



Austin Fire Fighters Relief and Retirement Fund
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MINUTES
AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND BOARD OF TRUSTEES MEETING
MONDAY, APRIL 24, 2023 AT 9:00 AM

Board Members Present

Doug Fowler, Vice Chair
Belinda Weaver, Treasurer
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
Heath Merlak, Cheiron
Coralie Taylor, Cheiron (virtual)

Community Members Present

Don Lowe
Eric Pederson
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 March 27, 2023

Trustee Weaver made a motion to approve the minutes of the regular meeting on March 27, 2023. Trustee Woolverton seconded the motion. The motion passed unanimously.

II. Service retirement benefits for one applicant and two beneficiaries

Trustee Bass made a motion to approve the benefits for one applicant. Trustee Woolverton seconded the motion. The motion passed unanimously. Vice Chair Fowler requested a moment of silence for the two firefighters who had passed. Trustee Bass made a motion to approve the benefits for two beneficiaries. Trustee Woolverton seconded the motion. The motion passed unanimously.

III. Discuss and consider actuarial matters, including the following:

a. Replication of the 2021 Actuarial Valuation

Elizabeth Wiley introduced herself as the Public Pension Coordinator for Cheiron and Heath Merlak as the Project Manager, emphasizing the extensive experience they both

have as actuaries. She noted that their third team member, Coralie Taylor, was in attendance online. Ms. Wiley provided an overview of the discussion that took place at the March meeting, noting that the 2021 actuarial valuation replication was within industry range, but was a bit further than desired due to factors such as changes in the software and methodology as well as corrected data for member DOBs and DROP balances. Mr. Merlak followed up with a reminder that the board had requested more information from the prior actuary to determine a more precise cause for the discrepancy. However, Foster & Foster had ultimately declined that request. Mr. Merlak continued to explain that there are many nuances that contribute to the calculations that can create those small differences. He identified one possibility of calculating DROP interest mid-year versus end-of-year as a potential factor. Ms. Wiley further emphasized that the amortization period is a very sensitive metric and suggested that Foster & Foster should provide that data to uphold professional standards. She explained that she was unsure what was happening with Foster & Foster's methodology but was fully confident in the methodology that Cheiron used, which has been internally audited. Trustee Weaver asked a question regarding the preference for mid-year calculations, to which Mr. Merlak clarified that it is a more precise method due to interest being granted monthly. Ms. Wiley added that compounding is another contributing factor and that mid-year calculations are now an option with more improved actuarial software. The board declined to follow up with Foster & Foster and expressed desire to move forward with Cheiron's replication valuation. No motion necessary.

b. Certain actuarial assumption changes for 2022 Actuarial Valuation

Elizabeth Wiley shared her experience with mortality improvement tables and stated that she serves on the Society of Actuaries (SOA) Retirement Plan Experience Committee (ARPEC) that publishes those tables. Ms. Wiley stated that it would not be cost-effective for the Fund to conduct a full experience study prior to the 2022 valuation but rather suggested basing the mortality assumption on the SOA's public safety table in general, noting that the Pub-2010 table reflects a higher risk of mortality for active members followed by better physical health in retirement. Ms. Wiley described the method that the Fund currently uses with an above-median income version of the public safety table that reflects mortality improvement only for five years past the valuation date. She stated that while the five-year approach was common a decade ago, the majority of public pension plans now use fully generational mortality improvement. The move to fully generational is based on the notion that people are increasingly likely to live into their 80s and 90s, with the curve of improvement flattening toward age 100. For members of the Austin Firefighters Retirement Fund, it would add 1.2 years of life expectancy on average. Regarding the above-median version of the public safety table, Ms. Wiley pointed out that the membership of the Fund has an increased number of young members with lower periods of service. Therefore, the above-median tables are not the best representation of member income in the Fund. She recommended moving to the base version of the table. Trustee Weaver indicated her ongoing concern with the five-year improvement method and voiced support for moving to fully generational improvement with the full base table.

Heath Merlak proceeded to describe the research Cheiron conducted into the DROP period, which revealed that most retirees select to take the seven-year DROP when eligible. He recommended that the Fund move to the approach of assuming the most valuable option, which tends to be the seven-year DROP option. He explained the benefit of using the most valuable approach is that it would build in conservatism, which lends to

a likelihood of the Fund experiencing gains rather than losses and better captures previously granted COLAs. Trustee Weaver echoed the notion that the membership is very knowledgeable about their retirement options and how to maximize their benefit. She voiced support for reflecting that maximization of benefits in the assumptions. Ms. Wiley offered an option for the board to either vote or wait until a future board meeting to do so. The trustees indicated that they were comfortable with making the decision and voiced support for Cheiron’s recommendations to adopt more conservative and realistic assumptions. Trustee Weaver made a motion to use the base Pub-2010 mortality table with fully generational mortality improvement and a most-valuable DROP assumption method. Trustee Bass seconded the motion. The motion passed unanimously.

