

AUSTIN POLICE  
RETIREMENT SYSTEM

ACTUARIAL VALUATION  
AS OF DECEMBER 31, 2011



December 17, 2012

Mr. Sam Jordan, CEO  
Austin Police Retirement System  
2520 South IH 35, Suite 100  
Austin, TX 78704

Re: Austin Police Retirement System

Dear Mr. Jordan:

We are pleased to present to the Board this report of the annual actuarial valuation of the Austin Police Retirement System. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year(s).

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects applicable laws and regulations issued to date at the state and federal level. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, financial reports, and asset information supplied by the City of Austin, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

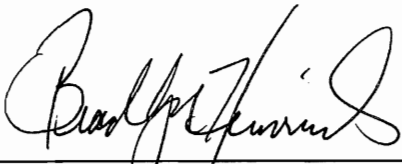
To our knowledge, no associate of Foster & Foster Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Austin, nor does anyone at Foster & Foster Inc. act as a member of the Board of Trustees of the Austin Police Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster Inc.

By:



Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #11-6901

BRH/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the Austin Police Retirement System, performed as of December 31, 2011, has been completed and the results are presented in this Report.

The pension costs, compared with those developed in the December 31, 2010 actuarial valuation performed by Rudd and Wisdom, Inc., are as follows:

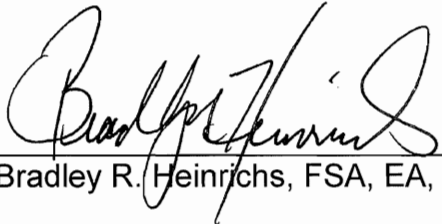
Valuation Date	<u>12/31/11</u>	<u>12/31/10</u>
Normal Cost % of Total Annual Payroll	22.318%	22.438%
Expected Member Contributions % of Total Annual Payroll	13.000%	13.000%
City Normal Cost Rate % of Total Annual Payroll	9.318%	9.438%
Funding Period To Amortize UAAL (expressed in number of years)	25.2	23.2

This is our first actuarial valuation performed for the Austin Police Retirement System. Since much of the historical data typically shown in our report is not readily available, we are not able to provide all of the information we would like to include. As a result, we have shown an "N/A" where the data was not available. In future years, the N/A's will be replaced with actual results.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER INC.

By:   
Bradley R. Heinrichs, FSA, EA, MAAA

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

Valuation Date	<u>12/31/2011</u>	<u>12/31/2010</u>
<b>A. Participant Data</b>		
Actives	1,679	1,624
Service Retirees + DROP	527	478
Beneficiaries	43	41
QDRO	22	20
Disability Retirees	4	4
Terminated Vested	19	21
<b>Total</b>	<u>2,294</u>	<u>2,188</u>
<b>Total Annual Payroll</b>	134,843,931	127,731,696
<b>Payroll Under Assumed Ret. Age</b>	134,843,931	127,731,696
<b>Annual Rate of Payments to:</b>		
Service Retirees + DROP	31,561,485	28,146,420
Beneficiaries	1,897,411	1,817,004
QDRO	323,121	274,932
Disability Retirees	136,509	120,396
Terminated Vested	416,942	415,536
<b>B. Assets</b>		
Actuarial Value	553,701,976	546,956,628
Market Value	483,600,580	492,137,361
<b>C. Liabilities</b>		
<b>Present Value of Benefits</b>		
Active Members		764,784,942
Retirement Benefits *	751,002,491	N/A
Vested Benefits *	1,757,624	N/A
Death Benefits *	11,264,236	N/A
Disability Benefits *	15,806,982	N/A
Refund of Contributions *	3,090,675	N/A
Service Retirees + DROP	343,627,645	305,180,308
Beneficiaries	16,435,130	15,891,006
QDRO	3,498,187	2,890,741
Disability Retirees	1,618,819	1,422,756
Terminated Vested	1,332,205	4,950,553
<b>Total</b>	<u>1,149,433,994</u>	<u>1,095,120,307</u>

