



Pension News

Austin Police Retirement System | June 2017

Board of Trustees

Elected by Active members:

Sgt. Jim Beck,
Chair

Sgt. Andrew Romero,
Vice Chair

Ret. Cmdr. Mike Jung

Cmdr. Todd Smith

Officer Tyler Link

Elected by the Retirees:

Ret. Lt. Carl
Zimmerman

Ret. Sgt. Keith
Harrison

Statutory Trustee
Positions:

Ms. Kathie Tovo,
Mayor Pro Tem

Ms. Elaine Hart,
Interim City Manager

Mr. Art Alfaro,
City Treasurer

Chesley Wood,
Citizen Representative

Letter from Board Chair Jim Beck



This newsletter features vacancies created by the departure of two long-time and very dedicated Austin Police Retirement System trustees, Kendall Thomas and Tim Atkinson. The vacancies have been filled by Keith Harrison and Tyler Link. In addition to the changes to the Trustees, I have the honor to serve as Chair of our Austin Police Retirement System. The Board has also elected a new Vice Chair, Sergeant Andrew Romero.

Fortunately, investment returns have been much more favorable in the last year. We are hopeful as we anticipate the 2016 actuarial valuation later this year that our funded status has improved. The State Pension Review Board (PRB) will implement new guidelines this summer that will set a 30-year funding period as the prescribed maximum, though PRB states that 15-25 years is preferred. The funding period is the time in which the System can amortize unfunded liabilities. APRS was at 31.3 funding years as of the 2015 actuarial valuation. At that time the System's funded ratio was 67 percent. We will keep the membership updated in a Fall newsletter.

The Board meets monthly on the third Wednesday of each month. We welcome you to attend and always value your input. You can also email any trustee at board@ausprs.org.

Best regards,

Letter from Executive Director Pattie Featherston



We have had exciting transitions at the APRS office. A separate article here will explain recent staff changes. Other developments

include greater online services, such as the ability to change your beneficiary for the death benefit and an upcoming benefit calculator that will better serve members by allowing you to run your own estimates. Related articles are included here.

The 85th Legislature has just concluded its Regular Session and we describe in another article what we have seen.

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**Sr. Police Officer
Tyler Link**



**Ret. Sergeant
Keith Harrison**

Board Appoints Two New Trustees to Fill Unexpired Terms

Two long-time Trustees recently stepped down from the APRS Board. Kendall Thomas (elected by retirees), namesake for the APRS building, resigned in December. Chair Tim Atkinson (elected by active members) resigned in January. Each served with sincere dedication and will be greatly missed. Both of their terms expire at the end of 2017.

To fill these unexpired terms, the law provides that the Board of Trustees will select replacements. Notice was given to the membership that the Board would receive applications.

After thorough deliberation, the Board of Trustees appointed Ret. Sergeant Keith Harrison to the retiree position, and Sr. Police Officer Tyler Link to the active member position.

To continue service, both new Trustees will have to run successfully for election later this year.

Staff Changes in Key APRS Positions

The System office has just welcomed two new staff members to fill key positions. Michelle Ruland will join us as the Benefit Services Manager. Michelle is not exactly new since she served APRS in the same role for ten years prior to moving to Fort Worth two years ago where she has worked in the private sector. Michelle has a Bachelor Degree in Mass Communications and Journalism from the University of New Mexico. We are delighted to have her back at APRS.

John Poth is the new Finance Manager. He has been with the Employees Retirement System of Texas for twelve years serving as Senior Administrator of the 457 and 401(k) plans. He is a long-time Austin resident and has both a Bachelor and Master of Business Administration degrees from St. Edwards University, as well as a

Master of International Management from Arizona State University. In addition, he has earned several professional certifications.

Rose Frank has been promoted to Operations Manager. Rose has served the System most recently as the Benefit Services Coordinator. Her actual duties, though, have far exceeded her work on benefits, and her promotion is more reflective of her many other responsibilities.

In addition, we have two student interns that graduated from the University of Texas at Austin in May. Each will join APRS staff full-time, Deborah Esparza as an Administrative Assistant and Nick Kim as a Finance Analyst. We congratulate them on their graduation and are delighted to have them join our team full-time.

APRS Staff Members

**Pattie Featherston,
Executive Director**

**Stephanie Willie,
Deputy Director**

**Michelle Ruland,
Benefit Services
Manager**

**John Poth,
Finance Manager**

**Rose Frank,
Operations Manager**

**Nick Kim,
Finance Analyst**

**Deborah Esparza,
Administrative
Assistant**

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Federal Tax Matters: Lump Sum Distributions

Lump sum distributions made from the pension fund may have noteworthy tax consequences for some members and retirees. For all distributions, APRS must withhold 20% for federal income taxes. There is an additional 10% federal income tax penalty that applies to certain “early age distributions.” However, there is an exception to the penalty for public safety employees depending on when the employee separates from service, i.e., termination and retirement.

