

*AUSTIN FIRE FIGHTERS
RELIEF AND RETIREMENT FUND*

ANNUAL REPORT
2010



**AUSTIN FIRE FIGHTERS
RELIEF AND RETIREMENT FUND**

2010

ANNUAL REPORT

AND

PENSION PLAN GUIDE FOR MEMBERS

DECEMBER 31, 2010

CONTENTS

Board of Trustees	3
Actuary	3
Auditor	3
Fund Custodian	3
Investment Consultant	3
Investment Managers	3
Legal Counsel	3
Pension Office Staff	3
Chair's Letter to Membership	4
Report of Independent Certified Public Accountants	5
Actuarial Review and Report	22
Pension Plan Guide	49
Fund History – Chronology of Plan Changes	54



While this report and pension plan guide set forth most of the facts about the plan, it does not attempt to describe all provisions or limitations as they apply in individual situations. In case of any conflict between the report/guide and the statute, the pension statute article 6243e.1, Vernon's Texas Civil Statutes, as amended through the 2011 State Legislature Regular Session, will prevail.

If you have any questions about the plan, please contact the Austin Fire Fighters Relief and Retirement Fund Pension Office, at (512) 454-9567. The Pension Office address is 4101 Parkstone Heights Drive, Suite 270, Austin, Texas 78746. Our email address is: afdpendension@austin.rr.com. You can also visit our web site at AFRS.ORG.

BOARD		Mayor Lee Leffingwell, Chair
OF		Keith A. Johnson, Vice Chair
TRUSTEES		Art Alfaro, Secretary-Treasurer
2010		James R. Fedro, Jr., Trustee
		Jeremy E. Burke, Trustee
ACTUARY		Buck Consultants – Dallas, Texas
AUDITOR		Figer & Co. – Austin, Texas
FUND CUSTODIAN		State Street Boston, Massachusetts
INVESTMENT CONSULTANT		Summit Strategies Group St. Louis, Missouri
INVESTMENT MANAGERS		
Ballie Gifford Edinburgh, Scotland	Blackstone Alternative Asset Mgmt. New York, New York	Brandywine Asset Management Philadelphia, Pennsylvania
Cross Creek Capital Partners Salt Lake City, UT	DePrince, Race & Zollo, Inc. Winters Park, Florida	Dimensional Fund Advisors Austin, Texas
Evanston Capital Mgmt. Evanston, Illinois	Greenspring Associates Owings Mills, Maryland	Highclere International Investors London, England
ING Clarion Auburn, California	Intech Palm Beach Gardens, Florida	LGT Capital Partners Inc. New York, New York
Mercator Asset Management Boca Raton, Florida	Metropolitan Real Estate Mgmt. Boston, Massachusetts	Parnasus Investments San Francisco, California
Partners Group (USA) Inc. New York, New York	PIMCO North Beach, California	Private Equity Investors New York, New York
State Street Global Advisors New York, New York	Westfield Capital Management Boston, Massachusetts	Westwood Holdings Group, Inc. Dallas, Texas
LEGAL COUNSEL		Jackson Walker Austin, Texas
PENSION OFFICE STAFF		William E. Stefka Administrator Linda A. Adney Administrative Assistant



City of Austin

Mayor Lee Leffingwell · 301 Willie Nelson Boulevard, Austin, Texas 78701 · www.mayorleffingwell.com
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October 14, 2011

TO OUR MEMBERSHIP

Dear Firefighters:

As the Chair of the Austin Fire Fighters Pension Board of Trustees, I am pleased to present the 2010 annual report to our membership. The 2010 total Fund return was 13.29% on a market value basis. This follows a 13.28% return for 2009.

The last biennial actuarial valuation dated December 31, 2009 showed the plan's amortization period to fund the unfunded actuarial accrued liability (UAAL) to be 20.5 years. The plan is currently actuarially sound with the amortization period under 30 years, but still was not in a position to afford cost-of-living adjustments (COLA's) for our retirees and their beneficiaries for 2011, according to the plan's actuary.

SB 1286 was introduced and passed in the State Legislature in 2011. This bill pertained just to the Austin Fire Fighters Relief and Retirement Fund. I want to thank the bill sponsors, Senator Kirk Watson and Representative Eddie Rodriguez, in helping us with this legislation. The pension board also appreciates the support from the Austin Retired Firefighters Association as well as the Austin Professional Firefighters Association.

SB 1286 codifies the additional 4% in contributions from the City of Austin (in 1% annual increments over 4 years) and the additional 3% in contributions by the firefighters (in ½% increments over the next 6 years). This is now a permanent part of the governing statute for the pension plan. This will strengthen our Fund and help maintain a sound pension plan for our firefighters and their beneficiaries.

I want to thank the firefighters for the dedicated service you provide the City of Austin. Your input and suggestions concerning your pension plan are always welcomed and appreciated.

Sincerely,

Lee Leffingwell
Mayor

FIGER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

PARKSTONE OFFICE CENTRE
4101 PARKSTONE HEIGHTS DR., SUITE 220
AUSTIN, TEXAS 78746
TEL. 512.327.2266 FAX 512.327.3493

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Austin Fire Fighters Relief and Retirement Fund
Austin, Texas

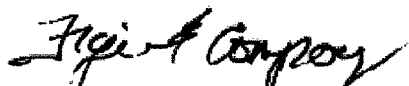
We were engaged to audit the accompanying financial statements of the Austin Fire Fighters Relief and Retirement Fund as of and for the years ended December 31, 2010 and 2009, and the supplemental schedules as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Austin Fire Fighters Relief and Retirement Fund's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information, which was certified by State Street Bank and Trust Company, the trustee of the Fund, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the administrator that the trustee holds the Fund's investment assets and executes investment transactions. The administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Funding Progress, Schedule of Employer Contributions and notes thereto are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. These supplementary schedules are the responsibility of the Fund's management. The supplemental schedules have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.



Figer & Company

September 15, 2011

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010 AND 2009**

Our discussion and analysis of the Austin Fire Fighters Relief and Retirement Fund's (the Fund) financial performance provides an overview of the Fund's activities for the calendar years 2010 and 2009. This information is provided in conjunction with our financial statements that follow.

FINANCIAL HIGHLIGHTS

- Plan net assets held in trust by the Fund increased by \$70,586,539 or 13.29% in 2010 and increased by \$62,288,515 or 13.28% in 2009. The increases in 2010 and in 2009 were due to positive financial market returns.
- Total contributions by the members and the City of Austin increased by 0.8% in 2010 and 0.3% in 2009. The increase for 2010 over 2009 reflects the increase in the contribution rate by the City of Austin from 18.05% to 19.05% in October 2010.
- The amount of benefits paid directly to retired members and their beneficiaries increased by \$1,715,502 in 2010 while increasing by \$2,034,081 in 2009. The increases for both years over the prior years were due to the increase in the number of pension recipients.
- The Fund's rate of return on investments for the year ended December 31, 2010 was 13.29% on a market value basis which was slightly higher than the return of 13.28% for the year ended December 31, 2009. The assumed actuarial rate of return is 7.75%.
- The funding objective of the Austin Fire Fighters Relief and Retirement Fund is to meet long-term benefit obligations through contributions by the members and the City of Austin as well as from the investment income. As of December 31, 2009, the date of the most recent biennial actuarial valuation, the Fund's funding ratio of actuarial assets as a percentage of actuarial liabilities was 88.7% which is lower than the 99.6% ratio as of December 31, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Fund's financial statements consist of the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets, with accompanying Notes to the Financial Statements. The information available in each is summarized below:

The Statement of Plan Net Assets presents the Fund's assets and liabilities and the resulting net assets, which are held in trust for pension benefits. This statement provides a snapshot as of year-end of the Fund's investments, stated at fair value, along with cash and short-term investments, receivables, and other assets and liabilities. Over time, increases or decreases in plan net assets may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

The Statement of Changes in Plan Net Assets presents information showing additions to and deductions from the Fund during a twelve-month period, using the accrual basis of accounting. Thus, additions are reported when earned and deductions when incurred, regardless of when cash is received or paid.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

Our analysis below focuses on the plan net assets and changes in plan net assets of the Fund.

**Summary of Plan Net Assets
December 31, 2010, 2009 and 2008**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash and receivables	\$ 9,684,097	\$ 7,463,910	\$ 11,898,818
Investments	593,317,017	523,612,722	458,525,455
Other assets	293,349	1,185,451	1,193,385
Total assets	603,294,463	532,262,083	471,617,658
Total liabilities	1,460,624	1,014,783	2,658,873
Net assets held in trust for pension benefits	\$601,833,839	\$ 531,247,300	\$ 468,958,785

Net assets: The net assets of the Fund increased by \$70,586,539 in 2010 and by \$62,288,515 in 2009. These increases in 2010 and 2009 reflect positive investment returns due to stronger financial markets experienced for those calendar years.