\* The December 31, 2010 actuarial valuation report provided by Rudd and Wisdom, Inc. does not include this specific information

Valuation Date	<u>12/31/2011</u>	<u>12/31/2010</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	1,606,400,949	N/A
Normal Cost (Entry Age Normal) *		
Retirement Benefits	26,870,016	N/A
Vested Benefits	140,584	N/A
Death Benefits	499,244	N/A
Disability Benefits	938,893	N/A
Refund of Contributions	456,152	N/A
Total Normal Cost	<u>28,904,889</u>	<u>N/A</u>
Present Value of Future Normal Costs	334,175,218	318,889,280
Actuarial Accrued Liability		
Retirement Benefits *	434,971,886	N/A
Vested Benefits *	822,539	N/A
Death Benefits *	5,721,281	N/A
Disability Benefits *	6,422,920	N/A
Refund of Contributions *	808,164	N/A
Inactives	366,511,986	330,335,364
Total Actuarial Accrued Liability	<u>815,258,776</u>	<u>776,231,027</u>
Unfunded Actuarial Accrued Liability (UAAL)	261,556,800	229,274,399
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	366,511,986	330,335,364
Actives *	137,924,766	N/A
Member Contributions *	<u>121,671,207</u>	<u>N/A</u>
Total	626,107,959	N/A
Non-vested Accrued Benefits *	16,899,693	N/A
Total Present Value Accrued Benefits *	<u>643,007,652</u>	<u>N/A</u>

\* The December 31, 2010 actuarial valuation report provided by Rudd and Wisdom, Inc. does not include this specific information



Valuation Date	<u>12/31/2011</u>	<u>12/31/2010</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll*	22.318	22.438
Expected Member Contributions % of Total Annual Payroll*	13.000	13.000
City Normal Cost Rate % of Total Annual Payroll*	9.318	9.438
Funding Period to Amortize UAAL **	25.2 years	23.2 years

F. 30-Year Funding Cost

Normal Cost (with interest) % of Total Annual Payroll*	22.318	22.438
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years % of Total Annual Payroll*	11.025	10.260
Total 30-Year Funding Cost % of Total Annual Payroll*	33.343	32.698

\* Contributions developed as of 12/31/11 are expressed as a percentage of total annual payroll at 12/31/11 of \$134,843,931 and include 0.025% of payroll for assumed administrative expenses

\*\* The period required to amortize the UAAL was calculated based on the City's currently scheduled annual contribution rates to the Fund of 20.63% of total payroll from 10/1/2011 to 9/30/2012, and 21.63% of total payroll thereafter, less the calculated contribution rate required to fund the Retiree Death Benefit Fund

Valuation Date	<u>12/31/2011</u>	<u>12/31/2010</u>
G. Retiree Death Benefit Fund *		
Present Value of Benefits		
Active Members	973,446	981,087
Retired and Terminated Vested Members	1,489,705	1,184,472
Total	<u>2,463,151</u>	<u>2,165,559</u>
Present Value of Future Normal Costs	426,096	391,212
Actuarial Accrued Liability	2,037,055	1,774,347
Asset Value of Fund	488,051	407,858
Unfunded Actuarial Accrued Liability (UAAL)	1,549,004	1,366,489
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 24 years (as of 12/31/11)		
% of Total Annual Payroll	0.074	0.068
Normal Cost (with interest)		
% of Total Annual Payroll	0.029	0.034
Total Required City Contribution Rate Allocated to the Retiree Death Benefit Fund		
% of Total Annual Payroll	0.103	0.102

\* The Retiree Death Benefit Fund was established effective September 1, 2003. The Fund operates as a separate account within the system that is used to advance fund and to pay the \$10,000 post-retirement lump sum death benefits for retirees

