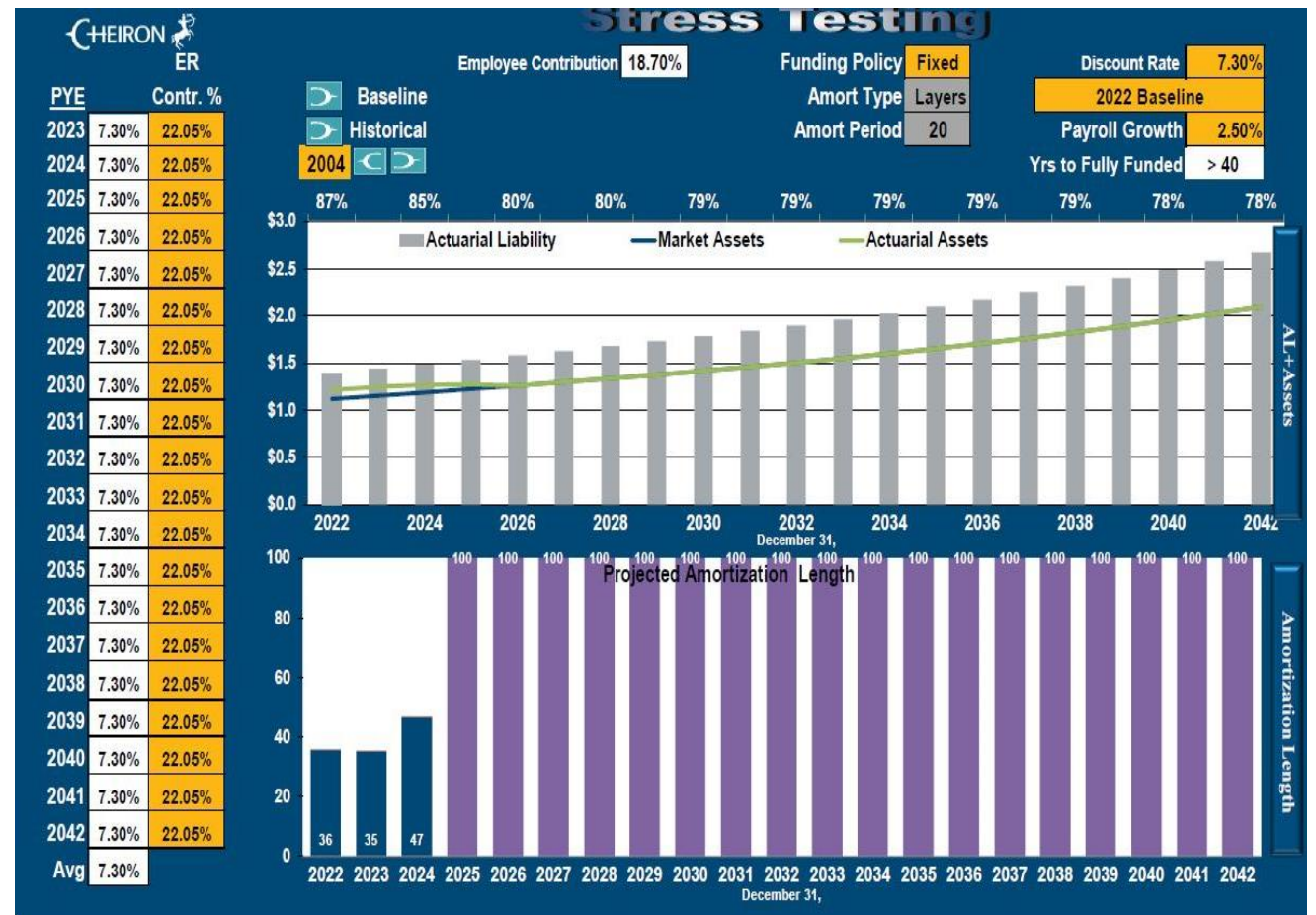
Changes Since Prior Valuation

Info provided by plan actuary,
Cheiron

- Plan
 - No changes
- Membership Data
 - Total active membership of 1,199
 - Total inactive members of 1,014
- Actuarial Methods and Assumptions
 - Updating the mortality table to use fully generational mortality with the base PubS-2010 mortality table
 - Assume participants choose the most valuable DROP period
 - Reflect previously granted COLAs for eligible active members assumed to take DROP

12/31/2022 Valuation Recap

Cheiron Data



12/31/2022 Valuation Recap Cont..