Liabilities: The Fund's liabilities increased by \$445,841 in 2010 primarily due to the increase in funds payable for securities purchased at year end. Year end liabilities decreased by \$1,644,090 in 2009 from that of 2008 mostly due to a decrease in funds payable to the broker for securities purchased from that of 2008.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

**Summary of Changes in Plan Net Assets
Years Ended December 31, 2010, 2009 and 2008**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Additions:			
Contributions	\$ 25,714,069	\$ 25,504,258	\$ 25,416,830
Investment income	71,447,291	63,589,521	(140,136,499)
Other income	<u>2,249,577</u>	<u>291,775</u>	<u>682,824</u>
Total additions	<u>99,410,937</u>	<u>89,385,554</u>	<u>(114,036,845)</u>
Deductions:			
Benefit payments and contribution refunds	28,539,863	26,824,361	24,948,350
Administrative expenses	<u>284,535</u>	<u>272,678</u>	<u>274,916</u>
Total deductions	<u>28,824,398</u>	<u>27,097,039</u>	<u>25,223,266</u>
Net increase	70,586,539	62,288,515	(139,260,111)
Net assets held in trust for pension benefits:			
Beginning of year	<u>531,247,300</u>	<u>468,958,785</u>	<u>608,218,896</u>
End of year	<u>\$ 601,833,839</u>	<u>\$ 531,247,300</u>	<u>\$ 468,958,785</u>

Additions: Total contributions by the members and the City of Austin for 2010 and 2009 were \$25,714,069 and \$25,504,258, respectively. The increase of \$209,811 in contributions for 2010 represents a .8% increase from 2009. The increase of \$87,428 in contributions for 2009 represents a .3% increase from 2008. The percentage increase in 2010 is primarily due to the increase in the contribution rate by the City of Austin from 18.05% to 19.05% of salary effective October 2010, while the increase in 2009 over 2008 reflects the members' salary and general wage increases approved for that year. The net investment income for 2010 was \$71.4 million and \$63.5 million in 2009. The total rate of return in 2010 and 2009 was 13.29% and 13.28% on a market value basis, respectively.

Deductions: The expenses paid by the pension plan include the benefit payments, refunds of member contributions, and administrative expenses. Benefits paid directly to retired members and their beneficiaries in 2010 were \$28,539,863 compared to \$26,824,361 in 2009. The amount of benefits paid out increased by \$1,715,502 in 2010 from that of 2009, while they increased by \$2,034,801 in 2009 from that of 2008. The increases in both 2010 and 2009 over their prior years were due to the increases in the number of retirees receiving benefits. Administrative expenses increased by \$11,857 or 4% in 2010 from that of 2009. This increase in 2010 over 2009 included greater expenditures for printing and outsourcing. The decrease in administrative expenses in 2009 from that of 2008 is mostly due to lesser fees incurred in 2009 for office equipment than that of 2008.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

Overall Analysis: As of December 31, 2010, net assets increased by \$70,586,539 or 13.29% above the prior year. Also, as of December 31, 2009, net assets increased by \$62,288,515 or 13.28% above the prior year. The latest actuarial valuation dated December 31, 2009 shows the plan's unfunded actuarial liability (UAAL) has increase since the December 31, 2007 valuation. The amortization period or number of years to amortize this UAAL increased from 0.6 years as of December 31, 2007 to 20.5 years as of December 31, 2009. The plan's funded ratio decreased from 99.6% to 88.7% during this same time period. The December 31, 2009 valuation shows the plan to be actuarially sound, but not in a position to afford cost-of-living increases for its retirees and beneficiaries for 2010.

REQUEST FOR INFORMATION

This financial report is intended to provide a general overview of the Austin Firefighters Relief and Retirement Fund's finances and to demonstrate the Fund's accountability for the money it receives. Any questions regarding this report may be addressed to the fund administrator at: 4101 Parkstone Heights Dr., Suite 270, Austin, TX 78746.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and short-term investments	\$ 8,325,185	\$ 6,673,779
Receivables:		
Due from broker for securities sold	935,288	361,732
Accrued interest and dividends	423,624	428,399
	<u>1,358,912</u>	<u>790,131</u>
Investments, at fair value (See Note B):		
Corporate stocks	305,338,238	223,246,124
International mutual funds	92,639,143	57,840,456
Domestic mutual fund	92,908,601	95,302,703
Bond index funds	43,669,581	128,383,759
Tips index funds	19,089,152	18,839,680
Private equity funds	14,022,927	0
Hedge funds	25,649,375	0
	<u>593,317,017</u>	<u>523,612,722</u>
Corporate stocks - small business	<u>0</u>	<u>884,647</u>
Property and equipment, net of accumulated depreciation of \$91,063 and \$79,774, respectively	<u>293,349</u>	<u>300,804</u>
TOTAL ASSETS	<u>603,294,463</u>	<u>532,262,083</u>
LIABILITIES		
Due to broker for securities purchased	968,476	476,827
Accounts payable	<u>492,148</u>	<u>537,956</u>
TOTAL LIABILITIES	<u>1,460,624</u>	<u>1,014,783</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 601,833,839</u>	<u>\$ 531,247,300</u>

(A schedule of funding progress is presented on page 16.)

See accompanying notes to financial statements.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ADDITIONS		
Contributions:		
Participating fire fighters	\$ 11,866,663	\$ 11,864,192
City of Austin, Texas	<u>13,847,406</u>	<u>13,640,066</u>
	<u>25,714,069</u>	<u>25,504,258</u>
Investment income:		
Net appreciation in fair value of investments	60,526,835	58,367,845
Interest	5,737	12,890
Dividends	<u>13,889,026</u>	<u>7,961,890</u>
	74,421,598	66,342,625
Less investment expenses	<u>(2,974,307)</u>	<u>(2,753,104)</u>
	<u>71,447,291</u>	<u>63,589,521</u>
Other income	<u>2,249,577</u>	<u>291,775</u>
Total additions	<u>99,410,937</u>	<u>89,385,554</u>
DEDUCTIONS		
Benefits paid directly to participants	<u>28,539,863</u>	<u>26,824,361</u>
	28,539,863	26,824,361
Administrative expenses	<u>284,535</u>	<u>272,678</u>
Total deductions	<u>28,824,398</u>	<u>27,097,039</u>
Net increase	70,586,539	62,288,515
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	<u>531,247,300</u>	<u>468,958,785</u>
End of year	<u>\$ 601,833,839</u>	<u>\$ 531,247,300</u>

See accompanying notes to financial statements.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE A – DESCRIPTION OF FUND

The Austin Fire Fighters Relief and Retirement Fund (the Fund) is a single employer defined benefit pension plan covering fire fighters employed by the City of Austin, Texas (the City). The Fund was originally established, and may be amended, by acts of the Texas Legislature.

Membership of the Fund as of December 31 is as follows (unaudited):

	<u>2010</u>	<u>2009</u>
Retirees:		
Retirees and beneficiaries receiving benefits	564	522
Terminated plan members entitled to but not receiving benefits	5	5
Current employees:		
Vested	646	514
Nonvested	336	521
Total members	<u>1,551</u>	<u>1,562</u>

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Fire fighter and City contributions are recognized as revenues in the period in which employee payroll is distributed. Benefits are recognized when the employee becomes eligible for retirement and elects to retire under the system and is paid a benefit. Employee contribution refunds are recognized when the employee leaves the City and elects to withdraw a contribution.

Cash and Short-Term Investments

Cash and short-term investments include deposits in a custodian-managed investment pool from which the Fund may make deposits and withdrawals at any time without prior notice or penalty. The market value of such deposits is equal to cost.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE B – Continued

Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value. Realized and unrealized gains and losses as well as other investment adjustments are reported as net appreciation (depreciation) in fair value of investments. All investments are classified as Level 1 investments, except for the private equity funds and hedge funds, which are classified as Level 2 investments. All investments are stated at fair value.

The Fair Value Measurements topic of the FASB Accounting Standards Codification establishes fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by the market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Small Business Corporate Stocks

Small business corporate stocks are valued based upon an independent appraisal, less discount for minority ownership and lack of marketability, when appropriate. The Fund acquired the small business corporate stocks through philanthropic contributions and as of December 31, 2010 no longer owns these stocks.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE B – Continued

Property and Equipment

Property and equipment are stated at cost. Additions and improvements which significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40 years
Office furniture and equipment	3 to 15 years

Depreciation expense totaled \$11,289 and \$10,567 for the years ended December 31, 2010 and 2009, respectively.

Fund Administrative Expenses

All administrative expenses are the responsibility of the Fund and are financed through investment income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE C – CASH AND INVESTMENTS

The Fund maintains cash balances at a local financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for each type of account.

By statute, the board of trustees in its sole discretion may invest, reinvest, or change the assets of the fund. The board of trustees shall invest the funds in whatever instruments or investments the board considers prudent. In making investments for the fund, the board of trustees shall discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with such matters would use in the conduct of an enterprise of a similar character and with similar aims.