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates – All Lives</u>	RP-2000 Combined Healthy Mortality Tables for males and females projected to 2014 -- Sex Distinct.
<u>Interest Rate</u>	8.0% per year, compounded annually, net of investment related expenses.
<u>Payroll Growth</u>	4.0% per year for amortization of the Unfunded Actuarial Accrued Liability.
<u>Administrative Expenses</u>	0.025% of payroll added to Normal Cost.
<u>PROP Investment Accounts</u>	75% retiring in DROP will elect to leave their lump sum in the System until age 60. Average annual rate credited to the PROP accounts will be 4.0%.
<u>Marital Status</u>	85% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 3 years younger than Males.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method
<u>Actuarial Asset Method</u>	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. The asset value of the Retiree Death Benefit Fund is then subtracted to determine the Actuarial Value of Assets.
<u>Retirement Rates</u>	See following tables.
<u>Termination Rates</u>	See following tables.
<u>Disability Rates</u>	See following tables. 55% of disablements are assumed to be service related.
<u>Salary Increases</u>	See following tables.
<u>Pre-Retirement Death Payment Form</u>	Married: Joint and 100% to Survivor Single: 15-Year Certain and Life Annuity

### Retirement Rates

For Entry Ages Under 32 <sup>1</sup>				For Entry Ages 33 and Above <sup>3</sup>			
<b>APRS Service</b>	22 & Under	23-27	28-32	<b>AGE</b>	33-37	38-42	43 & Over
<b>0-22</b>	0.05	0.05	0.05	<b>33-37</b>	0.10		
<b>23</b>	0.15	0.15	0.225	<b>38-42</b>	0.10	0.10	
<b>24</b>	0.10	0.10	0.15	<b>43-47</b>	0.10	0.10	0.10
<b>25</b>	0.10	0.10	0.15	<b>48</b>	0.10	0.10	0.10
<b>26</b>	0.15	0.15	0.25	<b>49</b>	0.10	0.10	0.10
<b>27</b>	0.15	0.15	0.25	<b>50</b>	0.10	0.10	0.10
<b>28</b>	0.25	0.25	0.25	<b>51</b>	0.10	0.10	0.10
<b>29</b>	0.25	0.25	0.30	<b>52</b>	0.10	0.10	0.10
<b>30</b>	0.30	0.30	0.40	<b>53</b>	0.10	0.10	0.10
<b>31</b>	0.30	0.30	0.50	<b>54</b>	0.10	0.10	0.10
<b>32</b>	0.30	0.30	1.00 <sup>2</sup>	<b>55</b>	0.20	0.10	0.10
<b>33</b>	0.30	0.30		<b>56</b>	0.25	0.10	0.10
<b>34</b>	0.40	0.40		<b>57</b>	0.30	0.10	0.10
<b>35</b>	0.40	0.50		<b>58</b>	0.35	0.10	0.10
<b>36</b>	0.40	0.50		<b>59</b>	0.50	0.10	0.10
<b>37</b>	0.50	1.00 <sup>2</sup>		<b>60</b>	1.00	0.50	0.10
<b>38</b>	0.50			<b>61</b>		0.35	0.10
<b>39</b>	0.50			<b>62</b>		0.35	0.80
<b>40</b>	0.50			<b>63</b>		0.35	0.40
<b>41</b>	0.50			<b>64</b>		0.35	0.40
<b>42</b>	1.00 <sup>2</sup>			<b>65</b>		1.00	1.00

<sup>1</sup> Rates are based on APRS service only and apply after a Member is eligible for retirement with combined APRS and Proportionate Retirement Program (PRP) service. Entry ages are determined based on APRS service only.

<sup>2</sup> 100% retirement rate will be effective at age 60, if earlier.

<sup>3</sup> Rates are based on age and apply after a Member is eligible for retirement with combined APRS and PRP service. Entry ages are determined based on APRS service only.

Termination Rates

<u>Combined Years of Service<sup>1</sup></u>	<u>Probability of Termination During Year</u>
0	0.05
1	0.02
2	0.02
3	0.02
4	0.02
5	0.02
6	0.02
7	0.02
8	0.02
9	0.02
10	0.01
11	0.01
12	0.05
13	0.05
14	0.05
15 & Above	0

<sup>1</sup> APRS service combined with Proportionate Retirement Program service.