If a direct cash payment is made, versus a rollover to another qualified tax-deferred plan, members will fall into one of three categories.

- 1) Member or retiree is age 59-1/2 at the time of the distribution, which is Normal Distribution and is not subject to the 10% penalty.
- 2) Member or retiree is below age 59-1/2 at the time of the distribution but was at least age 50 in the year he/she retired, which is considered Early Age Distribution but with the Public Safety Exception so the 10% penalty does not apply.
- 3) Member or retiree is below age 59-1/2 at the time of the distribution and was **not** at least age 50 in the year he/she retired, which is considered Early Age Distribution without the Public Safety Exception so the 10% penalty would apply.

This applies to all types of lump sum distributions, including refunds, DROP and PROP distributions. However, it only applies to lump sum payments and not the monthly annuity paid to retirees. Please consult your tax advisor about your individual situation. APRS cannot give tax advice.

Annual Statements Mailed in January

Annual statements were mailed to each active member and retiree in January.

Please review yours and contact the APRS office if you have any questions or if you did not receive your statement.



Retiree Website Forms

If you are a retiree and need to make any changes to your contact information, PROP account, or bank account please visit our website. We have conveniently made accessible the forms authorizing APRS staff to perform those changes.

- PROP Distribution
- PROP Annuity Deferral
- Federal Tax Withholding
- Address Change
- Bank Account Change

Instructions

1. Visit the APRS website at www.ausprs.org
2. Navigate to MEMBER SERVICES.
3. For PROP changes, scroll to the PROP section.
4. For all other changes, scroll to the FORMS section then RETIREE.
5. Select the appropriate PDF to download and fill out.
6. We strongly urge you to mail in or drop off the form to the APRS office as it contains highly sensitive information.

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Retiree Health Insurance: \$3,000 Federal Tax Exclusion

The federal Pension Protection Act of 2006 allows eligible retired public safety officers to exclude up to \$3,000 of their retiree health insurance premiums from their gross taxable income each year, as long as the premiums are deducted from their retirement benefit. The premiums can be for coverage of you, your spouse, or dependents. The amount used to pay these premiums will remain taxable until the retiree makes the election to exclude these premiums on the personal income tax returns. Retirees can check their annual IRS Form 1099 for the amount they have paid for health insurance premiums. The IRS Form 1040 will contain special codes for the retiree to indicate that they are electing to exclude the health insurance premiums from their taxable income. Please direct specific questions to your own tax advisor.

NEW -- Online Beneficiary Form Submission

We encourage all active and retired members to be sure they have a current and completed beneficiary designation on file with the System. In the past, these had to be mailed or delivered to APRS so that we would have an original signature. However, you can now submit a new form online with the protection of an encrypted signature at

https://www.ausprs.org/designation_form_for_death_benefits.

Keep in mind that this designation is only for death benefits, not to be confused with your possible selection of an annuity survivor option. One individual survivor (usually one's spouse) can be chosen at retirement to receive your annuity after you pass away, and this selection is irrevocable.

However, a separate death benefit is paid to the beneficiary of a retiree in the amount of \$10,000. The death benefit for an active member is paid in the amount of two times the member's contribution account balance, with a minimum of \$10,000.

Multiple beneficiaries can be named for the death benefit, and you can change this designation at any time during your career or your retirement.

Austin Police Retirement System, Austin Police Department Human Resources, and the City of Austin Deferred Compensation Plan are each separate entities. It is important for you to keep current beneficiary forms on file with each separate entity. Please do not assume that providing a form to one of these offices will carry over to the others as it will not. Please update your beneficiary information with each separate office, and even call afterward to be certain it was received if you do not receive a confirmation.



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COMING SOON

NEW -- Benefit Calculations: Online Calculator Expanded and Improved

We hope by the time you are reading this newsletter that we will have rolled out the new and much improved online benefit calculator. It will provide easy and prompt member service for you to have the information you need to make solid decisions. Registration is not required. You can analyze and compare each of the eligibility standards, as well as each of the annuity options. You can calculate a Seven Year Forward DROP, and add Proportionate Retirement service if this applies to you.

You will still have to ask APRS staff to provide the more complicated calculations involving Retro DROP, Five Year Forward

DROP and those related to Qualified Domestic Relations Orders (QDROs).