The Fund's Board of Trustees has adopted and maintains an investment policy, regarding the investment of fund assets, as required by statute.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE D – CONTRIBUTIONS

The Fund is maintained by biweekly contributions from the earnings of fire fighters and from the City. During the years ended December 31, 2010 and 2009, the City contributed 18.05% and fire fighters contributed 15.7% on their earnings excluding overtime, educational incentive pay, assignment pay and temporary pay in higher classifications.

State law requires that each plan of benefits adopted by the Fund be approved by a qualified actuary. The actuary must certify that the contribution commitment by fire fighters and the City provides an adequate financing arrangement. During 2009, contributions were made in accordance with the adopted plans of benefits approved by the Fund's actuary. However, the latest actuarial valuation as of December 31, 2009 determined that the annual required contributions by the City were to be 13.32% of fire fighters' earnings. Because the City's contributions remained at 18.05%, 138% and 136% of the annual required contributions were funded by the City during 2010 and 2009, respectively.

NOTE E - BENEFITS

When a member has completed ten years of credited service after entrance into the Fund, the member's account becomes vested and non-forfeitable. Under the terms of the Fund agreement, members or their beneficiaries are eligible for distributions of benefits upon attaining a normal retirement age of 50 with ten years of service, or upon completing 25 years of service regardless of age. In addition, members are eligible for early retirement benefits upon reaching age 45 with at least ten years of service or 20 years of creditable service, regardless of age. Distributions to members or their beneficiaries are also available in the event of total and permanent disability or upon death including survivor (spousal) benefits at 75% of retiree benefits.

The terms of benefit payments are determined by the member's level of earnings and length of service. With the exception of payments under the Deferred Retirement Option Plan (DROP) feature which provides eligible participants the ability to designate benefits to be disbursed in a single payment or not more than four payments upon leaving active service, distributions of benefits are made in a series of equal installments over a period of time. Payments to members or their beneficiaries may be increased annually by the amount of increase in the Consumer Price Index. Cost-of-living increases must be approved by the Board of Trustees and actuary of the Fund. Contribution refunds are paid with 5% interest.

NOTE F – INCOME TAX STATUS

The Fund is a Public Employee Retirement System and is exempt from federal income taxes and the provisions of the Employee Retirement Income Security Act of 1974.

The Internal Revenue Service has determined and informed the Fund by a letter dated August 22, 1985, that the Fund's plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The plan has been amended since receiving the determination letter; however, the Fund administrator believes that the plan is currently being operated in compliance with the applicable requirements of the IRC.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

NOTE G – SUBSEQUENT EVENT

At December 31, 2006, the Fund owned 9000 shares of non-voting common stock of a small business, acquired through philanthropic contribution under the terms of an agreement providing for redemption of the shares by the donor.

In 2007, the Fund sued the donor to force the redemption of the stock, and in turn the donor has filed a counterclaim seeking to recover the dividends previously paid to the Fund. In 2010, this litigation was resolved and the Fund turned the stock over to the donor in exchange for a cash payment to the fund agreed to by both parties.

All other subsequent events have been evaluated through September 15, 2011, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
(Unaudited)
(Dollar amounts in thousands)

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Valuation Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$ 589,261	\$ 664,185	\$ 74,924	88.7%	\$ 78,980	94.9%
12/31/07	584,420	586,802	2,382	99.6%	76,556	3.1%
12/31/05	493,567	580,054	86,487	85.1%	65,885	131.3%
12/31/03	421,136	452,669	31,533	93.0%	55,939	56.4%
12/31/01	395,371	406,266	10,895	97.3%	49,726	21.9%

(1) Actuarial studies are performed on a biennial basis.

See accompanying notes to required supplementary information.

AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

<u>Year Ended</u> <u>December 31</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2010	10,064,706	138%
2009	10,065,697	136%
2008	15,885,383	86%
2007	15,885,383	86%
2006	13,346,422	87%
2005	10,748,757	100%
2004	10,446,320	100%
2003	9,714,921	100%
2002	9,229,549	100%
2001	8,560,786	100%

See accompanying notes to required supplementary information.

**AUSTIN FIRE FIGHTERS RELIEF AND RETIREMENT FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE A – DESCRIPTION OF FUNDING PROGRESS

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements.

NOTE B – ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

ACTUARIAL VALUATION:

Frequency	Biennial
Latest Date	12/31/09
Cost Method	Entry Age

AMORTIZATION:

Method	Level Percent
Open/Closed	Open
Remaining amortization period	30 Years

ASSET VALUATION METHOD:

5-year smoothed market

ASSUMPTIONS:

Investment rate of return*	7.75%
Projected salary increases*	8.0%
*Includes inflation at	3.5%
Payroll Growth Rate	5.0%

June 14, 2010

Mr. William E. Stefka
Administrator
Austin Fire Fighters Relief and Retirement Fund
4101 Parkstone Heights Drive, Suite 270
Austin, TX 78746

**Re: Austin Fire Fighters Relief and Retirement Fund Actuarial Valuation as of
December 31, 2009**

Dear Mr. Stefka:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Austin Fire Fighters Relief and Retirement Fund (the Fund) as of December 31, 2009.

Actuarial Valuation

The primary purposes of the valuation report are to determine the adequacy of the current City's contribution rate, to describe the current financial condition of the Fund, and to analyze changes in the Fund's condition. In addition, the report provides information required by the City of Austin in connection with Governmental Accounting Standards Board Statements Number 25 and Number 27. However, this report is not intended to provide a complete set of GASB disclosures necessary for the financial statements of the City of Austin.

Basis for Funding

The member and City contribution rates are established by statute. The City's and the members' contributions are intended to be sufficient to pay the normal cost and to amortize the Fund's unfunded actuarial accrued liability.

Funding Status

As of December 31, 2009, the employer contribution rate for GASB 25 purposes needed in order to pay the normal cost and fund the Unfunded Actuarial Accrued Liability over 30 years is 20.06%. This amount is more than the 13.32% employer contribution rate calculated as of December 31, 2007. The current contribution rate, and negotiated future contribution increases, cover the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL) over 20.5 years.

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the Fund's statutes. There are no significant benefits which were not taken into account in this valuation. The valuation is based on the same benefit provisions as the previous valuation.

Based on a recent collective bargaining agreement, the City is scheduled to increase the contribution to the Fund to 19.05% effective October 1, 2010, 20.05% effective October 1, 2011, 21.05% effective October 1, 2012, and 22.05% effective for the 25th pay period of the 2012-2013 fiscal year. Our funding period calculation reflects these contribution increases even though they have not yet been written into the statutes.

Postretirement adjustments are provided to retired members of the Fund contingent upon the actuarial soundness of the contributions to the Fund. Any analysis of postretirement adjustments and the actuarial soundness of the contributions to the Fund will be provided under separate cover.

Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C.

The assumptions used are individually reasonable and reasonable in the aggregate.

Data

Asset information and member data for retired, active, and inactive members was supplied as of December 31, 2009 by the Administrator. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data.

Subsequent Events or Trends

This report does not take into account any changes in the financial markets that occurred after the measurement date. Taking these into account could have had the effect of significantly impacting the market and actuarial value of assets shown. The effect of these events on any funded ratios, funding costs or funding periods shown is not known. GASB guidelines prohibit reflection of changes in assets and underlying economic conditions that occur after the measurement date.

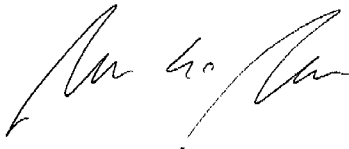
Mr. William E. Stefka
June 14, 2010
Page 3

Actuarial Certification

The actuarial assumptions used to quantify the ongoing cost of the Fund were approved by the Board and are, individually and in the aggregate, reasonable and in combination represent the best estimate of anticipated experience under the Fund. Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures.

The report was prepared under my supervision. I am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Very truly yours,



Richard A. Mackesey, FSA, EA, MAAA
Principal, Consulting Actuary

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Austin Fire Fighters Relief and Retirement Fund
Actuarial Valuation - December 31, 2009

Section 1	-	Summary of Principal Results
Section 2	-	Comments on the Valuation
Section 3	-	Actuarial Funding Requirements
Section 4	-	Accounting Information
Section 5	-	Summary of Asset Information
Schedule A	-	Membership Data
Schedule B	-	Summary of Benefits Provisions
Schedule C	-	Summary of Actuarial Methods and Assumptions
Table 1	-	The Number and Annual Average Compensation of Active Members Distributed by Fifth Age and Service
Table 2	-	Number and Annual Retirement Allowance of Retired Members, Disabled Members and Beneficiaries in Receipt by Age

Summary of Principal Results

	December 31, 2009	December 31, 2007
Membership		
Active	1,025	1,047
Terminated with benefits due	14	11
Retired members and beneficiaries	525	464
Valuation Compensation		
Total	\$ 78,979,991	\$ 76,556,061
Average	\$ 77,054	\$ 73,119
Assets		
Market value	\$ 530,927,802	\$ 607,332,924
Actuarial value	\$ 589,261,001	\$ 584,419,830
Valuation Results		
Unfunded actuarial accrued liability	\$ 74,924,239	\$ 2,382,326
Funding period	20.5 years	0.6 years
GASB No. 25		
Actuarial accrued liability (AAL)	\$ 664,185,240	\$ 586,802,156
Actuarial value of assets	\$ 589,261,001	\$ 584,419,830
GASB ratio	88.7%	99.6%
Unfunded AAL (UAAL)	\$ 74,924,239	\$ 2,382,326

Comments on the Valuation

Overview

The current and negotiated contribution rates are sufficient to keep the Fund actuarially sound, based on the current membership data, the current financial data, the current benefit provisions and the actuarial assumptions and methods used to determine liabilities and costs.