Disability Rates

<u>Age</u>	<u>Probability of Disablement During Year</u>
20	0.00014
22	0.00016
24	0.00018
26	0.00021
28	0.00025
30	0.00031
32	0.00040
34	0.00049
36	0.00054
38	0.00062
40	0.00092
42	0.00132
44	0.00173
46	0.00255
48	0.00334
50	0.00379
52	0.00404
54	0.00456
56	0.00532
58	0.00660
60	0.00911
62 & Above	0

Salary Increases

<u>Years of Service</u>	<u>Increase in Salary<sup>1</sup></u>
0	18.0%
1	11.2
2	5.8
3	0.9
4	0.9
5	7.1
6	0.5
7	0.5
8	0.5
9	7.1
10	0.3
11	0.3
12	0.3
13	7.1
14	0.2
15	7.2
16	0.2
17	0.1
18	0.1
19	0.1
20	0.1
21	0.1
22	0.1
23	0.1
24	0.1
25 & Above	0.0

<sup>1</sup> Expected increases in salary as shown above are in addition to 4.0% increase per year due to general wage increases.

## VALUATION NOTES

Total Annual Payroll is the annual rate of pay as of the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age .

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.



Austin Police  
Retirement System

BALANCE SHEET  
December 31, 2011

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	14,285,087
Cash	83,784
Total Cash and Equivalents	14,368,871
Receivable:	
Contributions	1,726,399
Accrued Income	4,422,524
Total Receivable	6,148,923
Investments:	
Partnership Interests	47,466,319
Corporate Bonds	13,938,905
Corporate Stocks	144,078,778
International Stocks	24,314,676
International Government Securities	48,287,751
Real Estate Interests	126,796,553
Alternatives	58,176,143
Total Investments	463,059,125
Retiree Death Benefit Fund	488,051
Fixed Assets	656,545
Other Assets	7,611
<b>TOTAL ASSETS</b>	<b>484,729,126</b>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Payable:	
Refund	124,199
Other	516,296
Total Liabilities	640,495
Net Assets <sup>1</sup>	484,088,631
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>484,729,126</b>

<sup>1</sup>Includes \$488,051 for the Retiree Death Benefit Fund. The Net Market Value of Assets, excluding the Retiree Death Benefit Fund, is \$483,600,580.

Austin Police  
Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2011  
Market Value Basis

Contributions:		
Member	17,612,197.00	
City	26,028,992.00	
Total Contributions		43,641,189.00
Total Earnings and Investment Gains, Net of Expenses		(17,234,790.00)
Total Distributions to Members		34,862,987.00
Change in Net Assets for the Year		(8,456,588.00)
Net Assets Beginning of the Year		492,545,219.00
Net Assets End of the Year		484,088,631.00

Austin Police  
Retirement System

ACTUARIAL ASSET VALUATION  
December 31, 2011

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return.

Plan Year Ending	Gain/(Loss)	<u>Gains/(Losses) Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2012	2013	2014	2015	2016
12/31/2008	(178,262,916)	(35,652,583)	0	0	0	0
12/31/2009	3,260,002	1,304,001	652,000	0	0	0
12/31/2010	16,389,018	9,833,411	6,555,607	3,277,804	0	0
12/31/2011	(56,982,781)	(45,586,225)	(34,189,669)	(22,793,112)	(11,396,556)	0
Total		(70,101,396)	(26,982,062)	(19,515,308)	(11,396,556)	0

Development of Investment Gain/Loss

Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2010	492,545,219
Contributions Less Benefit Payments	8,778,202
Expected Investment Earnings*	39,747,991
Actual Net Investment Earnings	(17,234,790)
2012 Actuarial Investment Gain/(Loss)	<u>(56,982,781)</u>

