



# Pension Review

SPRING 2014 ISSUE

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## Meet The APRS Board of Trustees



**Peter Morin,**  
Chairman



**Cmdr. Fred Fletcher,**  
Vice Chair



**Cmdr. Mike Jung,**  
Police Member



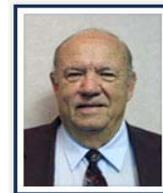
**Spo. Timothy Atkinson,**  
Police Member



**Sgt. Jim Beck,**  
Police Member



**Crpl. Christopher Perkins,**  
Police Member



**Kendall Thomas,**  
Retiree Member



**Chesley Wood,**  
Citizen Member



**Art Alfaro,**  
City Treasurers Office



**Kathie Tovo,**  
City Council Member



**Elaine Hart,**  
City of Austin CFO

## APRS 2013 Election & Appointee Results

APRS would like to thank all members who participated in the 2013 Trustee Election. In 2013, APRS had some changes to the Board including the departure of long-time Trustee Catherine Haggerty, who vacated her term early. Her active police member position on the Board will be held by Sergeant Jim Beck, who was appointed to the position by the Board after interview of eight exceptionally qualified and capable candidates. The active police member election resulted in the election of Tim Atkinson and Mike Jung and the retiree member election resulted in the election of Kendall Thomas for terms 2014-2018.

## Retiree Tax Considerations

- The Pension Protection Act of 2006 allowed eligible Public Safety Officers to exclude up to \$3,000 of their retiree health insurance premiums from their taxable income. The amount used to pay these premiums will remain taxable until the retiree makes the elections to exclude these premiums on their personal income tax returns. Retirees can check their December 2013 paycheck stub for the amount they have paid for health insurance premiums in 2013 (call the Pension Office if you need another copy of the December 2013 pay stub mailed to you). The IRS 1040 form and form 1040A will contain special codes for the retiree to indicate that they are electing to exclude the medical premium payments from their taxable income. Check IRS Form 1040 (page 25) or Form 1040A (page 24) Instructions for further instructions on how to exclude these premiums.
- Retirees looking to reduce their tax liabilities for 2014 may be eligible to defer \$250 or more of their pre-tax monthly pension into the PROP account at APRS, thereby reducing their tax liabilities for the year. The PROP is currently paying 2.5% interest. Additional tax information is available at [www.irs.gov](http://www.irs.gov) or by calling 1-800-829-1040. Local walk-in assistance is available at the IRS, 825 E. Rundberg Lane, Austin, TX 78753 Mon-Fri 8:30am-4:30pm. Publication 919, from the Internal Revenue Service ([www.irs.gov](http://www.irs.gov)), provides additional guidance on income tax withholding. To sign up for the PROP Deferral Program, contact Michelle Ruland, Benefits Manager.

## Service Purchases for Active Members

### APRS MISSION STATEMENT:

To serve the APRS membership and protect the retirement benefits for the past, present and future members of the System.

The Police Retirement System sold \$701,010 of service credit to 54 eligible police officers in 2013 for Cadet, Forfeited and Pre-Membership Military Service using the deferred compensation 457 program at ING. IRS rules allow the use of these direct fund rollovers from your tax

deferred accounts to purchase service credit in your retirement program for eligible service credit.

There are five service purchase credit options:

\*Uniform Leave of Absence (Military)

\*Pre-membership Military Service

\*Forfeited Service

\*Permissive Service

\*Cadet Service

If you think you may be eligible to purchase any of these options, please contact Rose Frank at the Pension Office at (512) 416-7672 for an application to obtain a quote and verification of eligibility.

# Looking Back on 2013 and Forward to 2014

The asset value of the Austin Police Retirement System investments increased to \$607 mm (unaudited) from \$538 mm, which is 12.67% growth in assets and comes on the heels of a bullish equity market in 2013. The APRS investment classes performed in the following manner: equity was up 29.56%, fixed income was down -3.42%, hedge funds were up 14.01%, real estate was up 11.66% and timber was down -5.68%. Since APRS invests as any prudent investor would, at year-end the asset target allocation mix was 45% in equities, 10% in fixed income, 15% in real estate, 5% in timber, 12.5% private equity, 10% hedge funds and 2.50% in cash. The Board of Trustees and its Consultants believe this allocation mix provides for the greater opportunity in achieving its 8% stated actuarial assumption by diversifying its investments, in the global capital market structure.

As the economy moves into 2014: headwinds of caution are all around us as the Federal Reserve QE (quantitative easing) policy is withdrawn and its effect in world economies become apparent. However, optimism is on the rebound and has taken hold in some areas of the U.S., as the housing industry becomes robust this year and major business balance sheets remain strong and flush with cash reserves.

Austin Police Retirement Fund Actual Market Asset Growth					
Actuarial	3 yr. Avg.	5 yr. Avg.	10 yr. Avg.	20 yr. Avg.	30 yr. Avg.
8%	7.43%	9.58%	8.05%	10.77%	13.41%

## APRS Financial Soundness Outlook

The APRS long term financial soundness continues to be of the utmost importance to each and every trustee, consultant and staff member. It was with this in mind that the COLA Adjustment Policy was implemented in order to safely protect the sustainability of present and future retirees and beneficiaries benefits. At the December 2013 meeting the 'System' actuary reported, 'based on the GASB 25 funding ratio requirement of 80% funding' and the COLA policy recently put in place, he was not able to approve granting any type of pay increase to retirees'. This past year's 66.7% funding ratio is well below the 80% funding ratio GASB 25 requires. However, each year's investment return above 8% in future 2014-2020 years makes the 'System' stronger and with the Investment Policy Statement in place today makes it more hopeful that adjustments to retiree pay can once again resume.

2014 Schedule of  
Regular Board  
Meetings:

Tuesday,  
January 21, 2014

Tuesday,  
February 18, 2014

Tuesday,  
March 18, 2014

Tuesday,  
April 15, 2014

Tuesday,  
May 14, 2014

Tuesday,  
June 17, 2014

Tuesday,  
July 15, 2014

Tuesday,  
August 19, 2014

Tuesday,  
September 16, 2014

Tuesday,  
October 21, 2014

Tuesday,  
November 18, 2014

Tuesday,  
December 16, 2014

*Meeting time: 11:30 a.m.  
unless otherwise noted*

## City of Austin Police

### Retirement System

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**Austin, TX 78704**

**Phone: (512) 416-7672**

**Fax: (512) 416-7138**

**[www.ausprs.org](http://www.ausprs.org)**

**Staff:**

**Sampson Jordan, CEO**

**Stephanie Willie, Deputy  
Director**

**Michelle Ruland, Benefit  
Services Manager**

**Vernon Webb, Financial  
Manager**

**Rose Frank, Administrative  
Assistant**

## 2013 Audit & Actuarial Valuation

The Board of Trustees has once again engaged Arturo Montemayor & Associates to conduct the 2013 year-end audit of the APRS Financial Statements and commissioned Foster & Foster, Inc. to perform the 2013 year-end actuarial valuation. These audits will begin in April and end on June 30, 2014.

## 2013 Year-End Statements Mailed

Year-end 2013 membership Annual Statements have been mailed to all active members of the System. The statements were prepared to show active police officer members the number of years of creditable service on file and, the dollar amount of contributions and interest on deposit. APRS encourages officers to review these statements for accuracy.

Retiree 1099-R forms have been issued. Please contact APRS if you are a retiree or beneficiary who did not receive a 1099-R form for your 2013 tax return. Year-end 2013 Post Retirement Option Plan Statements have been mailed to all retirees of the System who have a PROP account. APRS encourages members to review these statements for accuracy.

## Keep Us Updated

The system's Attorney requests that all members update their addresses, record release forms, health insurance forms, beneficiary statements and wills as often as necessary to reflect lifestyle changes such as a death or change in marital status and to help us stay current with your records.

It is very important that the Pension Office have updated forms on file every time there is any type of change in order to serve you better.

Retired members can go to [www.ausprs.org](http://www.ausprs.org) to obtain these forms. All forms can be mailed to the Pension Office at P.O. Box 41089, Austin, TX, 78704. Active members should update their information with APD HR.

When updating your information, please include your name, phone number, date, e-mail address, social security number and signature for verification purposes.