The overall funding of the Plan remains sound. The funding period increased to 20.5 years from 0.6 years. This increase was primarily due to the asset experience partially offset by the negotiated future contribution increases.

Section 3 shows in more detail the changes to the normal cost rate and the funding period based on the current contribution rates.

Funding Status

There are two significant measures of the funding status of the Fund. The first is the 30-year funding cost. This is the City contribution rate required by GASB 25 to pay the normal cost and to amortize the UAAL. As of December 31, 2009, this rate is 20.06% compared with the City's current contribution rate of 18.05% and with the 30-year funding cost as of December 31, 2007 of 13.32%. Section 3 shows a reconciliation of the changes between the 2007 and 2009 figures and a reconciliation of the UAAL between 2007 and 2009.

The other measure is the funding period. This is the length of time in years that will be required to amortize the current UAAL based on the scheduled contribution rates. As of December 31, 2009, the current and negotiated future contribution rates are sufficient to pay the normal cost and amortize the UAAL over 20.5 years.

The UAAL is the excess of the liability assigned to prior years (the actuarial accrued liability) over the value of assets.

GASB Statements

Section 4 provides the information required for reporting under GASB No. 25.

Benefit Provisions

Schedule B summarizes all the benefit provisions of the Fund. There are no significant benefits which were not taken into account in this valuation. The valuation is based on the same benefit provisions as the previous valuation.

Based on a recent collective bargaining agreement, the City is scheduled to increase the contribution to the Fund to 19.05% effective October 1, 2010, 20.05% effective October 1, 2011, 21.05% effective October 1, 2012, and 22.05% effective for the 25th pay period of the 2012-2013 fiscal year. Our funding period calculation reflects these contribution increases even though they have not yet been written into the statutes.

Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C.

The assumptions used are individually reasonable and reasonable in the aggregate.

GASB Statement No. 27

Under GASB Statement No. 27, employers must determine a pension expense based on a 30-year amortization of the UAAL. The amortization can assume payroll growth due to inflation, but no membership growth. If the actual contribution rate is less than the rate required by GASB No. 27, the excess must be expensed. This will result in the employer showing an accrued but unpaid liability for pension benefits on its financial statements.

A City Contribution rate of 20.06% will be required for the City to avoid significantly increasing the pension liability on its financial statements for the fiscal year beginning in 2010. At the current rate of contribution rate of 18.05%, and assuming no other changes, the City will be required to increase any accrued but unpaid pension liability for the Fund on its financial statement in the future.

Financial Data

The financial data used in this report was supplied by the Fund.

Section 5 reconciles the Fund's assets between 2007 and 2009 and shows the development of the actuarial value of assets (AVA). Rather than using the market value for cost calculations, an adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) is used. The estimated rates of return for 2008 and 2009 are -23.0% and 13.7%, respectively, for the market value of assets, and -4.0% and 5.2%, respectively, for the actuarial value of assets.

Membership Statistics

Data on active members and on retired members was supplied by the Administrator. Active membership decreased over the past two years while total payroll for active members grew. The active membership decreased from 1,047 members as of December 31, 2007 to 1,025 members as of December 31, 2009. The total active payroll increased from \$76,556,061 to \$78,979,991 over the same period, a 3.2% increase. Schedule A shows a summary of the membership data.

Actuarial Cost, Margin and Funding Period

	<u>December 31, 2009</u>	<u>December 31, 2007</u>
1. Covered Payroll	\$ 78,979,991	\$ 76,556,061
2. Actuarial value of future pay	\$ 764,130,719	\$ 804,726,176
3. Current contribution rates		
a. City	18.05%	18.05%
b. Member	<u>15.70%</u>	<u>15.70%</u>
c. Total	33.75%	33.75%
4. Actuarial present value of future benefits	\$ 895,123,489	\$ 818,881,113
5. Actuarial present value of future normal costs		
a. Total	\$ 230,938,249	\$ 232,078,957
b. Member (3b x 2)	119,968,523	126,342,010
c. City (5a - 5b)	110,969,726	105,736,947
6. Actuarial accrued liability (4 - 5a)	\$ 664,185,240	\$ 586,802,156
7. Actuarial value of assets	\$ 589,261,001	\$ 584,419,830
8. Unfunded actuarial accrued liability (UAAL) (6 - 7)	\$ 74,924,239	\$ 2,382,326
9. Normal cost		
a. Normal cost percentage (5a ÷ 2)	30.22%	28.84%
b. Total normal cost (1 x 9a)	\$ 23,867,753	\$ 22,078,768
c. Member normal cost (1 x 3b)	12,399,859	12,019,302
d. City normal cost (9b - 9c)	11,467,894	10,059,466
e. City normal rate (9d ÷ 1)	14.52%	13.14%
10. Funding period to amortize UAAL*	20.5 years	0.6 years

* Based on a recent collective bargaining agreement, the City is scheduled to increase the contribution to the Fund to 19.05% effective October 1, 2010, 20.05% effective October 1, 2011, 21.05% effective October 1, 2012, and 22.05% effective for the 25th pay period of the 2012-2013 fiscal year. Our funding period calculation reflects these contribution increases even though they have not yet been written into the statutes.

Analysis of Change in UAAL

1. UAAL as of December 31, 2007	\$ 2,382,326
2. Changes due to:	
a. Expected increase/(decrease)	\$ (7,860,753)
b. Actual contributions (greater)/less than expected	1,755,497
c. Liability experience	(9,755,328)
d. Asset experience	<u>88,402,497</u>
e. Total changes	\$ 72,541,913
3. UAAL as of December 31, 2009	\$ 74,924,239

Analysis of Change in Funding Cost

1. 30-year funding cost as of December 31, 2007	29.02%
2. Changes due to:	
a. Resetting of amortization from prior year	(0.57%)
b. Actual contributions (greater)/less than expected	0.12%
c. Liability experience	0.66%
d. Asset experience	<u>6.53%</u>
e. Total	6.74%
3. 30-year funding cost as of December 31, 2009	35.76%

Analysis of Change in Funding Period

1. Funding period as of December 31, 2007	0.6
2. Changes due to:	
a. Passage of time	(2.0)
b. Actual contributions (greater)/less than expected	0.5
c. Liability experience	(3.6)
d. Asset experience and negotiated contribution increases	<u>25.0</u>
e. Total	19.9
3. Funding period as of December 31, 2009	20.5

Historical Trend Information

(As required by GASB #25 - Amounts are in millions of dollars)

	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) <u>Entry Age</u>	Unfunded AAL (UAAL)	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
December 31, 2005	493.6	580.1	86.5	85.1%	65.9	131.3%
December 31, 2007	584.4	586.8	2.4	99.6%	76.6	3.1%
December 31, 2009	589.3	664.2	74.9	88.7%	79.0	94.8%

**GASB #25 Schedule of Employer Contributions
 for Year Ending December 31, 2009**

<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
13.32% of Pay	135.5%

Reconciliation of Fund Assets

	Year Ending	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>
1. Value of fund at beginning of year	\$ 468,074,138	\$ 607,332,924
2. Contributions		
a. City	13,640,066	13,593,297
b. Member	<u>11,864,193</u>	<u>11,823,533</u>
c. Total	\$ 25,504,259	\$ 25,416,830
3. Benefit payments	(26,829,427)	(24,789,560)
4. Refunds	0	(158,790)
5. Earnings, net of expenses	64,178,832	(139,727,266)
6. Value of fund at end of year	\$ 530,927,802	\$ 468,074,138
7. Estimated rate of return	13.7%	(23.0%)

Calculation of Actuarial Value of Assets

	Year Ending	
	December 31, 2009	December 31, 2008
1. Actuarial value of assets at beginning of year	\$ 561,688,966	\$ 584,419,830
2. Net new investments		
a. Contributions	\$ 25,504,259	\$ 25,416,830
b. Benefit payments	(26,829,427)	(24,789,560)
c. Refunds	<u>0</u>	<u>(158,790)</u>
d. Total	\$ (1,325,168)	\$ 468,480
3. Expected investment income (7.75% per annum) on actuarial value and new investments	\$ 43,480,503	\$ 45,310,352
4. Expected value of actuarial value at end of year	\$ 603,844,301	\$ 630,198,662
5. Market value at end of year	\$ 530,927,802	\$ 468,074,138
6. Difference between market value and expected value (5 - 4)	\$ (72,916,499)	\$ (162,124,524)
7. Adjustment to expected value (20% x 6)	\$ (14,583,300)	\$ (32,424,905)
8. Preliminary actuarial value (4 + 7)	\$ 589,261,001	\$ 597,773,757
9. 120% Corridor (120% x 5)	\$ 637,113,362	\$ 561,688,966
10. 80% Corridor (80% x 5)	\$ 424,742,242	\$ 374,459,310
11. Final actuarial value of assets [(8 not greater than 9) not less than 10]	\$ 589,261,001	\$ 561,688,966
12. Rate of return on actuarial value of assets	5.2%	(4.0%)