\*Expected Investment Earnings =  $0.08 * 492,545,219 + [(1.08)^{.5} - 1] * 8,778,202$

Development of Actuarial Value of Assets

Market Value of Assets, 12/31/2011	484,088,631
(Gains)/Losses Not Yet Recognized	<u>70,101,396</u>
Actuarial Value of Assets, 12/31/2011	554,190,027

(A) 12/31/2010 Actuarial Assets, including Retiree Death Benefit Fund: 547,364,486

(I) Net Investment Income:

1. Earnings and Investment Gains, less Expenses	(17,234,790)
2. Change in Actuarial Value	<u>15,201,936</u>
Total	(2,032,854)

(B) 12/31/2011 Actuarial Assets, including Retiree Death Benefit Fund: 554,190,027

Actuarial Assets Rate of Return =  $2I/(A+B-I)$ : -0.4%  
Market Value of Assets Rate of Return: -3.5%

12/31/2011 Limited Net Actuarial Assets, excluding Retiree Death Benefit Fund: 553,701,976  
(Lesser of Actuarial Assets or 120% of Market Value, but no less than 80% of Market Value)

Austin Police  
Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2011  
Actuarial Asset Basis

Contributions:		
Member	17,612,197.00	
City	26,028,992.00	
Total Contributions		43,641,189.00
Total Earnings & Investment Gains, Net of Expenses	(17,234,790.00)	
Change in Actuarial Value	15,201,936.00	
Total Earnings and Investment Gains		(2,032,854.00)
Total Distributions to Members		34,862,987.00
Change in Net Assets for the Year		6,745,348.00
Net Assets Beginning of the Year		546,956,628.00
Net Assets End of the Year*		553,701,976.00

\*Net Assets may be limited for actuarial consideration, and exclude Retiree Death Benefit Fund

## STATISTICAL DATA

	<u>12/31/2011</u>
Actives	1,679
Average Current Age	39.7
Average Age at Employment	28.0
Average Past Service	11.7
Average Annual Salary	\$79,636

\* Foster & Foster does not have enough historical data to include data prior to 12/31/2011.  
We will add hisortical data going forward.

## AGE AND SERVICE DISTRIBUTION

## PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	11	0	0	1	0	0	0	0	0	0	0	12
25 - 29	51	7	37	18	41	23	0	0	0	0	0	177
30 - 34	28	10	36	24	36	122	32	1	0	0	0	289
35 - 39	9	7	20	12	18	100	179	20	0	0	0	365
40 - 44	3	1	14	2	6	76	127	135	23	1	0	388
45 - 49	1	0	7	2	1	26	49	72	73	19	0	250
50 - 54	0	0	4	0	0	4	13	21	36	53	3	134
55 - 59	0	0	2	0	0	2	2	5	10	18	17	56
60 - 64	0	0	0	0	0	0	0	0	1	1	4	6
65+	0	0	1	0	0	0	0	0	0	0	1	2
Total	103	25	121	59	102	353	402	254	143	92	25	1,679

AUSTIN POLICE RETIREMENT SYSTEM  
SUMMARY OF BENEFIT PROVISIONS

<u>Creditable Service</u>	Total years and completed months (excluding a month in which service amount to fewer than 15 days) during which a Member makes contributions to the System.
<u>Earnings</u>	Base pay, plus longevity pay.
<u>Average Final Compensation</u>	Average Earnings for the highest 36 months over the last 120 months of service.
<u>Member Contributions</u>	13.0% of Earnings.
<u>City Contributions</u>	20.63% (as of 12/31/2011), scheduled to increase to 21.63% effective October 1, 2012.
<u>Normal Retirement</u>	
Date	Earlier of age 62, age 55 and 20 years of Creditable Service, or 23 years of Creditable Service, regardless of age (excluding military service).
Benefit	3.20% of Average Final Compensation <u>times</u> Creditable Service.
Form of Benefit	Modified Cash Refund (options available).
<u>Vesting</u>	
Schedule	100% after 10 years of Creditable Service.
Benefit Amount	Member will receive his (her) accrued benefit payable at the Normal Retirement Date based upon actual Creditable Service prior to termination.  Non-vested members receive a refund of accumulated contributions.

