



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2016



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Austin Fire Fighters Relief and Retirement Fund

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of fiduciary net position of the Austin Fire Fighters Relief and Retirement Fund (the Fund) as of 31 December 2016, the related statement of changes in fiduciary net position for the year then ended, which collectively comprise the Fund's financial statements, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Fund as of 31 December 2016, and the changes in its financial status for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the supplemental schedules on pages 18 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Montemayor Britton Bender PC

9 August 2017
Austin, Texas

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Austin Fire Fighters Relief and Retirement Fund's (the Fund) financial performance provides an overview of the Fund's activities for the calendar years 2016 and 2015. This information is provided in conjunction with our financial statements that follow.

FINANCIAL HIGHLIGHTS

- Fiduciary net position of the Fund increased by \$44,399,135 or 5.65% in 2016 and decreased by \$4,222,164 or (.53%) in 2015. The increase in 2016 and decrease in 2015 were due to positive and negative financial market returns, respectively.
- Total contributions by the members and the City of Austin increased by .63% in 2016 and 4.32% in 2015. The increase for 2016 over 2015 reflects the increase in the contribution rate by the firefighters from 18.20% to 18.70%.
- The amount of benefits paid directly to retired members and their beneficiaries and contribution refunds increased by \$738,835 in 2016 and increased by \$6,763,944 in 2015. The increases for both years over the prior years were due to the increase in the number of pension recipients.
- The funding objective of the Fund is to meet long-term benefit obligations through contributions by the members and the City of Austin as well as from the investment income. As of 31 December 2016, the date of the most recent actuarial valuation, the Fund's funded ratio of actuarial assets as a percentage of actuarial liabilities was 88.3% which is lower than the 89.9% ratio as of December 31, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's financial statements consist of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, with accompanying Notes to the Financial Statements. The information available in each is summarized below:

The Statement of Fiduciary Net Position presents the Fund's assets and liabilities and the resulting net position, which are held in trust for pension benefits. This statement provides a snapshot as of year-end of the Fund's investments, stated at fair value, along with cash and short-term investments, receivables, and other assets and liabilities. Over time, increases or decreases in Fund net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

The Statement of Changes in Fiduciary Net Position presents information showing additions to and deductions from the Fund during a twelve-month period, using the accrual basis of accounting. Thus, additions are reported when earned and deductions when incurred, regardless of when cash is received or paid.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Our analysis below focuses on the fiduciary net position and changes in fiduciary net position of the Fund.

Summary of Fiduciary Net Position

31 December 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and receivables	\$15,896,322	\$9,119,509	\$12,004,215
Investments	814,420,021	776,648,937	777,719,079
Other assets	<u>246,201</u>	<u>253,273</u>	<u>254,971</u>
Total assets	<u>830,562,544</u>	<u>786,021,719</u>	<u>789,978,265</u>
Total liabilities	<u>952,348</u>	<u>810,658</u>	<u>545,040</u>
Fiduciary net position for pension benefits	<u>\$829,610,196</u>	<u>\$785,211,061</u>	<u>\$789,433,225</u>

Net position: The net position of the Fund increased by \$44,399,135 in 2016 and decreased by \$4,222,164 in 2015. The increase between 2016 and 2015 reflects positive investment returns due to stronger financial markets. The decrease between 2015 and 2014 reflects negative investment returns due to weaker stronger financial markets.

Liabilities: The Fund's liabilities increased by \$141,690 in 2016 primarily due to an increase in funds payable to the investment managers for their investment fees. Year-end liabilities increased in 2015 by \$265,618 due to the increase in funds payable to the broker for securities purchased.

