



APRS
AUSTIN POLICE RETIREMENT SYSTEM

Fall 2023 Newsletter

Letter from Board Chair, Sheldon Askew

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While portions of this newsletter focus on 2022 investment results in our 2022 Annual Report, so far, 2023 has proven to be a positive light in the investment world. As of June 30, 2023, our portfolio has a total value of \$984,161,525 and is up 6.64% (net) year to date. This is primarily driven by a 10.62% increase in equities, with domestic equities leading the way up 12.71% year to date. We have begun to see real estate balance out after a 24.27% and 6.27% gain in 2021 and 2022, respectively, and our private equity manager, Franklin Park, has provided a nice spark with a 3-year trailing average return of 19.37%. With the guidance of our Investment Consultant, AndCo, the hard work our Board has put into investing with high-quality, institutional grade investors has begun to come to fruition. Over the last 3-year period, our investment portfolio has ranked in the top 13% compared to our peers.

As always, please feel free to reach out to me at any time with questions or concerns. The Board meets monthly on the third Wednesday of each month, and we welcome you to attend and always value your input.

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Retirement Seminar

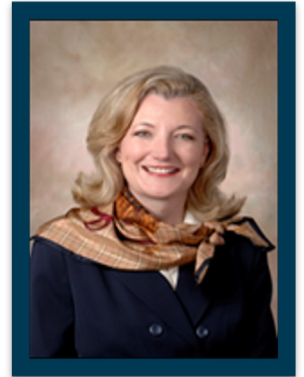
APRS typically hosts two in person retirement seminars throughout the year, one each in the Fall and Spring. The next in-person seminar will be held on October 19, 2023, at the APA Hall. The seminars are designed to provide an overview of the Austin Police Retirement System, the retirement process, and address various other topics as they relate to a member's retirement. In addition, the System has created a virtual retirement education seminar that can be found on our website at <https://youtu.be/csTezlrfc3g>. We hope this presentation can provide members with basic information about the APRS benefit plan.

Letter from Executive Director, Pattie Featherston

It continues to be our honor to serve the hardworking men and women of the Austin Police Department. Throughout the year, our staff has continued to work hard on a number of key items that benefit our system, all while handling what has proven to be another high-volume and potentially record year for retirements and resignations. For more information on the latest retirement numbers, see page 5.

A key accomplishment this year was the completion of APRS's first ever Annual Comprehensive Financial Report under the requirements of the Government Finance Officers Association. This report is the first step in achieving the Certificate of Achievement for Excellence in Financial Reporting which recognizes Systems that go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure. This is considered the gold standard in the world of governmental entities. I'd like to thank our staff, consultants, and the Board of Trustees for their hard work and support throughout the process.

Lastly, we continue to work towards the implementation of the new Pension Administration Software. The new software is scheduled to go live beginning in 2025 and will provide members with the opportunity for more immediate service through a hands-on approach via online options.



Benefits 101: Retirement Groups and Benefits



Austin Police
Retirement
System

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Ste. 100
Austin, TX 78704

Phone:
(512) 416-7672
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(512) 416-7138
www.ausprs.org

You are assigned a Group designation when you are hired, and that Group defines your retirement benefits and eligibility date. APRS has two groups: Group A is assigned to members hired on or before 12/31/2021, and Group B is assigned to members hired on or after 1/1/2022. If you are rehired, you should check with the System to determine your Group.

APRS is a defined benefit program that provides you with a monthly payment for your lifetime upon reaching retirement eligibility. Although you contribute a percentage of your base pay and longevity to the System throughout your career, these contributions do not determine the amount of the monthly annuity paid to you at retirement. Instead, the benefit amount is calculated using a formula that consists of three components: 1) the pension multiplier assigned to your group, 2) your final average salary, and 3) your total years of creditable service.

Group A members have a 3.2% multiplier, and retirement eligibility is when the member reaches age 62, age 55 with 20 years of service, or any age with 23 years of service. Salary is determined using the highest 36 months average salary over the last 10 years of employment.

Group B members have a 2.5% multiplier, and retirement eligibility is when the member reaches age 62 or age 50 with 25 years of service. Salary is determined using the highest 60 months average salary over the last 10 years of employment.

Visit www.ausprs.org for more information on your retirement benefits.

Actuarial Valuation

On July 29, 2023, the Board of Trustees received the annual actuarial valuation for data as of December 31, 2022. It shows the value of total actuarial assets is \$1,015,080,603, and the total actuarial liability is \$1,688,755,684. The unfunded actuarial accrued liability (UAAL) is \$673,675,081, bringing the funded ratio to \$60.1%.

Thanks to the passage of legislation to address the funding shortfall, the unfunded liability is now amortized over a 30-year funding period. The funding components of the revised statute are designed to keep up with any adverse experience. The 2021 legislation implemented an actuarially determined contribution rate required by the City to ensure APRS receives an amount needed for the actuarial normal cost of each employee. Another element we continue to monitor is the diminishing number of active contributing members versus the growing number of annuitants. From 2021 to 2022, active contributing members declined from 1,673 to 1,633, while annuitants increased from 1,164 to 1,258. However, the five-year change is much more stark. See the related article on Latest Retirement Numbers.

Annual Financial Report

The APRS Board adopted and published the final 2022 audited Annual Financial Report, which is posted on the website at <https://www.ausprs.org/publications/annual-financial-reports/>. The System's independent auditor, Montemayor Britton Bender PC, issued an unqualified opinion on the System's financial statements. The opinion is the best report an independent auditor may issue. It indicates the APRS financial statements are presented fairly and are prepared in accordance with Generally Accepted Accounting Principles in the U.S. (GAAP).

The Annual Report includes the 2022 Public Pension Standards Award for Funding and Administration, as presented by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and National Council on Teacher Retirement (NCTR).

Highlights of the 2022 Annual Financial Report include:

The total market value of assets decreased from \$1.1 billion as of December 31, 2021, to \$933 million as of December 31, 2022. The decrease of \$147 million in 2022 was primarily attributed to national and international economics, including: rising interest rates, slowing economic growth, the war in Ukraine and persistently high inflation.

Total contributions in 2022 increased by \$10.2 million, primarily due to the System receiving additional payments from the City to amortize the unfunded Legacy Liability defined by state law as amended in 2021.

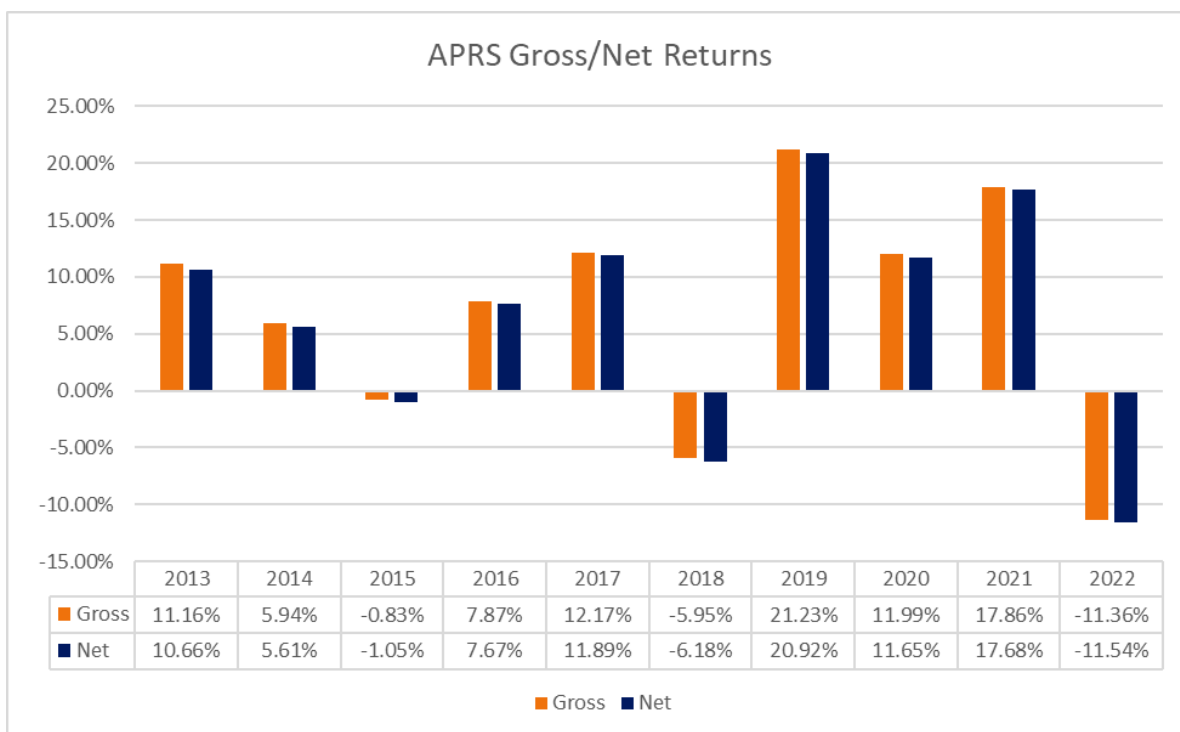
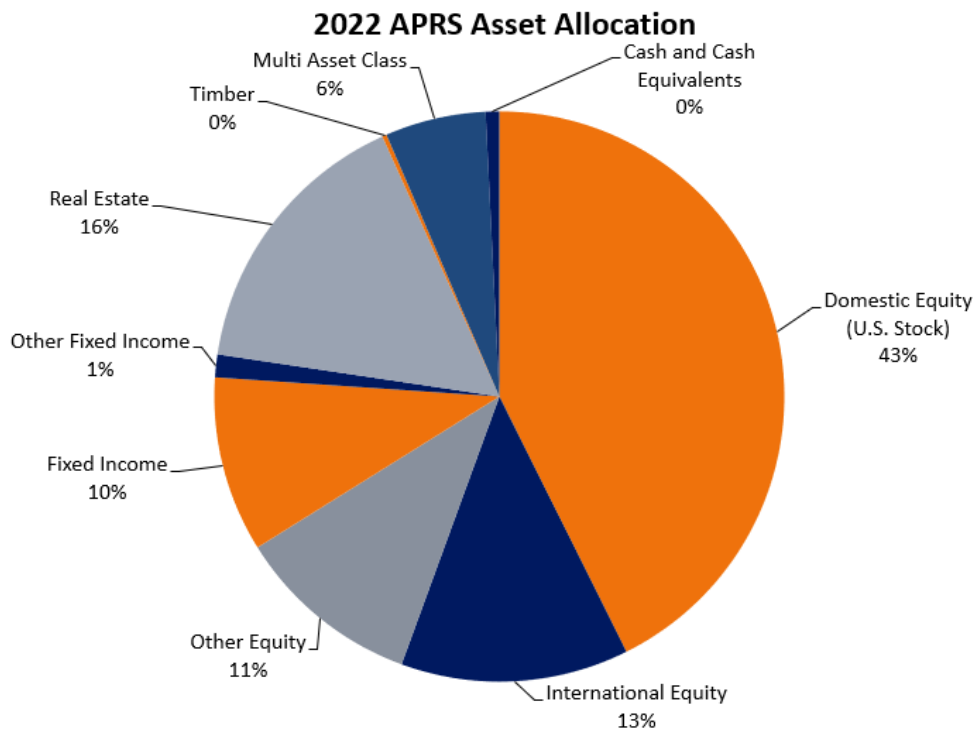
Membership grew from 2,975 in December 2021 to 3,048 in December 2022; Active Members Declined, Annuitants Increased:

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Current active contributing members | 1,633 | 1,673 |
| Retirees and beneficiaries currently receiving benefits (1,258) and terminated employees entitled to future monthly benefits (157) | 1,415 | 1,302 |
| Total Membership | 3,048 | 2,975 |

Annual Financial Report (Continued)

Investment Returns and Assumptions

The System's rate of return in 2022 reflects a loss of -11.54% net of expenses. The long-term net return since inception of the fund is 7.86%, the 10-year return is 6.27%, and the 3-year return is 5.14%. The charts below exhibit the gross and net gains and losses each year for the last ten years, as well as the asset allocation for the fund's investment strategy. To guard against the volatility of the annual markets, the APRS actuary uses a five-year actuarial "smoothing" of asset gains or losses. Meaning that each year only 20% of the investment return is recognized, with another 20% recognized each of the next four years. APRS is still recognizing gains in 2019-2021, which help offset the impact of losses in 2022.



Latest Retirement Numbers

As of the end of August, our office has processed 94 retirements and 56 refunds. We now have 1,527 contributing members and 1,327 retirees or annuitants. For comparison, in 2017 we had 1,887 contributing members, 841 retirees or annuitants, and APRS processed approximately 48 to 50 retirements a year until 2020. While the decline in active membership is something we continue to monitor, the passage of our legislation in 2021 ensures that the System is currently receiving the full actuarial cost of all future benefits.



Trustee Election

APRS is conducting Trustee elections for three active member positions and one retiree position this fall. Interested candidates should send in a Statement of Interest by October 13th, 2023 to ExecutiveDirector@ausprs.org. Voting will begin on November 15, 2023 and conclude at 5:00 p.m. on December 8th, 2023. For more information, please see the following link for the Requests for Statements of Interest.

[Board of Trustee Elections, Fall 2023](#)

PROP

In October of 2022, the APRS Board voted to have the yearly PROP interest rate determined by the System's actuary based on "the rate that is equal to the average yield of 10-Year Treasury Constant Maturities (Nominal), as published by the Federal Reserve in Statistical Release H.15, during the 12-month period ending on October 31 of the calendar year immediately preceding the year in which the rate will be effective." The new rate will become effective beginning January 1st of each year. Once the System's actuary determines the 2024 PROP interest rate, it will be posted on our website at: <https://www.ausprs.org/retirees/prop/>. The current 2023 PROP interest rate is 2.58%.

Website Forms for PROP

If you are a retiree and need to make any changes to your PROP account, please visit our website. We have conveniently made accessible forms authorizing APRS staff to perform these changes:

- PROP Distribution
- PROP Annuity Deferral
- PROP Beneficiary Updates

Instructions

1. Visit the APRS website at www.ausprs.org
2. Navigate to RETIREES.
3. For PROP changes, scroll to the PROP section.
4. For all other changes, scroll to the RETIREE FORMS section.
5. Select the appropriate PDF to download, save and complete.
6. We strongly urge you to upload the form to the MEMBER PORTAL located at the top right of the website. Alternatively, you can mail the form to APRS at P.O. Box 40609, Austin, TX 78704, as it contains highly sensitive information. All submissions must contain a copy of your photo ID. Please do not email these documents, as it is not a secure way to transmit personally identifying information.

Retiree Benefit Payment Portal

APRS retirees have access to the Benefit Payment Participant Web Passport through APRS custodial bank Northern Trust. This secure portal provides immediate and secure access to your benefit payment information 24 hours a day, seven (7) days a week. Benefits include real-time account information as well as historical tax statements; instant on-the-spot payment status; access to payment history, with images of paid checks; and the ability to update member contact information, member addresses, tax information, and electronic bank deposit information.

The Northern Trust Benefit Payment Participant Web Passport can be found at www.northerntrust.com/bppweb. Please note that you may create a user identification and password with Northern Trust after receiving your first pension payment in order to access your benefit payment information securely. Retirees can call Northern Trust at (866)-252-5395 if they need assistance with the portal.

APRS Member Portal

APRS has a member portal where members can upload documents directly to the System. The portal can be found on the APRS website at <https://www.ausprs.org/member-portal/>. All submissions to the System must contain a copy of your photo identification. After the System staff reviews any forms you upload through the portal, you will receive a confirmation email. Please contact the System if you do not receive a confirmation e-mail within two business days after submitting a form to the portal, as we may not have received it. Members should never provide documents with sensitive information to APRS through e-mail.



Keep Your Death Benefit Beneficiary Form Updated

We see a continuing need to emphasize the importance of keeping beneficiary forms current. State law allows a member to designate a spouse or non-spouse to receive a death benefit, which is different from a chosen survivor selected to receive the member's continued annuity upon death.

It is very important for APRS members to be aware that failure to have a valid APRS beneficiary form on file with the System, and to keep it current, can complicate the management of the final affairs of a deceased officer. Members should especially review death benefit beneficiary designations any time they have a change in life circumstance, such as marriage, divorce, death of a spouse or other designated beneficiary, or birth of a child.

The beneficiary form for death benefits can be submitted on the website. Multiple beneficiaries can be named, and this designation may be changed during the member's career or during retirement. The death benefit paid for an active member's account is paid in the amount of two times the balance of the deceased member's contribution account balance, with a minimum of \$10,000. The benefit paid for a deceased retiree is \$10,000 (or a proportionate amount if retired under the Proportionate Retirement Program).