



System News

Austin Police Retirement System | Winter 2018

Board of Trustees

Elected by Active members:

Sgt. Jim Beck,
Chair

Sgt. Andrew Romero,
Vice Chair

Cmdr. Todd Smith

SPO Tyler Link

Sgt. Tom Hugonnett

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



Two particularly noteworthy articles are included in this newsletter. One article relates to the funding status of our retirement system. The second article reports the outcome of the recent Board election process. Congratulations to Retiree Member Trustee Keith Harrison, and Active Member Trustees Tyler Link and Tom Hugonnett.

Actuarial funding is one of the most challenging issues facing the Board of Trustees for the Austin Police Retirement System (APRS). The topic is full of statistics and numerous complicated phrases. To assist the State and all public pension funds, the State Pension Review Board (PRB) oversees 93 defined benefit plans in Texas, including the APRS. Their oversight is not regulatory in nature, but instead PRB is charged with gathering information required by law and producing meaningful analysis. This allows State lawmakers the ability to step in when needed. Such was the case during the last legislative session when legislators addressed serious funding issues for public pension systems in Dallas and Houston, including those that cover police officers. The improvements in our economy over this last year and the proactive changes to benefits provided by our retirement system have made improvements to our actuarial funding.

APRS Board Trustees remain vigilant in addressing our System's future funding health through prudent investing of fund assets and closely monitoring the cost impact of all programs and benefits.

Best regards,

Letter from Executive Director Pattie Featherston



Greetings Members. We hope this has been a great year for you and your families. We continue to be honored to serve you each day. Please note several important topics contained in this newsletter in addition to the ones the Chair has mentioned above.

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Executive Director cont'd.

Please always make an appointment for us to address your needs at the System office. Walk-in visits can be problematic and not as fruitful as we would hope. Appointments can be made by phone or on the APRS web site.

Please be sure your beneficiary designation stays current per your wishes. The necessary form can be completed online.

If you are faced with a divorce and a potential Qualified Domestic Relations Order (QDRO), please coordinate with our office. A model QDRO is online and should be strictly followed to be sure the court order meets the elements of the law and APRS policy. Our office will be happy to review a draft with our attorney before it is submitted to the court.

As always, please let us know how we can assist you.

Happy New Year!

2016 Actuarial Valuation

An actuarial valuation is conducted by an external professional actuary each year to determine the funding status of the Austin Police Retirement System. The 2016 Actuarial Valuation was formally presented to the Board of Trustees last summer. Among the findings is that the amortization period to pay off the unfunded liability shrank from 31.3 years to 27.3 years, which is good news. *Guidelines for Actuarial Soundness* established by the Pension Review Board (PRB) state that funding should be adequate to amortize the Unfunded Actuarial Accrued Liability (UAAL) over as brief a period as possible but not to exceed 30 years, with 15-25 years being a preferable target range. PRB also recommends that benefit changes should only be granted if the costs can be properly funded after adoption and amortized in accordance with the prescribed funding guidelines.

Other highlights of the latest valuation include a growth in both assets and liabilities from the December 31, 2015 analysis to the December 31, 2016 report. Actuarial assets increased from \$689.8 million to \$732.0 million, while actuarial liabilities increased from \$1,036 million to \$1,107 million. The difference produced an UAAL increase from \$346.4 million to \$374.5 million. The funded ratio went from 66.6 percent to 66.2 percent. The System's actuaries, Foster & Foster, stated in the valuation that the "primary component of actuarial loss was attributable to a 5.33% investment return (Actuarial Asset basis) which fell short of the 7.80% assumption."

Investment returns are trending favorably in 2017. Total assets at market value totaled \$770.4 million, with a year-to-date return rate of 11.96 percent, as of December 31, 2017. However, the actuarial valuation is calculated using a five-year smoothing period. This means that only 20 percent of a given year's gains or losses will be included in the annual valuation. The System will have to maintain earnings that exceed the assumed rate of return consistently for several years to garner much improvement for future actuarial valuations.

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2017 Board of Trustees Election Concluded December 1st

Three seats on the APRS Board of Trustees were up for election this fall, positions for two active members and one retiree member. Keith Harrison (retiree) and Tyler Link (active) were both appointed early last year to serve in vacated unexpired terms, so they were up for election along with one additional open active member position. Both Harrison and Link were elected for new four-year terms. The Board and staff welcome an additional new Trustee, Thomas Hugonnett. He has a bachelor's degree in business administration finance with equivalent minors in economics and international business, and holds several investment licenses.

All three newly elected trustees will be sworn in at the February 21st meeting of the Board of Trustees. Congratulations to all of them.

Record Retirements in December As Police Contract Expires

Although bargaining representatives from both labor and management recommended a revised police contract after many months of negotiations, it was not adopted by the Austin City Council on the evening of Wednesday, December 13th. Instead, a resolution was unanimously adopted by the Council to send it back for further negotiations.

The following morning and for two weeks thereafter, the System office was clamoring with callers and drop-in visitors. As police officers tried to reach their personal retirement decisions before the contract expired on December 29th, the System office fielded about 150 calls, provided many retirement calculations (sometimes multiple versions), and booked dozens of in-house appointments.

As a result, there will be 34 new retirees in addition to the 43 retirements that were processed 11 months prior to December, bringing the annual total to 77. In 2016 retirements totaled 58 for the year, which is representative of the System's typical activity, ranging from 50 to 60 retirements each year.

We are wishing all the new retirees the best of everything.

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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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.

PRE-RETIREMENT SEMINAR

April 25, 2018
Wednesday

Austin Energy
721 Barton Springs Rd.

9:00 a.m. to 4:00 p.m.

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.

Annual Statements Mailed in January and February

Annual statements of creditable service and accumulated deposits will be mailed to each active member in January. Each statement will also list the designated beneficiary(ies) the System currently has on file. Keep in mind that this designation is only for death benefits, not to be confused with your possible selection of an annuity survivor option at the time of retirement. Multiple beneficiaries can be named for the death benefit, and you can change this designation at any time during your career or your retirement.

If the designated beneficiary(ies) listed on the statement contains an error or you wish to update please submit a new form online at:

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

Statements for PROP and DROP participants will be sent in February.

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City of Austin
Police Retirement System

Kendall Thomas
Chesley Wood Building
2520 South IH-35,
Suite 100
Austin TX 78704

Phone: (512) 416-7672
Fax: (512) 416-7138

www.ausprs.org

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

APRS Staff Members

Pattie Featherston,
Executive Director

Stephanie Willie,
Deputy Director

Michelle Ruland,
Benefit Services Manager

John Poth,
Finance Manager

Rose Frank,
Operations Manager

Deborah Esparza,
Administrative Assistant

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.

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.

Indicates a required field

First Name

Last Name

Email

My question is regarding

How may we assist you?

Company

Address

City

State

Zip Code

Phone ext.