See independent auditor's report.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of Change in Fiduciary Net Position

31 December 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Additions:			
Contributions	\$34,988,152	\$34,769,309	\$33,329,890
Investment income (loss)	55,389,536	6,184,005	41,753,639
Other income	<u>74,984</u>	<u>67,661</u>	<u>94,574</u>
Total additions	<u>90,452,672</u>	<u>41,020,975</u>	<u>75,178,103</u>
Deductions:			
Benefit payments and contributions refunds	45,495,682	44,756,847	37,992,903
Legal counsel	168,624	85,263	*
Tech services	30,132	28,397	*
Administrative expenses	<u>359,099</u>	<u>372,632</u>	<u>374,120</u>
Total deductions	<u>46,053,537</u>	<u>45,243,139</u>	<u>38,367,023</u>
Net increase (decrease)	44,399,135	(4,222,164)	36,811,080
Fiduciary net position for pension benefits			
Beginning of year	<u>785,211,061</u>	<u>789,433,225</u>	<u>752,622,145</u>
End of year	<u>\$829,610,196</u>	<u>\$785,211,061</u>	<u>\$789,433,225</u>

*- Included in administrative expenses.

Additions: Total contributions by the members and City of Austin for 2016 and 2015 were \$34,988,152 and \$34,769,309, respectively. The increase of \$218,843 in contributions for 2016 represents a .63% increase from 2015. The increase of \$1,439,419 in contributions for 2015 represents a 4.3% increase from 2014. The net investment income was \$55 million for 2016 and \$6.2 million for 2015.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

See independent auditor's report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions: The expenses paid by the pension plan include the benefit payments, refunds of member contributions, administrative and other expenses. Benefits paid directly to retired members and their beneficiaries in 2016 were \$45,495,682 compared to \$44,756,847 in 2015. The amount of benefits paid out increased by \$738,835 in 2016 from 2015, and increased by \$6,763,944 in 2015 from 2014. The increases in both 2016 and 2015 over their prior years were due to the increases in the number of retirees receiving benefits.

Overall Analysis: As of 31 December 2016, fiduciary net position increased by \$44,399,135 or 5.65% over the prior year. Also, as of December 31, 2015, fiduciary net position decreased by \$4,222,164 or (.53%) over the prior year. The latest actuarial valuation dated 31 December 2016 shows the Fund's funded ratio to be 88.3% compared to 89.9% the prior year. This was attributed to the assumed rate of return remaining at 7.7% as adopted by the pension board. The 31 December 2016 valuation shows the Fund continues to be actuarially sound and has taken positive steps to continue that course.

REQUEST FOR INFORMATION

This financial report is intended to provide a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. Any questions regarding this report may be addressed to the fund administration at: 4101 Parkstone Heights Dr., Suite 270, Austin, TX 78746.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

STATEMENT OF FIDUCIARY NET POSITION

31 DECEMBER 2016

ASSETS

Cash and Cash Equivalents	<u>\$11,257,429</u>
Investments at Fair Value:	
Public Domestic Equities	154,597,872
Public International Equities	176,037,241
Private Equity Fund Investments	123,497,733
Public Fixed Income	239,954,523
Real Estate Fund Investments	77,154,827
Hedge Fund of Fund Investments	27,256,715
Private Natural Resources Fund Investments	<u>15,921,110</u>
	<u>814,420,021</u>
Due from broker	4,501,170
Interest and dividends receivable	<u>137,723</u>
	830,316,343
Property and equipment, net of depreciation	246,201
	<u>830,562,544</u>

LIABILITIES

Accounts payable	467,755
Due to broker	484,593
	<u>952,348</u>

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS \$829,610,196

The accompanying notes are an integral part of this financial statement presentation.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED 31 DECEMBER 2016

ADDITIONS TO FIDUCIARY NET POSITION

Contributions:

Fire fighters contributions	\$15,884,261
City of Austin contributions	<u>19,103,891</u>
	<u>34,988,152</u>

Net investment income:

Net increase/(decrease) in the fair value of investments	27,127,665
Interest and dividends	5,620,082
Net gain on sale of investments	24,920,238
Investment expenses	<u>(2,278,449)</u>
	<u>55,389,536</u>