Membership Data

	<u>December 31, 2009</u>	<u>December 31, 2007</u>
1. Active members		
a. Number	1,025	1,047
b. Valuation Compensation	\$ 78,979,991	\$ 76,556,061
c. Average annual pay	\$ 77,054	\$ 73,119
d. Average age	41.5	40.8
e. Average service (years)	14.1	13.5
2. Inactive members		
a. Nonvested former members	9	8
b. Nonvested account balances	\$ 306,149	\$ 292,937
c. Vested former members	5	3
d. Total annual benefit for vested members	\$ 157,112	\$ 82,133
3. Members in receipt of benefits		
a. Retired members	451	393
b. Beneficiaries	<u>74</u>	<u>71</u>
c. Total number in receipt	525	464
d. Total annual benefits in receipt	\$ 23,303,241	\$ 20,065,032
e. Average annual benefits in receipt	\$ 44,387	\$ 43,244

**Summary of Benefit Provisions
As of December 31, 2009
For Actuarial Calculations**

Definitions

Compensation: A firefighter's monthly salary, excluding overtime pay, any temporary pay in higher classifications, educational incentive pay, assignment pay, Christmas Day bonus pay, and pay for automobile and clothing allowances.

Average Monthly Compensation: The average of a firefighter's compensation paid during the 36 months of service that produces the highest average.

Service: Period in years and months during which a Member makes contributions to the Fund.

Pension Fund: The Austin Fire Fighters Relief and Retirement Fund

Contribution Rates

The Member contribution rate is 15.70% of Compensation. Interest is credited on members' contributions at 5% per year.

The City's contribution rate is 18.05% of Compensation. Based on a recent collective bargaining agreement, the City is scheduled to increase the contribution to the Fund to 19.05% effective October 1, 2010, 20.05% effective October 1, 2011, 21.05% effective October 1, 2012, and 22.05% effective for the 25th pay period of the 2012-2013 fiscal year.

Service Retirement Benefits

Normal Service Retirement

Condition for Retirement: Attainment of age 50 and 10 years of Service, or 25 years of Service, regardless of age.

Amount of Monthly Allowance: 3.30% of Average Monthly Compensation for each year and month of Service, but not less than \$1,200.

Early Retirement Pension

Condition for Retirement: Attainment of age 45 and 10 years of Service, or 20 years of Service regardless of age.

Amount of Monthly Allowance: 3.30% of Average Monthly Compensation for each year and month of Service, but not less than \$1,200.

Disability Retirement Benefits

Service-Related Disability

Condition for Retirement: Disability preventing the Member from performing the duties of a firefighter during the two and one-half years after becoming disabled or any employment after the two and one-half years after becoming disabled.

Amount of Monthly Allowance: 3.30% of Average Monthly Compensation for each year of Service, but Service will not be less than 20 years.

Survivor Benefits

Surviving Spouse of Member: Greater of \$1,200 or 75% of 3.30% of Average Monthly Compensation for each year of the Member's Service.

Dependent Children of Member: 0.495% of Average Monthly Compensation for the greater of 20 years or the Member's Service payable to the earliest of the child's death, marriage or attainment of age 22.

Survivors of Unmarried Retired Members: 75% of Member's monthly benefit, actuarially reduced if designated beneficiary is more than 10 years younger than Member.

Post-Retirement Adjustments

Contingent upon the actuarial soundness of the contributions to the Fund, retirees shall receive annual increases of at least 1% per year. Members receiving an Early Retirement Pension cannot receive a post-retirement adjustment until the Member would have met the requirements of a Normal Service Retirement benefit.

Deferred Retirement Option Plan

Upon attaining the eligibility requirements for an Early Retirement Pension, a Member may elect to enter the Deferred Retirement Option Plan (DROP). Retirement benefits will be calculated as if the Member retired on that date and accruals under the Fund will cease. Each month, the retirement benefit will be accumulated in an account earning 5% interest per year. Upon termination of employment, but not later than seven years after joining DROP, the Member will have the balance paid in a lump sum or in no more than four payments. In addition, the Member will receive his Early Retirement or Normal Service Retirement benefit upon termination of employment.

Vested Benefits

Condition for Retirement: 10 years of service at termination of employment.

Amount of Allowance: Refund of Member's contributions with interest or 3.30% of Average Monthly Compensation for each year of Service, benefit shall not commence until Member attains age 50.

**Statement of Actuarial Methods and Assumptions
(Effective as of December 31, 2009)**

Investment Return: 7.75% per annum, compounded annually, net all expenses including administrative expenses.

Inflation: 3.5% per annum.

Separations Before Normal Retirement: Representative values of the assumed annual rates of withdrawal and disability are as follows:

<u>Annual Rate per 1,000 Members</u>		<u>Annual Rate per 1,000 Members</u>	
<u>Years of Service</u>	<u>Withdrawal</u>	<u>Age</u>	<u>Disability</u>
0	15.0	20	0.14
5	9.0	25	0.19
10	6.0	30	0.31
15	1.0	35	0.52
20	0.0	40	0.92
		45	2.09
		50	3.79
		55	4.90
		60	9.11

Salary Increases: Representative values of the assumed annual rates of future salary increase attributable to seniority and promotion are as follows:

Years of Service	Annual Rate of Salary Increase*
0	9.28%
1	13.10
2	12.73
3	1.00
4	1.00
5	6.00
10	1.00
15	1.00
20	6.00
25	1.00
30	1.00

* Expected increase in salary in addition to inflation assumption.

Retirement and DROP Election Rates: The percentage of population assumed to retire and elect DROP at various years is as follows:

<u>Years After First Eligibility</u>	<u>Retirement Rate</u>	<u>DROP Period Elected</u>
0	6%	None
1	2	None
2	2	None
3	2	None
4	2	30% elect no DROP; 70% elect 3 years
5	5	30% elect no DROP; 70% elect 3 years
6	10	30% elect no DROP; 70% elect 3 years
7	10	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
8	10	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
9	15	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
10	15	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
11	15	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
12	15	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
13	30	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
14	50	30% elect no DROP; 30% elect 3 years & 40% elect 6 years
15	100	30% elect no DROP; 30% elect 3 years & 40% elect 6 years

Rates are applied when a member is eligible to retire. That is, attainment of age 45 with ten years of service, or 20 years of service regardless of age.

Mortality – Healthy Lives: According to the RP2000 Combined Healthy Table (no collar adjustments) set back two years for males and females, with fully generational projection from 2000.

Mortality – Disabled Lives: According to RP2000 Disability Mortality Table.

Spouses: 100% of active members are assumed to be married with the male three years older than the female. 50% are assumed to have dependent children. The age of the youngest child is assumed to be one year.

Assumed Postretirement Cost of Living: None.

Future Expenses: None assumed.

Valuation Method: The method used to determine Normal Cost and Accrued Actuarial Liability is the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, an annual Normal Cost is determined for each covered active Member which is the contribution required to provide all the projected pension benefits assuming this contribution is payable over a period ending on the date of retirement (separation from active service) and expressed as a level percentage of compensation. The Actuarial Accrued Liability is determined as the excess of the total present value of all pension benefits over the total present value of future Normal Costs. The Unfunded Actuarial Accrued Liability as of the valuation date is determined as the excess of the Actuarial Accrued Liability over the assets of the Fund.

The Normal Cost and Accrued Actuarial Liability are derived by making certain assumptions as to the rates of interest, mortality, turnover, etc., which are assumed to reflect experience for many years into the future. Since actual experience will differ from the assumptions, the costs determined must be regarded as estimates of the true costs of the Plan. The effects of any actuarial gains or losses are immediately reflected in the Unfunded Actuarial Accrued Liability and the Normal Cost.

Actuarial Value of Assets: The actuarial value of assets is the expected actuarial value of assets considering contributions, benefit payments and expected return on assets plus 20% of the difference between the market value of assets and the expected actuarial value of assets. The actuarial value cannot exceed 120% or be less than 80% of the market value of assets. The market value used for the calculation excludes "Corporate Stock-Small Business" which has an estimated value of \$884,647 as stated in the Statement of Plan Net Assets.