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

a. General comments

No general comments.

b. Update on 88th Legislative Session, including SB 1446

Anumeha Kumar informed the board that a little over a month remained in the current legislative session. She provided an update on SB 1446, noting that it had passed the Senate and moved onto the House. However, some revisions had been made in response to the concerns expressed by the retirement systems, such as the removal of trustee-related liability provisions. Ms. Kumar explained her remaining concerns regarding the proxy-vote reporting requirements and the new investment information reporting requirements that were added to the bill. She noted that she had reached out to the Speaker’s office on the House side and will continue working with the Fund’s lobbyist and peer systems to make sure the concerns are taken into consideration. In response to a question from Vice Chair Fowler, Ms. Kumar explained that the Pension Review Board did not have any recommendations to the legislature this year and there are no additional bills that could potentially impact the Fund.

c. Update on development of Administrative Policies and Procedures

Anumeha Kumar indicated that she would cover this agenda item in conjunction with the following item, due to their interrelation.

d. Pension Administration Software System update, including backfile conversion

Anumeha Kumar provided an overview of the multiple parts to PAS Software project. The public-facing website was nearing completion for a mid-May target to go-live. The Electronic Document Management System (EDMS) was about to kick-off in preparation for the new version of Pension Gold. With EDMS, the pension office would be moving away from hard copies and begin storing all data in an electronic format that would interact with the new software. The EDMS would also include a backfile conversion project, wherein the pension staff would work extensively with LRS to organize and box the existing paper files for scanning. Ms. Kumar noted that there would be a heightened level of scrutiny and time spent on that phase. The Pension Gold phase would be initiated

in late July or early August. As part of the full scope of the project, the fund staff will be working with Provaliant to develop a set of administrative policies and procedures.

As the Fund staff develops those procedures for both finance and benefits administration, they will consider not only the current processes, but how they will integrate into the workflow of the new software. Ms. Kumar noted that the upcoming months will be very busy for the Fund staff but expressed excitement for the progress that had been made, with a goal of completing the full project by the end of 2025. Trustee Weaver and Trustee Bass asked some clarifying questions regarding the process of document transportation and storage, particularly in concern to any failsafe built into the process. Ms. Kumar assured the board that there will be a robust process for logging the documents as they are packaged for transportation to LRS. When the process begins, the staff will start with files that are less frequently accessed, such as deceased files, before moving onto active member and retiree files. LRS will store the files in an offsite secure location during the data testing process and will continue to house them until the Fund approves LRS to destroy the paper files.

- e. Internal financial statements, transactions and Fund expense reports for month ending March 31, 2023

Anumeha Kumar explained that the Fund was within the approved operating budget ranges with nothing out of the ordinary to report. She noted that the cubicles that were previously approved had since been installed and were working well for the office space. Trustee Weaver clarified that a modification of the Executive Director salary had been made at the March board meeting, but the budget itself had not been modified. Vice Chair Fowler confirmed her understanding that the budget would be reviewed at the end of the year. Trustee Woolverton brought up a concern regarding an article that indicated State Street Bank stock had dropped significantly and questioned the potential impact on the Fund. Ms. Kumar explained that she had reached out to Meketa and State Street regarding the concern. State Street provided Ms. Kumar with a memo assuring that they are a designated systemically important financial institution unlike the smaller regional Silicon Valley Bank (SVB). They are held to higher standards, required to follow strict regulations and are under constant supervision with virtually no probability that they will become insolvent. In response to a question from Trustee Weaver, Chuck Campbell confirmed that State Street cannot touch the assets of a qualified retirement plan under their custodial agreement. Trustee Bass further explained the differences between State Street and SVB. Ms. Kumar will continue to monitor the situation with Meketa.

V. Roadmap for future meetings

Vice Chair Fowler requested confirmation of the board meeting date for May. Anumeha Kumar stated that the meeting will be held on Friday, May 27, to accommodate both Meketa's attendance for the quarterly investment report and the NCPERS conference happening earlier that week.

VI. Call for future agenda items

Trustee Weaver reminded the Board to revisit SB 1446 in May after the House comes to a decision. Vice Chair Fowler reminded everyone in attendance that the Retiree Barbeque would be taking place on May 9 at the Creedmoor Community Center and noted that all are welcome to attend.

Hearing no objections, Vice Chair Fowler adjourned the meeting at 9:59am.

Board Members

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