Other	<u>74,984</u>
	<u>90,452,672</u>

DEDUCTIONS FROM FIDUCIARY NET POSITION

Retirement benefit payments	45,457,457
General and administrative expenses	359,099
Legal counsel	168,624
Contributions and interest refunded	38,225
Technology services	<u>30,132</u>
	<u>46,053,537</u>

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	44,399,135
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BEGINNING OF YEAR FIDUCIARY NET POSITION	<u>785,211,061</u>
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END OF YEAR FIDUCIARY NET POSITION	<u><u>\$829,610,196</u></u>
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The accompanying notes are an integral part of this financial statement presentation.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

A. FUND DESCRIPTION

The Board of Trustees of the Austin Fire Fighters Relief and Retirement Fund (the Fund) is the administrator of a single-employer defined benefit pension plan covering fire fighters employed by the City of Austin, Texas. The Fund is open solely to active fire fighters in the City of Austin (the City). The Fund is considered a part of the City of Austin's financial reporting entity and is included in the City's financial statements as a pension fund trust. The Fund was originally established, and may be amended, by acts of the Texas Legislature. The current governing statute is Article 6243e.1, Vernon's Texas Civil Statutes. The Fund is governed by a Board of Trustees, which is composed of five members: the mayor of the municipality; the City's treasurer or, if there is no treasurer, a person who by law, charter provision, or ordinance performs the duty of the City Treasurer, and three active members of the retirement Fund elected by vote of the fire fighters and retirees.

The table below summarizes the membership of the Fund as of 31 December 2016:

Retirees and Beneficiaries Currently Receiving Benefits	745
Terminated Members Entitled to Benefits but Not Yet Receiving Them	7
Active Participants (Vested and Nonvested)	<u>1000</u>
	<u>1,752</u>

The Fund provides service retirement, death, disability, and termination benefits. When a member has completed ten years of credited service after entrance into the Fund, the member's account becomes vested and non-forfeitable. Under the terms of the Fund agreement, members or their beneficiaries are eligible for distributions of benefits upon attaining a normal retirement age of 50 with ten years of service, or upon completing 25 years of service regardless of age. In addition, members are eligible for early retirement benefits upon reaching age 45 with at least ten years of service or twenty years of creditable service, regardless of age. Distributions to members or their beneficiaries are also available in the event of total and permanent disability or upon death including survivor (spousal) benefits at 75% of retiree benefits. Members are eligible to enter the Deferred Retirement Option Plan (DROP) upon satisfaction of normal retirement eligibility, not to exceed seven years. DROP provides eligible participants the ability to designate benefits to be disbursed in a single payment or not more than four payments upon leaving active service.

The term of benefit payments are determined by the member's level of earnings and length of service. With the exception of payments under the DROP feature, distributions of payments are made in a series of equal installments over a period of time. Payments to members or their beneficiaries may be increased annually by the amount of increase in the Consumer Price index. Cost-of-living increases must be approved by the Board of Trustees and actuary of the Fund. There was no cost-of-living adjustment (COLA) put into effect for the year ending 31 December 2016. The contribution refunds are paid with 5% interest.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

B. FUNDING POLICY

The contribution provision of this Fund is authorized by Article 6243e.1, Vernon’s Texas Civil Statutes, which provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the City.

The Fund is maintained by biweekly contributions from the earnings of fire fighters and from the City. For the year ended 31 December 2016 the City’s contribution rate was 22.05% and fire fighters contribution rate was 18.70% of their earnings excluding overtime, educational incentive pay, assignment pay and temporary pay in higher classifications.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Fund be approved by a qualified actuary. The actuary must certify that the contribution commitment by fire fighters and the City provides an adequate financing arrangement.

C. NET PENSION LIABILITY

The Fund’s net pension liability was measured as of 31 December 2016 was as follows:

Total pension liability	\$977,722,762
Plan fiduciary net position	<u>(829,610,196)</u>
Net pension liability	<u>\$148,112,566</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>84.85%</u>
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1. Actuarial Assumptions

The total pension liability in the 31 December 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	1.00% to 6.00%
Discount rate	7.70%
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

C. NET PENSION LIABILITY

Mortality rates were based on the RP-2000: Fully Generational using Scale AA set back two years for males and females.