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
 MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
 AS OF DECEMBER 31, 2009

ATTAINED AGE	YEARS OF SERVICE																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up			
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp		
Under 25	4	42,973	2	64,131	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	24	43,801	27	62,997	10	63,049	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	20	43,966	48	63,045	81	64,964	13	73,095	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	4	46,123	26	61,982	92	65,561	62	73,300	20	84,947	0	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	37	64,360	73	74,159	77	82,421	12	91,928	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	3	65,769	24	72,324	63	84,884	110	93,651	13	100,186	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	2	61,811	80	92,963	33	95,726	7	97,547	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	1	70,809	0	0	3	96,774	32	94,729	13	101,496	5	99,653	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0	0	0	1	82,413	2	85,660	1	112,693	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

THE NUMBER AND ANNUAL RETIREMENT
 ALLOWANCE OF RETIRED MEMBERS,
 DISABLED MEMBERS AND BENEFICIARIES
 AS OF DECEMBER 31, 2009

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
20	1	\$ 5,855	\$ 5,855
21	1	5,676	5,676
38	1	62,529	62,529
45	6	231,568	38,595
46	2	74,142	37,071
47	3	112,797	37,599
48	6	235,149	39,192
49	7	354,922	50,703
50	15	518,952	34,597
51	10	501,786	50,179
52	17	776,873	45,698
53	21	941,007	44,810
54	16	651,000	40,688
55	19	806,969	42,472
56	22	1,125,909	51,178
57	24	1,052,428	43,851
58	19	885,442	46,602
59	25	1,219,710	48,788
60	22	903,870	41,085
61	26	1,089,923	41,920
62	21	918,226	43,725
63	25	1,089,132	43,565
64	6	263,816	43,969
65	19	956,568	50,346
66	17	842,589	49,564
67	20	1,077,818	53,891
68	8	382,093	47,762
69	6	339,454	56,576
70	10	453,761	45,376
71	8	363,155	45,394
72	8	425,599	53,200

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
73	9	512,932	56,992
74	8	368,484	46,061
75	5	238,002	47,600
76	6	277,026	46,171
77	8	359,371	44,921
78	11	454,478	41,316
79	7	346,430	49,490
80	6	256,050	42,675
81	6	265,431	44,238
82	2	126,883	63,442
83	7	\$ 275,216	\$ 39,317
84	6	214,499	35,750
85	6	198,918	33,153
86	6	178,029	29,672
87	1	22,518	22,518
88	5	163,074	32,615
89	1	22,064	22,064
90	5	125,262	25,052
91	1	19,397	19,397
92	4	106,544	26,636
93	1	20,429	20,429
94	3	83,486	27,829
TOTAL	525	\$ 23,303,241	\$ 44,387

PENSION PLAN GUIDE

GOVERNING PENSION LAW

The pension plan was established by an Act of the 45th Legislature of the State of Texas, which met in 1937. The fund was created by state statute article 6243e and the Austin Firefighters Relief and Retirement Fund is currently governed by article 6243e.1. This statute only pertains to the Austin firefighters.

ADMINISTRATION

The fund is administered by a Board of Trustees consisting of five (5) members. The Mayor is the Board Chairman and the City Treasurer is the Secretary-Treasurer of the Board. Members of the fund elect three (3) department members to serve on the Board. The Board elects a Vice-Chairman annually from among their number.

An administrative pension office and staff have been established to better serve the firefighters, retirees, and their beneficiaries. Administrative costs and expenses for professional services rendered are paid by the fund.

INVESTMENT OF FUNDS

The Board is required by law to keep separate from all other city funds all money for the use and benefit of the Firefighters Relief and Retirement Fund. The Board has hired an investment consultant, Summit Strategies, who assists the pension board with the development, enhancement, and monitoring of the plan's investment policies and guidelines. They also assist the Board in researching investment managers and making recommendations in the selection of such investment managers. Surplus pension funds are then invested by these professional investment managers as selected by the pension board.

The fund has an investment custody account agreement with State Street designating them as the master trust custodian for the pension fund. State Street's home office is in Boston, Massachusetts and also has divisions in Winston-Salem, North Carolina, Jacksonville, Florida, and Kansas City, Missouri, which all provide various key services to the fund.

ELIGIBILITY

All commissioned civil service and Texas state-certified firefighters with at least six (6) months of service who are employed by the fire department pursuant to the Firemen's and Policemen's Civil Service Statute.

CONTRIBUTIONS

Per our statute, the firefighter is to contribute 15.70% of their bi-weekly base pay and longevity pay. The City of Austin's pension contributions will increase from 18.05% of salary to 22.05% in a total of four 1% increments by the year 2013. The firefighters' contributions will increase from 15.70% of salary to 18.70% in a total of six ½% increments by the year 2016.

SERVICE CONSIDERED

The period of time for which a member is required to make and does make prescribed contributions. Military service, only which interrupts fire department service, may also be considered under certain circumstances.

COMPENSATION CONSIDERED IN DETERMINING AVERAGE SALARY

Base pay and longevity pay is considered. Overtime, any temporary pay in a higher classification, educational incentive pay, and lump sum payments for accrued sick leave or vacation are not considered.

RETIREMENT BENEFIT

A firefighter is eligible for a normal service retirement benefit once he/she either attains age fifty (50) or accrues twenty-five (25) years of service, regardless of age. The monthly annuity, payable for life, is 3.30% of salary multiplied by years of service considered. Average salary is the monthly average of the firefighter's salary for the highest thirty-six (36) months during his/her period of service, excluding overtime pay, any temporary pay in higher classifications, educational incentive pay, Christmas Day bonus pay, automobile and clothing allowances.

EARLY RETIREMENT BENEFIT

A firefighter is eligible for an early retirement benefit at age forty-five (45), with at least (10) years of service, or twenty (20) years of service regardless of age. The early retirement benefit does not include a reduction in the factor. However, firefighters who retire early or who participate in a deferred retirement option plan (DROP), do not become eligible for cost-of-living adjustments (COLA's) until reaching normal service retirement eligibility at age fifty (50) with at least ten (10) years of service, or twenty-five (25) years of service credit regardless of age; whichever comes first.

DEFERRED RETIREMENT OPTION PLAN

Under this program a member eligible for service retirement may elect to continue in active service as a firefighter but have the fund begin crediting "payments" to a deferred retirement option plan (DROP) account in the member's name as of their eligible retirement (DROP) date. The monthly "payments" would be an amount equal to what the member's monthly annuity would have been if the member had actually retired as of that eligible DROP date. Any eligible cost-of-living adjustments (COLAS) would be applied to the monthly annuity during this DROP period. In addition, during the DROP period, the member would have all of their appropriate pension contributions and applicable annual interest of 5% compounded monthly credited to their account during the DROP period as well. When the member actually retires, by terminating their active service in the fire department, an accumulated lump sum balance may be available to be distributed to the member from the DROP account if the retiree is eligible for such direct distribution by meeting age requirements according to pension board policy. Certain penalties could apply for "early distributions," so the pension board encourages seeking tax advisement when in doubt. The DROP account lump sum may also be "rolled over" into a qualified Individual Retirement Account (IRA) which is typically the option chosen by most firefighters. A third option is for the DROP account lump sum to remain in the fund in the member's name continuing to draw 5% interest compounded monthly until the retiree is ready to have the funds moved elsewhere. At this time of termination for retirement, the member will then begin receiving their ongoing monthly pension benefit payments from the fund as well.

A member who has remained in active service after becoming eligible for service retirement can retroactively establish such a DROP account. That is, in lieu of electing to participate in the DROP before actual retirement, a member who is eligible for normal service retirement may elect to terminate active service as a firefighter and establish the DROP account at termination. This is commonly referred to as a "BACK DROP," whereby the firefighter's DROP account reflects the accrual from the actual termination date back to a date upon or after which they become eligible for normal service retirement. The maximum period under which a firefighter can participate in a DROP is 7 years. A firefighter may elect to establish a DROP account after reaching normal or early service retirement eligibility.

Effective September 1, 2001 all DROP calculations, including "BACK DROP" calculations, have used a 3.30% factor regardless of the actual DROP date. Any firefighter eligible for a DROP who dies before retirement, and who is survived by a spouse, shall have such DROP options extended to their surviving spouse.

DISABILITY BENEFIT

A firefighter is eligible for a disability retirement benefit during the first thirty (30) months of his/her disability if he/she is unable to perform the duties of his/her occupation as a firefighter. After this initial thirty (30) month period, a disability retirement benefit may be continued, reduced, or discontinued according to criteria as established by the American Medical Association and as adopted by the pension board. The annuity is equal to the firefighter's accrued unreduced pension based on the greater of (1) his/her service at time of disability, or (2) twenty (20) years of service.

It is the policy of the Board that no disability retirement benefit shall commence retroactively more than ninety (90) days prior to the date on which the application is filed with the fund.

DEATH BENEFIT

If a firefighter dies either before or after retirement, the firefighter's surviving spouse shall receive seventy-five (75) percent of the member's accrued unreduced pension based on the greater of (1) his/her service at time of death, or (2) twenty (20) years of service. If the member's employment is terminated by death before retirement and he/she leaves no surviving beneficiary entitled to pension benefits, then the member's estate shall receive their contributions with interest. Any lump sum payments to the member's estate will include 5% interest based on a method of application approved by the Board.