APRS staff strives to provide benefit estimates to members with at least 20 years of services within 7-14 business days; however, calculations for members with less than 20 years may take longer and possibly up to 30 days. The number of estimates provided to an individual member per year may be limited. We encourage members to take advantage of the online calculator first and as extensively as you can in order to narrow the scope of calculations you request from APRS staff.

Model QDRO Available

For members faced with divorce, a model Qualified Domestic Relations Orders (QDRO) is available on the APRS website at <http://www.ausprs.org/files/QDRO%20form.pdf>. It is a document in addition to a divorce decree that specifies if a former spouse is awarded any portion of the APRS member's retirement benefit and how much.

If this applies to you, please submit a draft QDRO to APRS for legal review and approval. Once the QDRO has been finally acted upon by the court, you will then need to submit a final copy to APRS.

The QDRO award is calculated only on the employment years that coincide with the time period of the marriage. Benefit distributions are impacted by the QDRO in various ways. APRS can provide further details about how this works.

Annual City of Austin's Veterans Luncheon



The Austin Police Retirement System was invited to participate in the Annual City of Austin Veterans appreciation luncheon in November. APRS provided information about pre-membership military service credit for currently serving police officers.

If prior to APD employment, you had active federal military service with an honorable discharge and you are not receiving a military retirement, you may be eligible to purchase up to two years of military service credit in APRS. This service credit purchase will increase your retirement benefit calculation, but it does not count toward retirement eligibility.

To find out more information please contact APRS.

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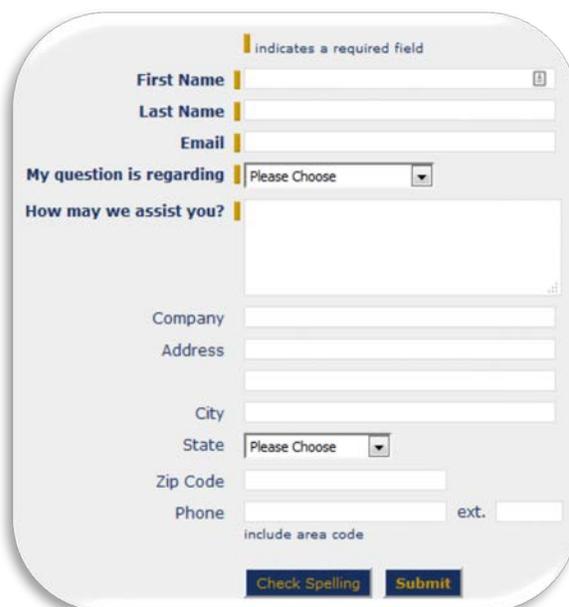
Legislative Update

The 85th Legislature convened on January 10th. Thousands of bills were filed by the 60-day deadline, and there were dozens that we monitored, providing input as needed about many of them. Legislator initiatives included attempts to deal with the challenging funding situations for retirement systems in Dallas and Houston, which actually provided the backdrop for all discussions about public pensions this session. Of the bills that would directly impact APRS, there were some that advocated more local control by the sponsoring entity, in our case this is the City of Austin. Some bills would have ushered in a new defined contribution plan, sometimes in addition to and sometimes in lieu of the current defined benefit plan, at least for future employees. Some bills required higher contributions by the City, others required a certain funding ratio or various consequences would kick in. Some bills would force divestiture of certain investments. As the session closed, few of these bills passed and none that APRS is very concerned about. Fortunately, measures were approved that would address the ills in Dallas and Houston.

Please Make An Appointment

We love to see our members, and it is a sincere pleasure to serve you. We strongly encourage you, though, to make an appointment for us to be prepared to meet your needs. No matter how simple or quick your question seems, please call first. Our staff is very small and every day is quite full. Please help us serve you best, and give us a call so we can set an appointment if needed.

You also have the convenience of emailing us your questions or to request an appointment through the APRS website at www.ausprs.org. Under the Contact tab there is a fillable form you can submit.



The image shows a screenshot of a contact form on the APRS website. The form is titled "Indicates a required field" and includes the following fields: First Name, Last Name, Email, My question is regarding (a dropdown menu with "Please Choose" selected), How may we assist you? (a large text area), Company, Address, City, State (a dropdown menu with "Please Choose" selected), Zip Code, and Phone (with an "ext." field). There are "Check Spelling" and "Submit" buttons at the bottom of the form.

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Police Retirement System

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M-F / 8:00 am – 5:00 pm
(closed for City and Federal Holidays)