Disability

Eligibility	Total and permanent as determined by the Board. Members must have 10 years of Creditable Service if the disability was non-service related.
Benefit	Accrued benefit at date of disability, but not less than 64% of Average Final Compensation for service related disablements.
Form of Benefit	Modified Cash Refund (options available).

Death Benefits

Before Retirement Eligibility	Twice the amount of the Member's accumulated contributions, subject to a minimum of \$10,000.
After Retirement Eligibility	Member's accrued benefit as of the date of death, payable based on optional annuity selected either by Member or beneficiary. Additionally, a lump sum death benefit is payable in the amount of \$10,000.

Retiree Death Benefit Fund

Effective September 1, 2003, a separate fund (funded as a portion of the City's contribution rate) was established to pay post-retirement lump sum death benefits. Effective September 1, 2007, the amount of these benefits was increased to \$10,000.

Cost of Living Adjustment

Eligibility	Normal Retirement.
Amount	Determined by the actuary if providing a COLA (not to exceed 6.0% per year) will not impair financial stability of the System. Post-Retirement benefit increases will automatically be provided when the System's benefit accrual rate is increased.



### Proportionate Retirement Program

Effective September 1, 2009, the System and the City began participating in the statewide Proportionate Retirement Program (PRP). Service in other participating public employee retirement systems can be combined with service in the System to satisfy the System's requirements for service retirement eligibility and for eligibility for vested benefits of a terminated Member. The participating systems, in addition to the System, are the six statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

### Forward DROP

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Not to exceed 60 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

### Retro DROP

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Upon election to retroactively enter DROP, the Retro DROP period will not exceed 36 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements  
of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/11	553,701,976	815,258,776	261,556,800	67.9%	134,843,931	194.0%
12/31/10	546,956,628	776,231,027	229,274,399	70.5%	127,731,696	179.5%
12/31/09	518,111,923	733,634,660	215,522,737	70.6%	122,928,285	175.3%
12/31/08	464,230,585	693,202,499	228,971,914	67.0%	122,735,216	186.6%
12/31/07	482,303,290	637,559,674	155,256,384	75.6%	111,809,091	138.9%
12/31/06	417,283,844	576,125,324	158,841,480	72.4%	100,090,151	158.7%

The schedule provided below has been prepared in accordance with the requirements  
of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution (% of Pay)	City Contribution (% of Pay)	Percentage Contributed
2011	19.360%	19.782%	102.2%
2010	20.291%	18.788%	92.6%
2009	16.776%	18.254%	108.8%
2008	17.846%	17.900%	100.3%
2007	18.775%	17.919%	95.4%
2006	17.906%	17.906%	100.0%

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

THREE YEAR TREND INFORMATION

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
9/30/2011	22,269,355	117.3%	(5,640,531)
9/30/2010	20,609,831	111.0%	(1,798,632)
9/30/2009	21,034,937	101.8%	468,537

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

Fiscal Year Ending	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>
Annual Required Contribution (ARC - %)	17.846%	16.776%	16.776%
City Contribution Rate (%)	18.1875%	18.630%	19.630%
Actual Contributions Made (\$)	21,422,000	22,877,000	26,111,254
City ARC (\$)	21,019,767	20,600,352	22,314,946
Interest on NPO	66,309	37,483	(143,891)
Adjustment to ARC	(51,139)	(28,004)	98,300
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Annual Pension Cost	21,034,937	20,609,831	22,269,355
Contributions Made	21,422,000	22,877,000	26,111,254
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Increase in NPO	(387,063)	(2,267,169)	(3,841,899)
NPO Beginning of Year	855,600	468,537	(1,798,632)
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NPO End of Year	855,600	468,537	(5,640,531)