VESTED BENEFIT

If the member has at least ten (10) years of service and terminated his/her employment with the fire department, he/she may elect to leave his/her accumulated deposits in the fund. He/She will be entitled to a vested benefit commencing at the earliest of age fifty (50) or at the age which the firefighter would have completed twenty-five (25) years of service regardless of age, whichever occurs first.

SEVERANCE

The severance benefit of a firefighter who subsequently terminates his/her employment before he/she is eligible for retirement shall be an amount equal to the sum total of his/her pension contributions, with interest, which were made while a participating member of the fund.

Severance benefits for such terminating members will include their contributions along with 5% interest and will be based on a method of application approved by the Board.

COST-OF-LIVING ADJUSTMENTS

Cost-of-living adjustments (COLA's) may not be made unless the fund's actuary has advised the pension board that the adjustment would not impair the financial stability of the fund.

Although a COLA has not been able to be actuarially approved consistently in recent years, the pension board remains committed to granting COLA's to retirees as soon as reserves are available and following actuarial certification.

BEFORE-TAX CONTRIBUTIONS

Funds available to pay benefits come from three (3) sources...

- Your contributions
- City of Austin contributions, and
- Investment earnings

You contribute 15.70% of your bi-weekly base pay and longevity pay. The City of Austin contributes 18.05% of base pay and longevity pay for each plan participant (increasing to 22.05% by 2013). For example, if your annual pay is \$40,000.00, you will contribute \$6,280.00 (15.70%) a year and the City of Austin will contribute \$7,220.00 (18.05%). Since January 1, 1986, your contributions into the plan are being made before taxes are figured. This reduces your taxable income, so you pay less federal income tax and your take-home pay is greater. An example follows:

	<u>BEFORE TAX</u>	<u>AFTER TAX</u>
Assume your pay is	\$40,000.00	\$40,000.00
Pre-Tax Contributions	-6,280.00	-0.00
Federal Taxes (Assume 15% bracket)	<u>-5,058.00</u>	<u>-6,000.00</u>
	\$28,662.00	\$34,000.00
After-Tax Contributions	<u>- .00</u>	<u>-6,280.00</u>
Take Home Pay	\$28,662.00	\$27,720.00

RETIREMENT BENEFIT EXAMPLE

Your retirement benefit is based upon three (3) components...

- Years of credited service in plan, multiplied by
- Retirement factor of 3.30%, multiplied by
- Your highest thirty-six (36) months average salary

Assume you are a retiring firefighter who is fifty-five (55) years old with twenty-seven (27) years of credited service, and whose highest thirty-six (36) months average salary is \$4,000.00. Your pension would be calculated as follows:

- Years	27
- Factor	3.30%
- Salary	<u>\$4,000.00</u>
- Monthly Benefit	\$3,564.00

EARLY RETIREMENT BENEFIT EXAMPLE

A firefighter is eligible for an early retirement benefit at age forty-five (45), with at least ten (10) years of service, or twenty (20) years of credited service regardless of age. The early retirement benefit does not include a reduction in the factor. However, firefighters who retire early or who participate in a deferred retirement option plan (DROP) do not become eligible for cost-of-living adjustments (COLA's) until reaching normal service retirement eligibility (age fifty (50) with at least (10) years of service, or twenty-five (25) years of service regardless of age; whichever comes first).

Assume you joined the fire department and pension plan at age twenty-five (25). At age forty-five (45), with twenty (20) years of service, you elect to terminate service in order to begin receiving an early retirement benefit. Also assume your highest thirty-six (36) months average salary is \$4,000.00. The benefit is then calculated as follows:

- Years	20
- Factor	3.30%
- Salary	<u>\$4,000.00</u>
- Monthly Retirement Benefit	<u>\$2,640.00</u>

DISABILITY RETIREMENT EXAMPLE

If a firefighter is eligible for disability benefits but has less than twenty (20) years of credited service, then twenty (20) years is used in the calculation. A disability benefit is calculated the same way a regular retirement benefit is, using the same three (3) components as follows:

- Years (assume 20 if less)	20
- Factor	3.30%
- Salary (assumed)	<u>\$3,000.00</u>
- Monthly Disability	<u>\$1,980.00</u>

SURVIVORS BENEFIT

Benefits are available to eligible dependents of all plan participants should such participant die before or after retirement. Eligible dependents include...

- Spouse, if married to you at time of retirement.
- Spouse, if married to you after retirement and you remained married for at least 24 consecutive months prior to your death.
- Spouse, if married to you at time of your death; and you die before retirement.
- All unmarried children under age twenty-two (22), unless the Board determines to the contrary.
- Dependent parent, if no surviving spouse or children are eligible.
- Designated surviving beneficiaries other than a spouse, child, or dependent parent as explained below.

Effective September 1, 2001, on the death of unmarried members who are retired or who are eligible to retire, designated beneficiaries other than an eligible spouse or children are eligible for survivor benefits; but only if there is no benefit payable to a surviving spouse or children. Since September 1, 1997, eligible spousal benefits are paid for life even after remarriage. Also since September 1, 1997, as mentioned above, spousal benefits apply to those who become married to the retiree after such retiree's retirement and remain married to such retiree at least 24 consecutive months prior to the retiree's death.

After all payments cease any remaining balance of the member's total contributions including interest at the date of the member's death, which exceeds any retirement and death benefits paid, shall go to the member's estate.

SURVIVORS BENEFIT EXAMPLE

Assume you are retired drawing \$3,564.00 per month and pass away, leaving a spouse who is eligible for benefits and have no children. Your spouse will receive seventy-five (75) percent of your benefit as follows:

SURVIVORS BENEFIT EXAMPLE (Continued)

- Your monthly benefit	\$3,564.00
	<u>X 75.00%</u>
- Your spouse's monthly benefit	\$2,673.00

Assume you pass away before retirement and you are survived by an eligible spouse and child. Suppose your average salary for the highest thirty-six (36) months averaged \$4,000.00, and you had eight (8) years of service at the time of death.

You first calculate the benefit you would have been entitled to at the date of death and then determine the appropriate amount to be paid to your spouse and child.

Your benefit would have been...

- Years (assume 20 if less)	20
- Factor	3.30%
- Salary	<u>\$4,000.00</u>
- Monthly benefit	\$2,640.00

Your spouse's benefit is...

- Firefighter base benefit	\$2,640.00
- Factor	<u>X 75.00%</u>
- Spousal monthly benefit	\$1,980.00

A minimum monthly benefit of \$1,200.00 was approved by the Board for retirees and spouses effective January 1, 1995. However, this minimum benefit does not necessarily apply to children's benefits and benefits paid according to court orders, divorce decrees, and qualified domestic relations orders.

The retirement factor for the child is actuarially designed to be fifteen (15) percent of the regular retirement factor (3.30%), which is .495 percent. The child receives .495 percent (.00495) of the fire fighter's average salary, multiplied by the number of years of service, assuming twenty (20) years if less.

Your child's benefit is...

- Years (assume 20 if less)	20
- Child's benefit factor	.495%
- Average salary	<u>\$4,000.00</u>
- Child's monthly benefit	\$396.00

The eligible children, together, will be entitled to a total amount of seventy-five (75) percent of the fire fighter's accrued benefit at the time of death, if there is no surviving spouse.

PERSONNEL RECORDS

A personnel record (Form 500) is to be completed by all firefighters. This information furnishes the pension office necessary data regarding age, years of service, beneficiaries, birth dates, social security numbers and marital status. Updating this information keeps our pension office current for providing accurate data to our actuaries. The actuaries conduct biennial valuations and other occasional studies in order to determine the overall soundness of the fund.

RETIREMENT PROCESS

When a firefighter is ready to retire, there are forms available at the pension office to be completed. There will probably be other information to be furnished to the AFD administrative office as well. Upon retirement, the firefighter will receive a monthly annuity. Deductions can be made for withholding tax, as well as any health or dental insurance available through the City of Austin which the firefighter chooses. Direct deposit is also available. Please contact the pension office with any questions you have regarding your retirement. You can visit our web site at AFRS.ORG for more information about your retirement.

FUND HISTORY

The pension plan was established by an Act of the 45th Legislature of the State of Texas in 1937. The Austin Fire Fighters Pension Fund participated under state statute Article 6243e Vernon' Texas Civil Statutes until 1975. This law covered approximately 38 paid and part paid fire departments around the state. When benefit enhancements were being considered, it was difficult to revise wording which would not disrupt the other pension funds operating under the same statute. In 1975 Article 6243e.1 was established which would only cover the Austin Fire Fighters Pension Fund. The pension plan currently provides retirement, disability, death, and survivor benefits to approximately 1,500 active and retired participants and their eligible beneficiaries.