Mortality rates disabled lives: RP-2000 Disability Mortality Table.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Public domestic equity	5.3%
Public foreign equity	6.9
Private equity fund of funds	5.6
Investment grade bonds	1.1
TIPS	0.8
High yield/bank loans	3.8
Emerging market debt	3.6
Core real estate	3.4
Non-core real estate	5.0
Natural resources	5.9

2. Discount Rate

The Discount Rate used to measure the Total Pension Liability was 7.70%. For purpose of this valuation, the expected rate of return on pension plan investments is 7.70%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 7.70%. The projection of cash flows used to determine the Discount Rate assumed that Fund member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

C. NET PENSION LIABILITY

of return on Fund investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Fund, calculated using the discount rate of 7.70%, as well as what the Fund’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Fund’s net pension liability	\$248,625,776	\$148,112,566	\$63,515,024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Fund’s financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Fire fighter and City contributions are recognized as revenues in the period which the related employees’ payroll is earned. Benefits are recognized when the employee becomes eligible for retirement and elects to retire under the system and is paid a benefit. Employee contribution refunds are recognized when the employee leaves the City and elects to withdraw a contribution.

METHOD USED TO VALUE INVESTMENTS

Cash and short-term investments include deposits in a custodian-managed investment pool from which the Fund may make deposits and withdrawals at any time without prior notice or penalty. The market value of such deposits is equal to cost. The Board of Trustees has adopted a Statement of Investment Policies and Objectives (Investment Policy) to set forth factors involved in the management of investment assets for the Fund. By statute, the Board of Trustees in its sole discretion may invest, reinvest, or change the assets of the Fund. The Board of Trustees shall invest in funds in whatever instruments or investments considered prudent. In making investments for the Fund, the Board of Trustees shall discharge its duties with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a similar character and with similar aims.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Limited partnerships are reported at fair value based on the net asset value of the Fund's interest provided by the investee. Investments that do not have an established market are reported at estimated fair value. Realized and unrealized gains and losses as well as other investment adjustments are reported as net appreciation (depreciation) in the fair value of investments.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Additions and improvements which significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

Buildings and improvements	40 years
Office furniture and equipment	3-15 years

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to the net position restricted for pension benefits during the reporting period. Actual results could differ from those estimates.

FUND EXPENSES

All Fund administrative costs are the responsibility of the Fund and are financed through investment earnings.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NOTE 3: FEDERAL INCOME TAXES

The Fund is a Public Employee Retirement Fund and is exempt from Federal income taxes and the provisions of the Employee Retirement Income Security Act of 1974.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and unsecured. The Fund did not have exposure to custodial credit risk for deposits as of 31 December 2016.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund and are held by either the counterparty or the counterparty's trust department or agent but not in the Fund's name. As of 31 December 2016, the Fund's investment securities are not exposed to custodial credit risk because all securities are held by the Fund's custodial bank in the Fund's name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. As of year end, the Fund had no investments with a single issuer that exceeded 5% of the Fund's net position.

The Fund's investment policy established asset allocation targets for major classes of invested assets as listed below. The Fund is authorized to invest in the following:

<u>Class</u>	<u>Target Range</u>
Equity	30-55%
Fixed Income Investments	20-40%
Alternatives	10-40%

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. Although the Fund does have a formal investment policy, it does not specifically limit investment maturities as a means of managing its exposure to potential fair value losses from future changes in interest rates. As of 31 December 2016 the Fund had no exposure to interest rate risk.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: DEPOSIT AND INVESTMENT RISK

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Although the Fund does have a formal investment policy, it does not specifically address the Fund's exposure related to foreign currency risk. The Fund had the following exposure to foreign currency risk as of 31 December 2016:

<u>Denomination by Investment Type</u>	<u>Market Value (USD)</u>
Private Equity Fund Investments	
Euro	<u>\$4,402,349</u>
Real Estate Fund Investments	
Euro	<u>5,049,369</u>
Public Fixed Income	
Argentinian Peso	3,087,861
Brazilian Real	18,380,204
Euro	3,690,066
Indonesian Rupiah	6,212,619
Mexican Peso	1,929,364
Russian Ruble	<u>3,286,759</u>
	<u>36,586,873</u>
	<u>\$46,038,591</u>

CREDIT RISK

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations to the Fund. It is the Fund's policy to maintain fixed income securities within its portfolio at an average credit rating of investment grade or better. The Fund had no exposure to credit risk due to the types of investments held as of 31 December 2016.

NOTE 5: SCHEDULE OF INVESTMENT RETURNS

The money-weighted rate of return expresses investment performance, net of investment expenses, that reflects the estimated effect of the contributions received and the benefits paid during the year.

<u>Fiscal Year</u>	<u>Annual Money-Weighted Net Real Rate of Return</u>
31 December 2016	7.13%

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE MEASUREMENT

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Public domestic equities	<u>\$154,597,782</u>	<u>\$0</u>	<u>\$0</u>
Public international equities	<u>\$176,037,241</u>	<u>\$0</u>	<u>\$0</u>
Private equity fund investments	<u>\$0</u>	<u>\$0</u>	<u>\$123,497,733</u>
Public fixed income	<u>\$0</u>	<u>\$239,954,523</u>	<u>\$0</u>
Real estate fund investments	<u>\$0</u>	<u>\$0</u>	<u>\$77,154,827</u>
Hedge fund of fund investments	<u>\$0</u>	<u>\$0</u>	<u>\$27,265,715</u>
Private natural resources fund	<u>\$0</u>	<u>\$0</u>	<u>\$15,921,110</u>

NOTE 7: SECURITIES LENDING

The Fund is authorized under its investment policy to participate in securities lending programs through State Street Bank and Trust Company under which, for an agreed-upon fee, system owned investments are loaned to a borrowing financial institution. Under this agreement, when the loan closes the borrowed securities are returned to the Fund and the collateral is returned to the borrower. During the fiscal year, State Street lent, on behalf of the Fund, certain US Equity securities of the Fund held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The lending agreement requires securities to be collateralized by cash, US government securities or irrevocable letters of credit with a total market value of at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the Borrower. During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: SECURITIES LENDING

There is no formal limit on the amount of loans that can be made, however the securities lending program shall in no way inhibit the trading activities of the Fund's investment managers. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool and a duration pool. As of 31 December 2016 the liquidity pool had an average duration of 31.34 days and an average weighted final maturity of 90.95 days for USD collateral. As of this date the duration pool had an average duration of 23.19 days and an average weighted final maturity of 3,150.11 days for USD collateral.

Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. On 31 December 2016 the Fund had no credit risk exposure to borrowers. The market value of collateral held and the market value (USD) of securities on loan for the Client as of 31 December 2016 was \$24,842,189 and \$24,228,479 respectively.

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Fund's investments include investment in partnership interests, which are closed end private markets strategies. In connection with those investments the Fund still has remaining commitments as of 31 December 2016 of \$113 million pursuant to the terms of the respective interest.

At 31 December 2016 the total accumulated lump sum benefit due to DROP participants was \$69,354,195.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Years*

