



Austin Fire Fighters Relief and Retirement Fund
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MINUTES
AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND BOARD OF TRUSTEES MEETING
MONDAY, MARCH 27, 2023 AT 9:00 AM

Board Members Present

Doug Fowler, Vice Chair
Belinda Weaver, Treasurer (virtual)
John Bass, Trustee
Aaron Woolverton, Trustee

Staff and Consultants Present

Anumeha Kumar, Fund Executive Director
John Perryman, Fund CFO
Debbie Hammond, Fund Benefits Manager
Gina Gleason, Fund Board & Operations Specialist
Shira Herbert, Fund Accounting Specialist
Amy Thibaudeau, Fund Benefits Specialist
Chuck Campbell, Jackson Walker
Alyca Garrison, Jackson Walker
Elizabeth Wiley, Cheiron (virtual)
Heath Merlak, Cheiron (virtual)
Coralie Taylor, Cheiron (virtual)

Community Members Present

Rene Vallejo
Tom Dodds
Joe Cascino
Virtual attendees not listed

Vice Chair Fowler called the meeting to order at 9:00am.

Public Comments:

No public comments.

I. Minutes of the Regular Meeting on February 24, 2023

Trustee Bass made a motion to approve the minutes of the regular meeting on February 24, 2023. Trustee Woolverton seconded the motion. Due to a temporary audio issue with WebEx, Trustee Weaver abstained from the vote. The motion passed unanimously.

II. Service retirement benefits for one applicant

Trustee Bass made a motion to approve the benefits for one applicant. Trustee Woolverton seconded the motion. The motion passed unanimously.

III. Annual Review of Code of Ethics and Governance Policy, including consideration of proposed changes to the Code of Ethics

Chuck Campbell presented an overview of the key provisions of the Code of Ethics and Governance policy, noting that the Code of Ethics is a historical document required under state law while the Governance Policy is a relatively new document that was put in place by the Board to clearly define roles and responsibilities. Mr. Campbell informed the Board that the presentation would function both as a refresher training and as an opportunity to update any provisions as desired. Mr.

Campbell offered a reminder of the recent change the Board made to the Governance Policy, wherein any vendor communications must go through the Executive Director. He defined the parameters surrounding gifts and benefits under the Ethics Policy and further defined vendor communication guidelines under Chapter 176. In response to a question from Trustee Weaver, Mr. Campbell clarified that the monetary threshold for permissible gifts is \$50, unless presented as cash or as a negotiable instrument. Mr. Campbell continued to clarify the parameters surrounding a no-contact period with vendors during an active search process.

Alyca Garrison presented an overview of trustee training and education requirements under the Code of Ethics, noting that the Attorney General and Pension Review Board (PRB) have additional requirements for trustees. In relation to the continuing education requirements, Ms. Garrison provided an overview of the travel policy within the Code of Ethics, and some changes that had been proposed in response to a prior request from Trustee Weaver. Within the travel policy, Ms. Garrison explained limits to conference attendance and what trustees are permitted to claim for reimbursement. She noted that some revisions had been made to reflect modern practices such as the use of Uber, and others added clarifying parameters to existing provisions. The trustees were all in agreement with the policy adjustments and made no requests for further alteration. Ms. Garrison revisited the process of trustee communication with vendors going through the Executive Director. Vice Chair Fowler asked if an exception would be made in the situation of a vacancy in the executive director position, to which Mr. Campbell confirmed that an exception could be made, but the Chair or Vice Chair should then take on the role of primary contact. Ms. Garrison briefly reviewed the enforcement policy and indicated that the redline Code of Ethics included a cleanup of language and some renumbering for easier reference to various policies. Trustee Weaver requested an annual notice for the Board regarding training. Ms. Kumar indicated that she would be happy to provide an update in August following PRB reporting and would reach out to trustees individually with any specific training concerns. Vice Chair Fowler asked a clarifying question regarding the timeline for PRB reporting and thanked Jackson Walker for their work. Trustee Weaver made a motion to approve the redline Ethics Policy draft to move forward to public comment. Trustee Woolverton seconded the motion. The motion passed unanimously.

