

To: All Pension Plan Participants
From: Bill Stefka, Administrator
Date: June 3, 2015
Re: **HB 1756**

Dear Plan Participants:

Our HB 1756 recently passed in the State Legislature and was signed by the Governor! *A summary of the bill is attached for your reference.* The bill addresses several administrative issues and provides technical “clean-up” changes with respect to the governing statute. HB 1756, which pertains just to the Austin Firefighters Relief and Retirement Fund, had the unanimous support from the City of Austin, the Austin Professional Firefighters Association as well as the Austin Retired Firefighters Association.

Many thanks go out to the bill sponsors including Representatives Eddie Rodriguez and Paul Workman who carried the bill on the House side, as well as Senator Kirk Watson who guided the bill in the Senate. Thanks also go out to Representative Dan Flynn, Chair of the House Pensions Committee as well as Senator Joan Huffman, Chair of the Senate State Affairs Committee where the bill was heard and passed out of both committees with their oversight. There are countless others who helped in this effort and instrumental in getting the bill passed and we appreciate all of you.

HB 1756 will go into effect September 1, 2015. One of the changes provides the pension board with the ability to modify the number of available withdrawals from the firefighters Deferred Retirement Option Program from the current limit of four. That revision as well as any others will be made known to our membership prior to September 1st, after the Board officially approves those measures.

Please contact our pension office if you have any questions. Thank you.

Sincerely,
William E. Stefka
Administrator

HB 1756 Summary

The Austin Fire Fighter’s Relief and Retirement Fund (the “Fund”) supports HB 1756 which will address certain administrative issues and make technical “clean-up” changes with respect to the Fund’s governing statute, Article 6243e.1, Vernon’s Texas Civil Statutes (the “Statute”). HB 1756 only pertains to this Fund and its statutes. A summary description of HB 1756 follows:

- **Section 1—Trustee Elections** This would allow the Fund to avoid the expense and administrative burden of holding an election in the event only one individual is nominated for a Trustee position.
- **Section 2—Beneficiary Designations** This Statute amendment would allow the Board to adopt rules that establish requirements and procedures for beneficiary designations to ensure that such designations are properly administered and not a source of potential abuse in the future.
- **Sections 3 and 4—Withdrawals from Account under Deferred Retirement Option Program** A member may elect to participate in the deferred retirement option program and obtain a partial-lump sum benefit. This Statute amendment would provide the Board with the

ability to modify the number of available withdrawals through rule and provide more clarity as to distributions to designated beneficiaries.

- **Section 5—Basis for Cost-of-Living Adjustment** This amendment would change the CPI-U data used for a possible cost-of-living adjustment to a 12 month period ending within four months prior to a COLA instead of the prior month, which is administratively impracticable.

City of Austin Fire Fighters Relief and Retirement Fund Facts

- Defined benefit plan established by the Legislature in 1937. Separate governing statute for Austin fire fighters established in 1975.
- Austin Mayor and City Treasurer are statutorily required to serve on the Fund's five-member Board of Trustees, ensuring oversight of the fund for Austin taxpayers.
- City of Austin fire fighters do not participate in social security thus receive no social security benefits to supplement their retirement.
- As of December 31, 2014, there are 1026 active fire fighters and 671 retired fire fighters and beneficiaries that participate in the retirement fund.
- Average age at retirement is 52 with an average 26 years of service.
- No pension spiking allowed and no overtime figures into the pension benefit calculation.
- Plan is actuarially sound with an amortization period of 10.5 years and a funded ratio of 91.75%, one of the strongest in the state.
- Annual audits and actuarial valuations are conducted to monitor and maintain the financial and actuarial soundness of the plan.