	12/31/2016	12/31/2015
Total Pension Liability		
Service Cost	24,322,417	23,309,543
Interest	70,892,708	66,404,730
Changes of benefit terms	5,491,908	-
Differences between Expected and Actual Experience	8,893,371	7,192,645
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	(45,495,681)	(44,756,847)
Net Change in Total Pension Liability	64,104,723	52,150,071
Total Pension Liability - Beginning	913,618,039	861,467,968
Total Pension Liability - Ending (a)	\$977,722,762	\$913,618,039
Plan Fiduciary Net Position		
Contributions - Employer	19,103,891	19,222,329
Contributions - Employee	15,884,261	15,546,979
Net Investment Income	55,569,165	6,328,063
Benefit Payments, including Refunds of Employee Contributions	(45,495,681)	(44,756,847)
Administrative Expense	(662,501)	(562,687)
Net Change in Plan Fiduciary Net Position	44,399,135	(4,222,163)
Plan Fiduciary Net Position - Beginning	785,211,061	789,433,224
Plan Fiduciary Net Position - Ending (b)	\$829,610,196	\$785,211,061
Net Pension Liability - Ending (a) - (b)	\$148,112,566	\$128,406,978
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	84.85%	85.95%
Covered Employee Payroll	\$ 86,638,961	\$ 87,836,040
Net Pension Liability as a percentage of Covered Employee Payroll	170.95%	146.19%

Notes to Schedule:

Changes of benefit terms:

For measurement date 12/31/2016, amounts reported as changes of benefit terms resulted from a cost-of-living adjustment effective January 1, 2017, in the amount of 1.5% to eligible retirees.

* - Until a full ten-year trend is compiled, only available information is shown.

See independent auditor's report.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Years*

	12/31/2014	12/31/2013
Total Pension Liability		
Service Cost	25,318,456	23,497,407
Interest	62,976,839	59,249,151
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	4,883,207	-
Benefit Payments, including Refunds of Employee Contributions	(37,992,903)	(34,943,917)
Net Change in Total Pension Liability	55,185,599	47,802,641
Total Pension Liability - Beginning	806,282,369	758,479,728
Total Pension Liability - Ending (a)	\$861,467,968	\$806,282,369
Plan Fiduciary Net Position		
Contributions - Employer	18,669,944	17,786,494
Contributions - Employee	14,659,946	14,000,514
Net Investment Income	42,005,227	101,289,167
Benefit Payments, including Refunds of Employee Contributions	(37,992,903)	(34,943,917)
Administrative Expense	(530,816)	(363,050)
Net Change in Plan Fiduciary Net Position	36,811,398	97,769,208
Plan Fiduciary Net Position - Beginning	752,621,826	654,852,618
Plan Fiduciary Net Position - Ending (b)	\$789,433,224	\$752,621,826
Net Pension Liability - Ending (a) - (b)	\$ 72,034,744	\$ 53,660,543
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	91.64%	93.34%
Covered Employee Payroll	\$ 84,670,948	\$ 83,279,101
Net Pension Liability as a percentage of Covered Employee Payroll	85.08%	64.43%

Notes to Schedule:

Changes of assumptions:

For measurement date 12/31/2014, amounts reported as changes of assumptions resulted from an actuarial experience study dated June 15, 2015, below a brief overview of the changes:

- A "fresh-start" on the actuarial asset value has been implemented. For all future valuations, the asset valuation method will utilize a new smoothing technique.
- The investment return assumption has been decreased from 7.75% to 7.70% per year compounded annually, net of all expenses.
- The general wage inflation rate has been decreased from 3.5% to 3.0% per year.
- The service-based table attributable to merit and longevity salary increases has been amended.
- The retirement rates have been amended.
- The Retro-DROP election assumptions have been amended.
- The withdrawal rates have been amended.
- The assumed spousal age difference has been amended.

* - Until a full ten-year trend is compiled, only available information is shown.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

SCHEDULE OF CONTRIBUTIONS

Last 10 Years*

	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Actuarially Determined Contribution	N/A	N/A	N/A	N/A
Contributions in relation to the Actuarially Determined Contributions	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	N/A	N/A	N/A	N/A
Covered Employee Payroll	\$ 86,638,961	\$ 87,836,040	\$ 84,670,948	\$ 83,279,101
Contributions as a percentage of Covered Employee Payroll	22.05%	22.05%	21.36%	21.36%

Notes to Schedule

Methods and assumptions used to determine liabilities:

Mortality Rates - Healthy Lives	RP-2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct. The assumed rates of mortality sufficiently accommodate expected mortality improvements.								
Mortality Rates - Disabled Lives	RP2000 Disability Mortality Table.								
Retirement Elections:	See tables on following page. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.								
Termination Rates:	See tables below. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.								
Disability Rates:	See tables on following pages. These assumptions were reviewed in conjunction with an actuarial experience study dated June 15, 2015.								
Interest Rate:	7.70% per year, compounded annually, net of all expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.								
Salary Increases:	See tables on following page. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.								
General Wage Inflation:	3.00% per year. This assumption was approved in conjunction with an actuarial experience study dated June 15, 2015.								
Inflation:	3.50% per year. This is reasonable based upon long-term historical experience.								
Payroll Growth:	3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. This is reasonable based upon long-term historical experience.								
Asset Valuation Method:	All assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.								
Marital Status:	100% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 4 years younger than Males. Additionally, 50% are assumed to have dependent children. The age of the youngest child is assumed to be one year. These assumptions were approved in conjunction with an actuarial experience study dated June 15, 2015.								
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method.								
Amortization Method:	Level Percentage of Pay, Closed.								
Remaining Amortization Period:	12.29 Years (as of 12/31/2015).								
Termination Rates:	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Termination Probability</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0-4</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td style="text-align: center;">5-13</td> <td style="text-align: center;">0.50%</td> </tr> <tr> <td style="text-align: center;">14+</td> <td style="text-align: center;">0.00%</td> </tr> </tbody> </table>	Years of Service	Termination Probability	0-4	1.00%	5-13	0.50%	14+	0.00%
Years of Service	Termination Probability								
0-4	1.00%								
5-13	0.50%								
14+	0.00%								

* - Until a full ten-year trend is compiled, only available information is shown.

See independent auditor's report.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

Retirement Rates:	Number of Years After First Eligibility for Early Retirement	Probability of Retirement
	0	2.00%
	1	2.00%
	2	2.00%
	3	2.00%
	4	2.00%
	5	5.00%
	6	7.50%
	7	7.50%
	8	10.00%
	9	16.70%
	10	16.70%
	11	16.70%
	12	20.00%
	13	20.00%
	14	30.00%
	15	40.00%
	16	50.00%
	17	75.00%
	18	100.00%

Retro-DROP Elections:	Number of Years After First Eligibility for Early Retirement	No-DROP Elected	Duration 1 Election	Duration 2 Election
	0	90%	0.5 years (10%)	n/a
	1	50%	1 year (50%)	n/a
	2	50%	1 year (25%)	2 years (25%)
	3	50%	1 year (25%)	2 years (25%)
	4	20%	1 year (60%)	3 years (20%)
	5	20%	2 years (40%)	4 years (40%)
	6	20%	2 years (60%)	5 years (20%)
	7	20%	2 years (50%)	5 years (30%)
	8	20%	3 years (60%)	6 years (20%)
	9	10%	3 years (50%)	6 years (40%)
	10	10%	3 years (50%)	6 years (40%)
	11	10%	3 years (60%)	6 years (30%)
	12	10%	3 years (75%)	6 years (15%)
	13	10%	3 years (40%)	6 years (50%)
	14	10%	3 years (40%)	6 years (50%)
	15	10%	3 years (20%)	6 years (70%)
	16	10%	3 years (20%)	6 years (70%)
	17	10%	3 years (20%)	6 years (70%)
	18	10%	3 years (20%)	6 years (70%)

See independent auditor's report.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

Disability Rate Table:

Age	Probability of Disablement
20	0.014%
25	0.019%
30	0.031%
35	0.052%
40	0.092%
45	0.209%
50	0.379%
55	0.490%
60	0.911%

% Increase in Salary*:

Years of Service	Increase
0	6.00%
1	8.50%
2	7.50%
3	4.00%
4	1.00%
5	5.00%
10	1.50%
15	1.50%
20	5.50%
21+	1.00%

* Expected increase in salary in addition to general wage inflation assumption.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS

Last 10 Years

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	7.13%	0.81%	5.60%	13.30%

See independent auditor's report.