IV. Update on the replication of the 2021 Actuarial Valuation

Elizabeth Wiley introduced the replication of the 2021 Actuarial Valuation and previewed the work that Cheiron would be doing for 2022. Heath Merlak provided an overview of the replication and emphasized its critical role in establishing the relationship between the Fund and Cheiron, as the new actuary. He indicated that the replication acted as a separate audit of the plan because all calculations were done independent from the prior actuary. The industry standard aims to keep replications within a 5% range compared to prior actuary, but Cheiron targeted a narrower range of 3%. Mr. Merlak further explained that the headcount replication confirmed that Cheiron had all the same data as the prior actuary. However, the liability replication was higher than the previous actuary. Cheiron explained that the replication valuation generated additional liability for the Fund due to the following reasons: difference in methodology including the use of a different software by Cheiron; some differences in member dates-of-birth that were discovered last year; DROP account balance discrepancies; and DROP benefit valuation by prior actuary did not account for past COLAs in the retro-DROP for eligible members resulted in actual benefits being higher for a small group of members. Mr. Merlak further explained the replication results, all which fell within industry standards, and noted that if Cheiron had performed the valuation in 2021, the funded ratio would have been 87.87% and the amortization period would have been 26.3 years. Ms. Wiley presented an option to the Board to seek additional information from the prior actuary for Cheiron to perform further analysis. The trustees asked some questions regarding cost implications and voiced support to move forward with requesting the prior actuary for additional information. Ms.

Wiley noted that doing so would incur an additional charge from the prior actuary, but none from Cheiron. With Board support, Anumeha Kumar stated that she would request a quote from Foster & Foster and move forward if the quote was reasonable. No motion necessary.

Ms. Wiley proceeded with the presentation and explained the projection implications of two different methods of mortality assumptions. The prior actuary had been using a method that assumed that mortality ceases to improve five years from the valuation date, resulting in lower liabilities for the Fund and an increased likelihood that the Fund would suffer a loss due to inaccuracy. Ms. Wiley noted that she will be recommending the Board move to a fully generational model at the next meeting. She further explained that a fully generational mortality assumption more appropriately models future mortality. It does result in higher liabilities for the Fund in the short-term, but when inaccurate, results in a gain for the Fund rather than a loss. Ms. Wiley additionally noted differences in how Cheiron would like to approach retro-DROP valuation methodology relative to the prior actuary. Again, Cheiron proposed to take a more conservative approach to assume that members will take the most valuable DROP scenario upon retirement. In response to a question from Trustee Weaver regarding historical data, Ms. Wiley requested additional census files from the Fund and informed the Board that Cheiron could perform additional analysis at an hourly rate. Ms. Kumar offered to provide the census files and agreed that it would be helpful to look at the DROP election pattern over the past years. Trustee Bass voiced support for Cheiron's approach and emphasized that conservative assumptions don't add costs to the Fund but rather reflect reality more closely. Ms. Wiley echoed the sentiments of Trustee Bass and noted that aggressive assumptions negatively impact future generations, leading systems to establish tiers for new members. Ms. Kumar reviewed the actions that the Fund staff and Cheiron would take prior to the April meeting. No motion necessary.

V. Presentation on securities litigation matter

Anumeha Kumar informed the Board of a securities fraud class action case related to a loss suffered by the Fund. Jackson Walker conducted an analysis based on information provided by the securities litigation firm and concluded that the case for the lawsuit was strong. Ms. Kumar noted that she did not seek lead plaintiff status for the Fund due to limited resources, knowledge of existing institutional investors seeking that status, and a filing deadline that preceded the board meeting. Ms. Kumar assured the Board that a coalition of other institutional investors would seek to fill that appointment. The trustees declined the option to move into closed session for further discussion. No motion necessary.