Cheiron data



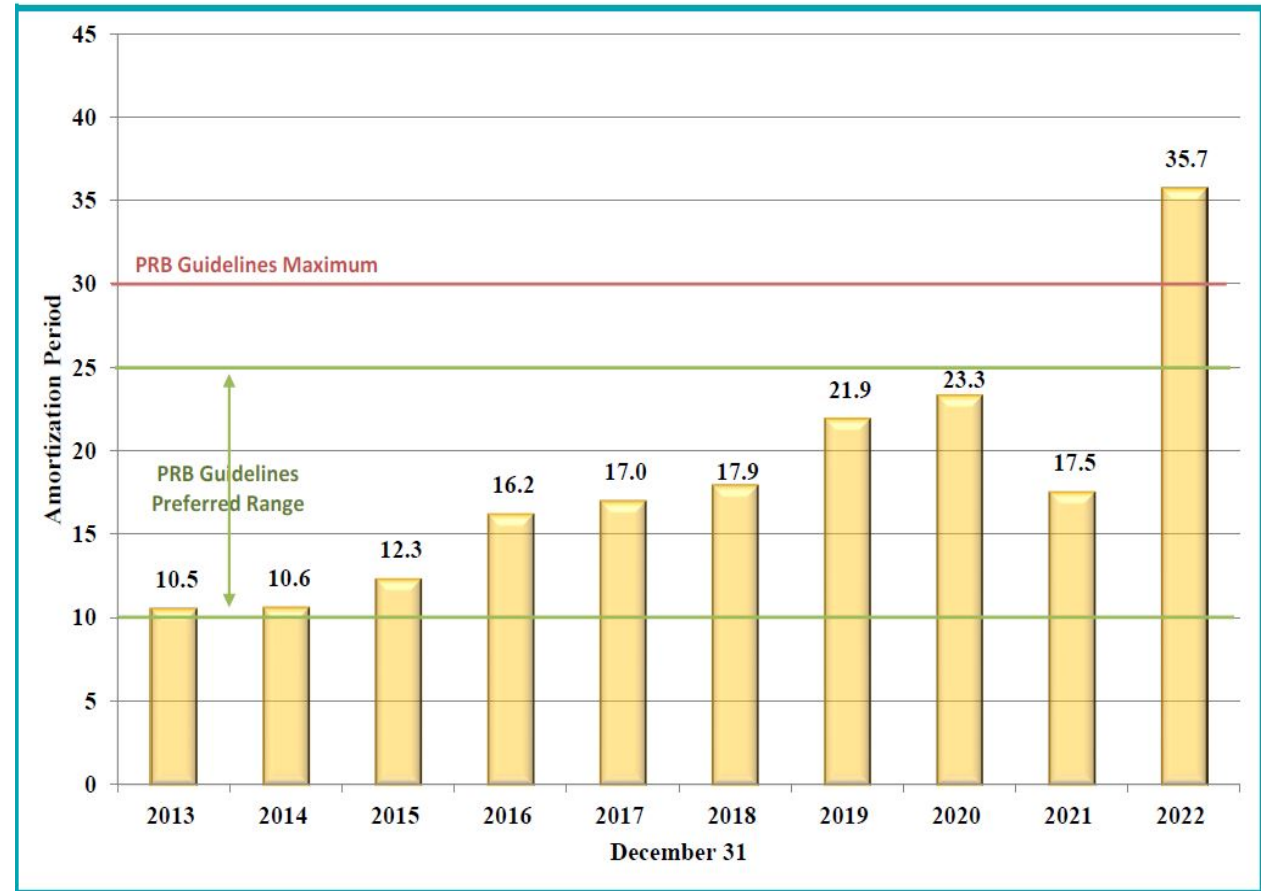
Funding Period

Info from 2022 AV presentation
provided by Cheiron

- Given the actuarial valuation and the statutory contributions, how long until the current unfunded actuarial liability is anticipated to be paid off?
- Texas Pension Review Board (PRB) Funding Guidelines
 - “as brief a period as possible”
 - “not to exceed 30 years, with 10-25 years” preferred

Funding Period History

Cheiron data



Funding Soundness Restoration Plan (FSRP)

