
Austin Fire Fighters Relief and Retirement Fund

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What exactly is a defined benefit program?

- ❖ A **defined benefit** (DB) pension plan provides a specified payment amount in retirement. Both the employer and the employee make contributions to the plan.
- ❖ These contribution rates may change, but the benefit payments are defined by a formula.
- ❖ The Austin Firefighters Relief and Retirement Fund is a defined benefit plan that was established by an Act of the 45th Texas Legislature in 1937.

How is it different from a defined contribution plan?

- ❖ A **defined contribution** (DC) plan allows employees and employers to contribute and invest funds over time to save for retirement.
- ❖ The employee can choose to contribute a portion of their salary, which the employer may match. The employee typically chooses what to invest in from the options available.
- ❖ The benefits paid in a DC plan depend on a number of factors, but are not set in formula like a DB plan. A 401k is an example of a DC plan.

In a nutshell, how does a defined benefit plan work?

- ❖ Employers and employees contribute to the plan, their contributions get invested in a pool of assets. The combination of 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 across the whole group through demographic and economics estimations. This helps inform the appropriate contributions and investment earnings needed to pay for the plan.

How does a defined benefit plan work, continued

- ❖ At the most basic level: $C + I = B + E$

$$\underline{C}ontributions_{(City \& Firefighter)} + Investment \underline{I}ncome = \underline{B}enefits + \underline{E}xpenses$$

- ❖ More specifically it is their present value (PV) that must “balance”.

$$PV(Contributions) + Assets = PV(Benefits) + PV(Expenses)$$

- ❖ For a brief video explanation of DB and DC plans, click on this link:

➤ [CFA Level I FRA - Defined contribution vs Defined benefit plans](#)

How are my benefits calculated?

- ❖ Your benefits get calculated by taking the number of years you have in the pension, multiplying that by a factor, which is 3.3%, and then multiplying that by your highest 36 months average salary.

Example:

- 25 years in pension x 3.3% x \$7250 (highest 36 months average salary)
- 25 years x .033 x \$7250 = \$5,981.25 (monthly pension)

Who is our Board, and what do they do?

- ❖ Our Board is the governing body of the Fund. It is comprised of five members, the Mayor, City Treasurer, and three elected positions to be filled by either active or retired AFD firefighters.
- ❖ The Board of Trustees is responsible for administration of the Fund. This includes establishing the strategic vision, goals, and policies of the Fund.
- ❖ The Board can be best viewed as joint supervisors of the Fund. We collectively approve or decline proposed actions. For example, our investment consultants or actuaries will bring recommendations to the Board, and the Board must approve those recommendations before they can be implemented.
- ❖ Each Trustee of the Board is a fiduciary of the Fund. That means they have a duty to act solely in the interest of the Fund and its members.

Who is the Fund Staff, and what do they do?

- ❖ Our Fund currently has a three person staff: a Fund Administrator, Deputy Fund Administrator, and Benefits Specialist.
- ❖ The Staff is responsible for day-to-day management of the pension ranging from member relations to operations and financials. Some examples include:
 - Pension calculations for soon to be retirees
 - DROP requests from members
 - Conducting monthly Board meetings, issuing minutes and reports
 - Managing monthly financials, and preparing a yearly budget
 - Working with our consultants, vendors, and service providers
 - Complying with minimum training requirements
 - Any and all items relating to active and retired members needs, ranging from retirement paperwork to answering member questions or requests

Who are the Investment Consultants and Actuaries, and what do they do?

- ❖ Our investment consultant is Meketa Investment Group, which is a full-service investment consulting and advisory firm. Meketa offers investment solutions which are designed to align closely with our mission, values, constraints, and objectives of our organization. Most importantly, they advise us on the best asset mix to hold to meet our objectives, given our investment policy and risk tolerance.
- ❖ Our actuaries, Foster and Foster, are tasked with providing an “actuarial” roadmap to the Fund. They help quantify the cost of benefits across the whole group through demographic and economics estimations. The actuaries attempt to model outcomes the Fund may encounter based on many underlying estimations. This aids in our decisions surrounding the various financial choices we might make.

Why do we have to follow certain rules and procedures?

- ❖ We are governed by state statute and therefore have to comply with it in its entirety. For this reason we have to work through the legislative process if there is any statute item that we wish to change. This may include items ranging from certain benefit and beneficiary provisions, etc.
- ❖ The Board and Staff must also follow its own adopted rules and policies of the Fund, as well as comply with state regulations that govern how we communicate, how our meetings are handled, etc.
- ❖ The rules of government can be cumbersome for the Board and members alike, but rest assured, they are there for good reason. These guardrails exist to ensure members' interests are protected, and to ensure boards have consistent rules of the road to follow.

Information

- ❖ The Fund issues minutes for every meeting. The approved minutes are the official recorded summary of each meeting. In an effort to produce more timely information, the Fund now also issues the “draft” version of the minutes ahead of the final approved minutes.
- ❖ Agendas, Minutes, and Annual Reports are available to download at <https://www.afrs.org>. Printed copies are available on request.
- ❖ The Fund is also looking in to creating a quarterly newsletter to aid in keeping members updated about relevant current events.

Links and Contact Information

- ❖ For a comprehensive guide to your Fund history, benefits, and to learn more about us, please follow these links:
 - **Website:** <https://www.afrs.org>
 - **History:** <https://www.afrs.org/fund-history>
 - **Benefits:** <https://www.afrs.org/benefit-guide>
 - **About us:** <https://www.afrs.org/about-us>

- ❖ For questions about the plan or your benefits, please contact the staff at:
 - Tel:512-454-9567 email: staff@afrs.org