VI. Annual Performance Evaluation of the Executive Director (Executive Session)

Vice Chair Fowler announced that the Board would enter a closed Executive Session pursuant to Texas Government Code Section 55.074 for Personnel Matters at 10:18am. Vice Chair Fowler ended the Executive Session at 11:19am with an announcement that no action had been taken. Trustee Weaver made a motion to modify the Executive Director salary to \$200k annually. Trustee Bass seconded the motion. Vice Chair Fowler praised Ms. Kumar for her hard work and accomplishments over the past year and noted that the salary range for the position is nearing obsolescence due to the changing economy and would need to be updated over the summer for budgeting purposes. Vice Chair Fowler further explained that the trustees were all happy with Ms. Kumar's performance and her greatest accomplishment of assembling a high-quality staff. He thanked Ms. Kumar for her hard work and the improvements she has made to the Fund. Trustee Bass echoed appreciation for the extent of staff accomplishments under Ms. Kumar's leadership, noting his amazement at how much had been accomplished in a single year. The motion passed unanimously.

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

a. General comments

No general comments.

b. Update on 88th Legislative Session

Anumeha Kumar provided an update on the House Pensions and Investments Committee that is now in the process of hearing bills on a weekly basis. Ms. Kumar described the bills that the Fund was currently monitoring. A bill from Senator Hughes would make changes to fiduciary standards and add proxy-voting requirements for retirement systems. Ms. Kumar expressed agreement with the basic tenants of the bill, but pointed out concerning provisions that would create additional burdens from both an administrative and cost standpoint. Ms. Kumar will work with Senator Hughes' office and the PRB to relay concerns from a local system level. Another bill increases employee and employer contributions for the City of Austin Employees Retirement System (COAERS) and adds a risk-sharing component. That bill also includes governance changes, such as adding a city position to the COAERS board. In response to a question from Trustee Bass regarding additional bills pertinent to the Fund, Ms. Kumar informed the Board that she was interested in HB 600, which proposes a new gain-sharing COLA structure for the Teacher Retirement System. Trustee Woolverton asked for clarification on the San Antonio Fire and Police Pension Fund bill, to which Ms. Kumar replied that they were amending their governing statute to increase the death retirement annuity from 50% to 75%, which is what our Fund currently offers. She added that the Dallas Police and Fire Pension bill is also making some death and disability benefit changes.

Alyca Garrison proceeded to update the Board on additional bills that Jackson Walker was following. She noted three different ethics bills related to Chapter 176, a bill regarding sick leave and disability benefits for emergency service providers injured on the job, and some open meetings bills pertaining to audio recordings, livestreaming, and closed-session reporting requirements. The trustees asked a few clarifying questions, to which Ms. Garrison noted that she would report back with additional information when available.

c. Staff Update

Anumeha Kumar announced that the interview process for the vacant Benefits Specialist position had been completed and introduced Amy Thibaudeau to the Board. Ms. Kumar highlighted the experience and skillsets that Ms. Thibaudeau brings to the position.

d. Website Update, including new logo

Anumeha Kumar informed the Board that staff had solicited member feedback regarding the proposed logo and DBA name change for the Fund. All feedback had been positive. The trustees voiced support for moving forward with the proposed changes.

- e. Internal financial statements, transactions and Fund expense reports for month ending February 28, 2023

John Perryman indicated that there were no significant outliers or changes to report. Anumeha Kumar provided a quick update on the recent Silicon Valley Bank (SVB) issue, noting that the Fund had no direct exposure to SVB but did have exposure to SVB Capital through a \$10 million commitment to a fund of funds investment, but SVB Capital is a separate entity from the bank. Ms. Kumar noted staff has been working closely with Meketa to monitor the situation. Meketa recommended to continue funding any quarterly capital calls. Ms. Kumar assured the Board that the Fund had no direct exposure to First Republic or Signature Bank. Following a question from Trustee Woolverton, she also assured that there had been no exposure to Swiss Bank.

VIII. Roadmap for future meetings

Vice Chair Fowler stated no additional requests aside from updating salary ranges, as previously mentioned. Anumeha Kumar recommended issuing an RFP for the auditor during the third or fourth quarter, to align with the schedule for evaluating the auditor next year. The trustees voiced agreement with the recommendation. Trustee Bass suggested starting the process in September, prior to the data collection period.

IX. Call for future agenda items

No future agenda items were requested.

Hearing no objections, Vice Chair Fowler adjourned the meeting at 11:47am.

Board Members

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