

**AMENDMENT TO  
AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND RULES**

***Section VIII.--COLA Adjustment Policy  
Minimum Benefit Amendment***

**WHEREAS**, the Board of Trustees (the “Board”) of the Austin Fire Fighters Relief and Retirement Fund (the “Fund”) may adopt rules desirable for the efficient administration of the Fund pursuant to Section 2.11 of Vernon’s Texas Civil Statutes Article 6243e.1;

**WHEREAS**, the rules adopted by the Board are set forth in a document entitled “Austin Fire Fighters Relief and Retirement Fund Rules” (the “Rules”); and

**WHEREAS**, the Board is considering an amendment to Section VIII of the Rules that would establish guidelines for the Board’s consideration of a minimum benefit to certain members who are receiving normal service retirement or disability benefits.

**NOW THEREFORE, BE IT RESOLVED** that Section VIII of the Rules is hereby amended, effective \_\_\_\_\_, 2018, as follows to add Paragraph 5:

**VIII. COLA Adjustment Policy**

1. **Background.** The purpose of the policy in this Section VIII is to provide the actuarial basis for the determination of the collective adjustment amount available for cost-of-living adjustments under Section 9.04 of the Act. Satisfaction of actuarial soundness and financial stability of the Fund must be met prior to any post-retirement adjustments under Section 9.04 of the Act.

2. **Methodology.** Subject to the terms of the Act, including without limitation, Section 9.04(a-4) and (b-1), a projection to measure the liabilities associated with a cost-of-living adjustment under a specified set of actuarial assumptions will be performed to demonstrate the soundness and stability of the Fund over an extended period following such adjustment.

The period for the projection will be a ten-year period beginning with the effective date of most recent actuarial valuation (which must be no more than 12 months prior to the effective date of the cost-of-living adjustment). Such projection will be based on the actuarial methods and assumptions typically utilized by the Plan, except for the following:

(A) the investment rate of return assumed for the experience on plan assets for the initial year of the projection will be equal to the product of the actual rate of return on Plan assets realized from January 1 through September 30 of such year and the Plan’s actuarial rate of return for the period October 1 through December 31 of such year; and

(B) the applicable determination period for the increase in the CPI-U under Section 9.04 (a-2)(1) shall be the 12 month period ending on the September 30 of the initial year of the projection.

3. Standards. Actuarial soundness and financial stability for purposes of adoption of a cost-of-living adjustment will be demonstrated by satisfying the following two parameters for all years in the projection period:

(A) the funding period to amortize the unfunded accrued actuarial liability after the cost-of-living adjustment may not exceed 30 years for any year during the ten-year projection period; and

(B) the ratio of the actuarial value of assets divided by the actuarial accrued liability after the cost-of-living adjustment would not be less than 80% for any year in the ten-year projection period

4. De Minimus Adjustment. A “de minimis” cost-of-living adjustment will not be considered to adversely impact actuarial soundness or financial stability of the Fund and will not subject to the requirements in paragraph 3 above. A cost-of-living adjustment will be defined as de minimis if the following criteria are satisfied:

(A) the increase in the normal cost rate arising from the cost-of-living adjustment is 0.1% of covered payroll or less; and

(B) the increase in the funding period to amortize the unfunded accrued actuarial liability is 0.2 years or less.

5. Policy for Minimum Benefits. In its discretionary allocation of the collective adjustment amount among persons eligible for a cost-of-living adjustment under Section 9.04 of the Act, the Board may, in its sole discretion, allocate a portion of an available collective adjustment amount in a manner to ensure that the monthly retirement benefit of identified retirees, surviving spouses, or beneficiaries is equal to or greater than an identified minimum amount (the “Minimum Benefit”). Under this discretion provided by the Act, the Board through resolution previously established a Minimum Benefit of \$2,000.00 to specifically identified retirees and surviving spouses at its meeting of May 15, 2012. A copy of this resolution is attached to these Rules as Appendix C.

Beginning in 2018, the Board intends to consider no less than every three (3) years at its August meeting whether an allocation of the collective adjustment amount for a given year should be applied toward establishing or increasing the Minimum Benefit for identified retirees, surviving spouses or beneficiaries. In determining whether to establish or increase the Minimum Benefit, the Board may, but is not required to, consider how any existing Minimum Benefit compares to the amount equal to 50% of a current entry-level firefighter’s monthly base pay.

Any Minimum Benefit established or increased is subject to the requirements of Section 9.04 of the Act and compliance with the actuarial soundness and financial stability requirements of this Section VIII prior to the approval of such amount. The persons eligible for the Minimum Benefit will be determined by the Board in its sole discretion and applied in a uniform manner.

This paragraph 5 does not intend to and should not be interpreted as (A) obligating the Board to consider the Minimum Benefit or to establish or increase the Minimum Benefit in any given year, (B) providing rights to any person to a future Minimum Benefit, or (C) limiting the Board's discretion to allocate any available collective adjustment amount among eligible persons in any amounts.