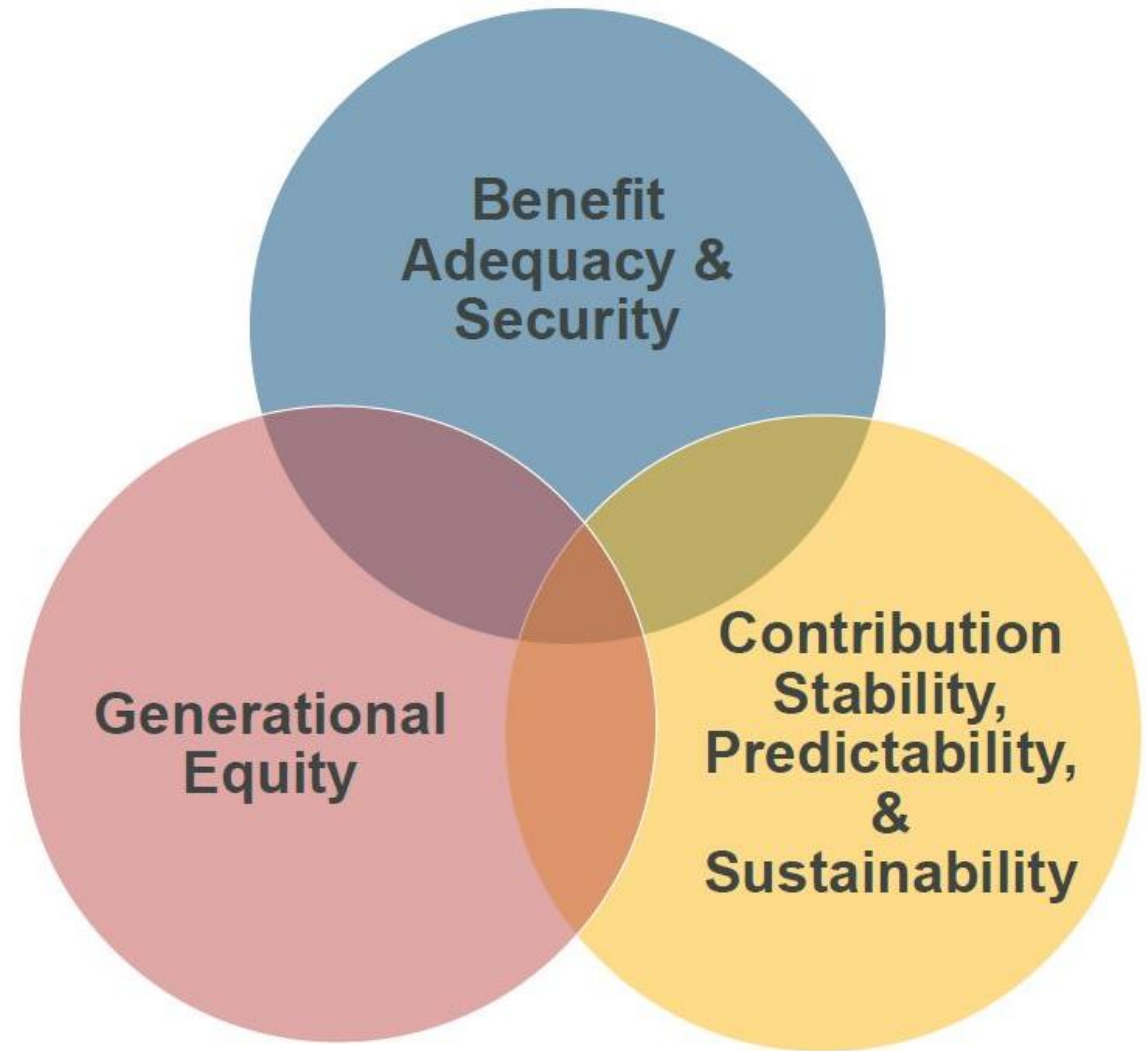
PRB

- Funding Soundness Restoration Plan (FSRP) triggered if:
 1. Funding period > 30 for three consecutive valuations
 2. Funding period > 40 at any valuation*
 3. Funding period > 30 & funded ratio < 65%*
- Given the “leverage,” or rapidly increasing nature of funding periods, vitally important to assess and manage risk

Competing Objectives

Info from Cheiron presentation

There is no right answer, but defining and balancing these objectives is the key.



Contact Information

Don't hesitate to reach out.
We're here to help!



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