



Pension Review

SUMMER / FALL 2013

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BOARD OF TRUSTEES

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Board Adopts New Actuarial Changes

In July of 2012, APRS hired a new actuarial firm, Foster & Foster, Inc. Shortly thereafter, Foster & Foster, Inc. performed a valuation reconciliation which revealed the actuarial amortization period was able to be adjusted down to 25.2 years from 30.7 years, giving the System 5 critical years of added amortization. In July 2013, the Board voted to adopt a few changes to the actuarial assumptions. These changes included reducing the payroll growth assumption to 3.5% from 4.0% which increased the amortization period by 2.4 years and amending the

projected mortality rate projections which reduced the amortization period by 3.5 years. At the July 16, 2013 Regular Board Meeting, the Austin Police Retirement System's Board of Trustees voted to adopt a new policy regarding retiree cost of living adjustments (COLA). This policy defines the parameters which need to be met in order for the actuary to approve and the board to vote to grant a COLA. The Board and actuary agreed that this new policy would take the mystery out of the COLA process since it allows the Board and the retirees to know ahead of time

whether or not the actuary will approve a COLA.

The following language was adopted for determining actuarial soundness and financial stability in approving a cost-of-living adjustment. Action to grant a retiree cost of living adjustment requires meeting each of the following:

- 1) The funding period to amortize the unfunded accrued actuarial liability after the cost-of-living adjustment, may not exceed 30 years for any year during the ten-year projection period;
- 2) The GASB 25 funding ratio after the cost-of-living adjustment could not be less than 80% for any year in the ten-year projection period. See *Actuarial Soundness Projection Test on Page 2.*



2012 Audit and Actuarial Valuation and 2013 Mid-Year

The December 31, 2012 audit shows the System’s financial statements presented fairly, in all material respects, the financial status of the City of Austin Police Retirement System and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles. This is the highest standard of measurement that can be issued as an audit opinion.

The 2012 audited Net Assets Held in Trust Available for Pension

Benefits at year-end was \$538,897,649 as recorded by the System’s independent auditor Montemayor Hill and Company, PC. This asset value is 11.32% greater than 2011.

The 2012 actuarial valuation showed the unfunded actuarial accrued liability is 29.4 years and the GASB 25 funding ratio is 65.2% as presented by the System’s actuary, Foster & Foster. This valuation is actuarially sound based on the Texas Pension Review Board guidelines.

The July 31st mid-year report as presented by The Bogdahn Group Investment Consultant shows the fund has grown to \$562 million, which is 4.5% greater than year-end \$538 million and this has happened while sequestering has taken place in the U.S.

The Board, Consultants and Staff believe consistent adherence to its Investment Policy in global diversification across many asset classes, provides the best means to sustain continual growth in assets and thus secure financial stability for its members.

Actuarial Soundness Projection Test

Plan Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assumed Asset Return	8.6%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Criteria 1 (Amort < 30)	Fail	Fail	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Pass
Criteria 2 (GASB Fund Ratio > 80%)	Fail									
RESULT	Fail									

Greater returns bring up the funding ratio above 80% and brings down the amortization period below 30 years. As you can see, unless the System’s investment returns are greater than 8%, no COLA will be granted in the near future. Returns greater than 8% are the keys to unlock COLAs for the members.

Upcoming Trustee Election

Elections will be held in December to fill two Police member Trustee positions and one Retiree member Trustee position. Each position holds a four-year term.

The filing period to petition for placement and serve as a member of the Board will be announced in October 2013.

This year, elections will be conducted by electronic balloting. APRS has engaged VR Election Services to conduct the

trustee election. Rather than traditional mailed ballots, members will cast their vote either by phone or by logging on to a secure website .

Please watch your mail carefully for any mail from APRS and VR Election Services so that you do not miss instructions on how to become a candidate in the election and/or how to cast



your vote.

Voting instructions will be mailed to each police member's home address, currently on file with the Police Department. (Retired members' addresses will be obtained from the Pension Office.) In order to ensure receipt, active members with address changes are encouraged to contact the police personnel office at the 7th Street office. Retirees with address changes should contact the Pension Office.

2013 Legislative Update

The following were among the changes made at the Capitol regarding pension legislation during the 83rd Legislative Session that ended on May 31, 2013.

House Bill 13, (authored by Rep. Callegari), requires public retirement systems to post financial reports including gross and net rolling investment returns (3, 5, 10 and 30 years) on the PRB website. The PRB is to develop a Trustee training program, which public retirement system Trustees will be required to complete, and distribute model ethical standards and conflict of interest policies for voluntary use by retirement systems. Lastly, the PRB will study the financial health of public



retirement systems, including each systems ability to meet its long-term obligations.

Government defined benefit plan programs and communities believe the legislative bill approved and enacted into law provides

stakeholder transparency of the financial condition of their retirement system. The Board and their hired representatives will continue to be vigilant leading into the 84th Legislative Session in 2015.

**City of Austin Police
Retirement System**

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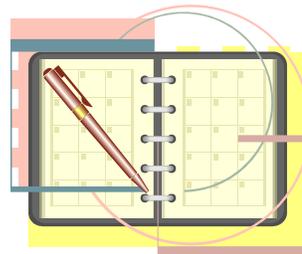
**Sampson Jordan, CEO
Stephanie Willie, Deputy Director
Michelle Ruland, Benefit Services
Manager
Vernon Webb, Financial Manager
Rose Frank, Administrative Assistant**

Financial Planning Seminar

APRS will be holding a Financial Planning Seminar geared toward members with 10 or more years of service on October 17, 2013.

Seating is limited and is granted on a first come, first served basis. If you are interested in attending, please contact Rose Frank at rfrank@ausprs.org or (512) 416-7672.

A \$10 reservation fee along with the Registration form must be on file with the Pension Office to hold your reservation at the seminar. The \$10 fee will be refunded upon your attendance at the seminar.



PROP Interest Rate

The Austin Police Retirement System's Board of Trustees set the Post Retirement Option Plan interest rate at the Regular Board Meeting on August 20, 2013. The board voted to keep the interest rate at 2.5% until August 31, 2014.

Retired members who rolled their DROP monies into the PROP as well as members who have deferred or are deferring their monthly annuities into the PROP will begin earning the 2.5% interest rate effective September 1, 2013.

Retired members who wish to enter into the PROP can do so by electing to defer all or a portion (\$250 or more) of their monthly annuity into the PROP account. For more information on the PROP Monthly Annuity Deferral program, contact Michelle Ruland, Benefit Services Manager at mruland@ausprs.org (512) 416-7672.