In 1984 an actuarial study was conducted to adjust all the current retirees' benefits based upon the effect of inflation from their original date of retirement. At that time there were some annuitants on the rolls that retired at the original monthly pension of \$100. Although these retirees had received cost-of-living increases through the years, they were still losing ground to inflation. After the actuarial changes were made, if a retiree's adjusted monthly benefit came to less than \$500, then a minimum monthly pension of \$500 would take effect. This was approved by the pension board in December 1984 and went into effect March 31, 1985. Since that time the minimum benefit has been increased to the current amount of \$1,200. (See Chronology Of Pension Plan Changes below). A full inflation cost-of-living adjustment (COLA) was approved by the pension boards in most years from 1985 through 2002. Since that time, a very challenging financial market environment resulted in the inability to continue that pattern. Providing sound pension benefits and COLA's, when affordable, continues to be a top priority of the pension board.

CHRONOLOGY OF PENSION PLAN CHANGES

Significant plan changes and benefit enhancements since 1975 are as follows:

1975

A 2.0% COLA approved.

The retirement calculations changed from using the highest 5 years' average salary to using the highest 3 years' average salary.

The minimum monthly disability benefit changed from \$100 to \$200.

State statute Article 6243e.1 is created pertaining only to the Austin Firefighters Pension Fund, allowing the plan to branch away from the former statewide system.

1976

A 2.0% COLA approved.

1977

A 2.0% COLA approved.

1978

A 2.0% COLA approved.

The retirement multiplier increased from 2.0% to 2.1%

1979

A 2.0% COLA approved.

The minimum monthly spousal benefit increased from \$100 to \$200.

The minimum children's benefit increased from \$50 to \$100.

1980

A 2.0% COLA approved.

1981

A 2.0% COLA approved.

1982

A 2.0% COLA approved.

CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

The retirement multiplier increased from 2.1% to 2.2%.

1983

A 2.0% COLA approved.

1984

A 2.0% COLA approved.

The retirement multiplier increased from 2.2% to 2.3%.

An actuarial study is conducted to adjust all then current retirees' benefits upward to offset the erosion of their benefits to inflation from their date of original retirement.

1985

A 4.0% COLA approved.

Early retirement eligibility set at age 50 and 25 years of service. (Normal retirement eligibility remained at age 55 or 35 years of service, regardless of age, which had been in effect for many years.)

Contribution rate by city increased from 14.0% to 14.05%.

The retirement multiplier increased from 2.3% to 2.5%

Employee contributions treated as employer contributions (pre-taxed) for federal income tax purposes.

Contributions are paid pre-taxed creating more take home pay.

A special increase for all current retirees to "catch their benefits up" with inflation from the time of their original retirement. If the resulting monthly benefit was less than \$500, then a \$500 minimum monthly benefit was approved where applicable.

1986

A 3.0% COLA approved.

1987

A 1.5% COLA approved.

The retirement multiplier increased from 2.50% to 2.65%.

Normal retirement eligibility lowered from age 55 or 35 years of service, regardless of age to age 55 or 30 years of service, regardless of age.

1988

A 4.0% COLA approved. The retirement multiplier increased from 2.65% to 2.90%.

1989

A 4.25% COLA approved.

The workers' compensation offset for disability benefits was eliminated.

Actuarially, an assumption adopted that 12% of firefighters were assumed to be single at retirement.

1990

A 4.50% COLA approved.

1991

A 6.30% COLA approved.

The minimum monthly pension benefit increased from \$500 to \$850 for normal service retirement, current retirees and spouses.

Normal retirement eligibility reduced from age 55 or 30 years of service, regardless of age to age 53 or 28 years of

CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

service, regardless of age. Surviving children eligible for full spousal benefits in the event there is no surviving spouse.

Actuarially, across the board salary increases assumption was decreased from 6.50% to 5.50% annually.

1992

A 2.90% COLA approved.

The minimum monthly pension benefit increased from \$850 to \$1000 for normal service retirement, current retirees and spouses.

Actuarially, a 5% anticipated COLA is extended through 1996.

1993

A 3.20% COLA is approved.

Normal retirement eligibility lowered from age 53 or 28 years of service, regardless of age to age 52 or 27 years of service, regardless of age.

Early retirement eligibility lowered from age 50 with 25 years of service to age 50 or 25 years of service, regardless of age.

The survivor (spousal) benefit is changed to a flat 75% of retiree's benefit.

Contribution refunds are paid with 5% interest.

Actuarially, growth in payroll no longer assumes 1% growth in membership annually.

Actuarially, a 5% anticipated COLA is extended through 1998.

1994

A 2.80% COLA is approved.

The minimum monthly pension benefit is increased from \$1000 to \$1200 for normal service retirement, current retirees and spouses.

City of Austin contributions increased from 14.05% to 16.05% of pay, while the contribution rate by the firefighters remains at 13.70%.

1995

A 2.60% COLA is approved.

Normal retirement eligibility reduced from age 52 to 50 (with at least 10 years of service) or with 25 years of service, regardless of age, down from 27 years of service.

Early retirement eligibility reduced from age 50 to age 48 (with at least 10 years of service) or with 23 years of service regardless of age, down from 25 years of service.

The retirement multiplier was increased from 2.90% to 3.0%.

A deferred retirement option plan (DROP) feature was added allowing up to 2 years of service designated for DROP participation.

City of Austin contributions increased from 16.05% to 18.05% of pay, while the contribution rate by the firefighters remains at 13.70%.

Actuarially, a 5% anticipated COLA is extended through 2002.

1996

A 2.90% COLA is approved.

CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

1997

A 3.0% COLA is approved.

Early retirement eligibility (unreduced by the retirement multiplier) lowered from age 48 to age 45 (with at least 10 years of service), or with 20 years of service regardless of age, down from 23 years of service.

COLAs delayed until normal retirement eligibility is met.

The deferred retirement option plan (DROP) feature is extended from a maximum of 2 years to a maximum of 5 years of service designated for DROP participation.

Benefits made available to surviving spouses of retirees married after retirement.

Eliminate the requirement that a spouse's benefit terminate after remarriage.

Firefighter contributions "bought down" by 2% to 11.70%, while the city contributions increase to 20.05% due to the "meet and confer" agreement. (Firefighters continue to get credit for 13.70% per statute requirements.)

Actuarially, a 5% anticipated COLA is extended through 2004.

1998

A 2.10% COLA is approved.

Actuarially, the retirement incident rate revised to 100% of the members to retire and elect a 5 year DROP one year following the age first eligible for a 5 year DROP.

1999

A 1.50% COLA is approved.

A 3.33% benefit increase is approved September 1, 1999 to all then current retirees at the time based on the percentage increase of the retirement multiplier from 3.0% to 3.10%.

The retirement multiplier increased from 3.0% to 3.10%, effective September 1, 1999.

All DROP calculations including "BACKDROPS" will use a 3.10% multiplier after September 1, 1999, regardless of the DROP date.

The deferred retirement option plan (DROP) benefits made available to eligible survivors of members who die before retirement but after becoming eligible for a DROP.

In November 1999, a new "meet and confer" agreement is set whereby firefighters are to receive a 3% salary increase in November 1999 and every six months going forward, beginning in March of 2000 through March 2002.

Actuarially, mortality tables for actives and non-disabled annuitants were updated to the 1994 Group Annuity Mortality tables, reflecting current industry standards.

2000

A 2.60% COLA approved.

2001

A 3.40% COLA approved.

A 6.45% benefit increase is approved September 1, 2001 to all then current retirees at the time based on the percentage increase of the retirement multiplier from 3.10% to 3.30%.

The retirement multiplier increased from 3.10% to 3.30%.

All DROP calculations including "BACKDROPS" will use a 3.30% multiplier after September 1, 2001, regardless of the DROP date.

Effective September 1, 2001, the deferred retirement option plan (DROP) feature is extended from a maximum of 5 years to a maximum of 7 years of service designated for DROP participation. A survivor benefit is made available for

CHRONOLOGY OF PENSION PLAN CHANGES (Continued)

all unmarried retirees, and for unmarried firefighters who die after becoming eligible to retire, per statute provisions. The percentage will be an actuarial equivalent of 75% of the firefighter's accrued benefit and will be tied to the age difference of the firefighter and the designated beneficiary.

2002

A 2.1% COLA approved.

2003

Effective June 1, 2003 the contribution rate by the firefighters increased from 13.70% to 15.70% of pay, while the contribution rate by the City of Austin remained at 18.05%.

2004

No Changes.

2005

\$32.00 per month increase in benefits for all eligible retirees.

2006

\$100.00 per month increase in benefits for all eligible retirees.

2007

No Changes.

2008

No Changes.

2009

Prudent investor rule adopted in pension statute.

2010

As a result of an agreement between the firefighters and the City of Austin, the City's pension contributions will increase from 18.05% of salary to 22.05% in a total of four 1% increments by the year 2013. In addition, the firefighters elected to increase their contributions from 15.70% to 18.70% in a total of six ½% increments by the year 2016.

NOTES:

NOTES: