



Retirement Education Seminar

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AUSTIN POLICE RETIREMENT SYSTEM

2023

GROUP A RETIREMENT BENEFITS

APRS Staff

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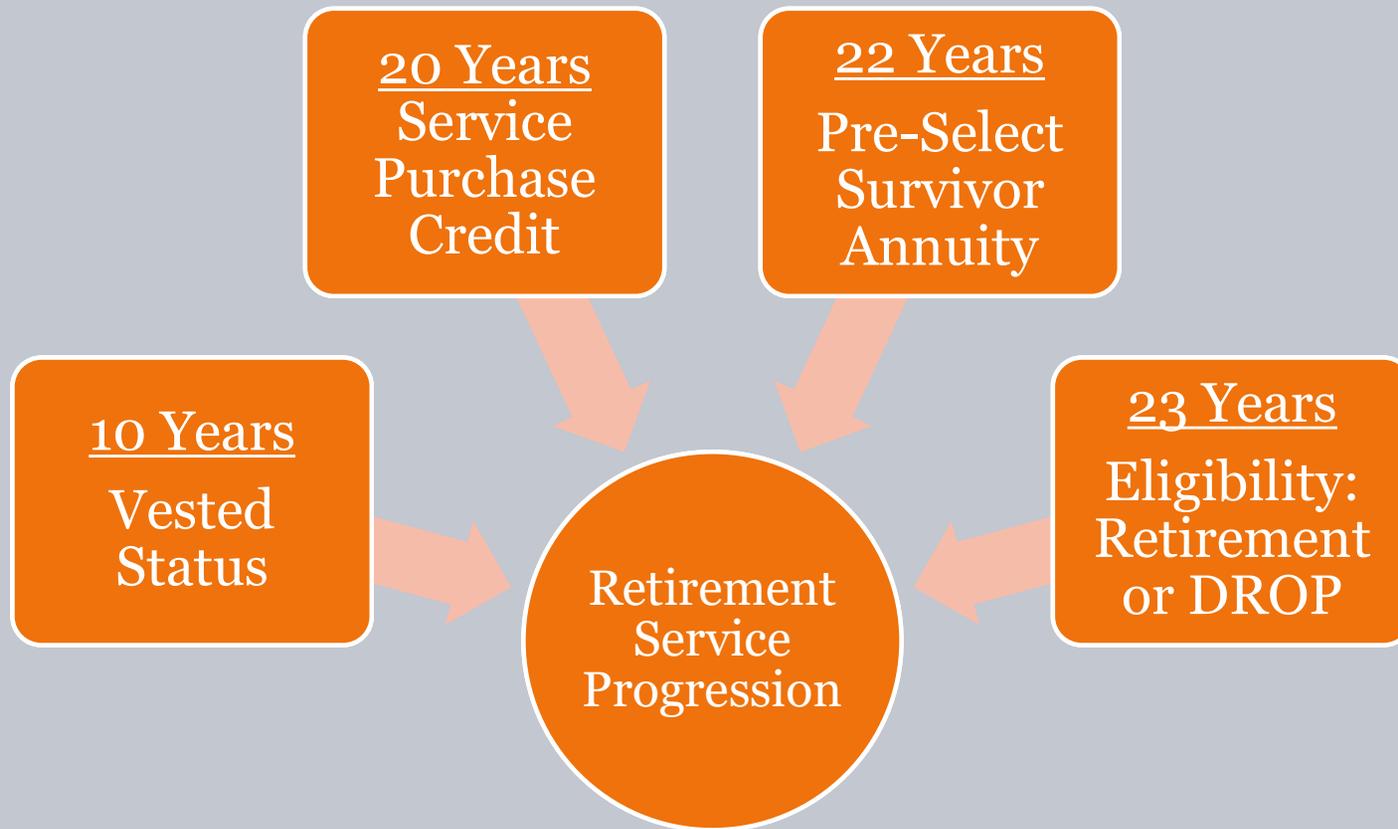
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Milestones

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Creditable Service Purchase

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- **Cadet Service Credit**
 - Cadet service prior to 1998
- **Reinstated Forfeiture Service Credit**
 - Prior APRS membership service forfeited by withdrawal
- **Uniform Leave of Absence Service**
 - Granted from APD where the member did not use Sick or Vacation leave during the service dates. Must be purchased within 5 years of return
- **Pre-Membership Military Service Credit**
 - Prior to APD employment, up to 24 months of active federal military service
 - Increases benefit but does not count toward eligibility
 - If a member was employed after February 1, 2016, the member is eligible to purchase benefits by paying the full actuarial cost at the time of your retirement.
- **Permissive Service Credit**
 - Up to 60 months of creditable service once a member is at 20 years of creditable service
 - ✦ Type A cost to achieve eligibility
 - ✦ Type B cost for additional years is considerably less
- **Deferred Permissive Service Credit**
 - Up to 36 months of creditable service once a member is at 20 years of creditable service with a delayed annuity
 - ✦ Can only defer number of months to achieve retirement eligibility
 - ✦ Reduces the cost significantly for those that can delay annuity payments

Creditable Service Purchase

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- Payment methods: Personal Check, Cashiers Check, Non-Roth Deferred Comp or other eligible rollover
- Military Service Credit purchase
 - Must provide a copy of DD-214
 - Only honorable discharge
 - Only active duty not reserves
 - Must not have previously purchased service dates with another system or be collecting a military retirement
- Permissive Service Credit (PSC) purchase cannot be used for eligibility in Retro or Forward DROP programs
- PSC purchase constitutes immediate retirement
- All purchases must be completed before termination

Proportionate Retirement Program (PRP)

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- **Proportionate Service Credit for Eligibility**

- Verified service credit with another participating retirement system counts toward eligibility for any APRS program but does not impact benefit calculation.
- Participating systems include:
 - ✦ Austin Police Retirement System
 - ✦ Austin Employees' Retirement System (COAERS)
 - ✦ El Paso City Employees' Pension Fund
 - ✦ Texas Municipal Retirement System (TMRS)*
 - ✦ Texas County and District Retirement Systems (TCDRS)*
 - ✦ Employees Retirement System of Texas (ERS)
 - Judicial Systems I and II
 - ✦ Teacher Retirement System (TRS)

*These systems do NOT recognize APRS time, but APRS does recognize time from these systems

Proportionate Retirement Benefit Example

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18 years
APRS



\$4,962
APRS

5 years
COAERS



\$800
COAERS

(Note: certain systems do not recognize APRS time and/or may not provide a benefit)

\$5,762
(full retirement benefit)

Note: The numbers above are only for example purposes and not an actual representation of or promise of a proportionate benefit.

Vested Member Retirement

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- At 10 years of creditable service, you become vested.
 - If applicable, the 10 years of creditable service can include approved Proportionate Retirement Service Credit
- If you leave APD once vested, you can leave your contributions in the System and begin drawing a monthly annuity at retirement eligibility

Retirement Eligibility

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Normal Retirement

- 23 years of credited service at any age
- 20 years of credited service at 55 years of age
- Any years of credited service at 62 years of age

Ways to reach eligibility sooner:

- ✦ Proportionate Retirement Program (PRP)
 - Note: PRP does not apply to the benefit calculation
- ✦ Purchase of Cadet and Permissive Service Credit

Military Service purchase does not apply for eligibility but does increase benefit calculation.

Benefit Formula

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- Retirement Benefit Calculated by:
 - Years of Creditable Service
 - Multiplier, currently 3.2%
 - Highest 36 months average salary in last 10 years
 - ★ Includes base pay and longevity pay only
 - ★ Excludes overtime pay and soft pay
- Example: 23 years of service x 3.2% = 73.6%
 - 25 years = 80%
 - 28 years = 89.6%
 - 30 years = 96%
 - 32 years = 102.4%

Benefit Annuity Options

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- Annuity Option Selections
 - Life Annuity (Member Only)
 - Option I – 100% Joint & Survivor Annuity
 - Option II – 50% Joint & Survivor Annuity
 - Option III – 66 2/3% Joint & Survivor Annuity
 - Option IV – Joint & 66 2/3% Last Survivor Annuity
 - Option V – Fifteen Year Certain and Life Annuity
- Selection is irrevocable.
- No “pop up” provision if survivor predeceases retiree

Notes for Choosing a Survivor

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Note: You are not required to list a spouse as a death benefit beneficiary or as the survivor for a continued annuity.

However, if you choose a non-spouse for the continued annuity...

- The law requires an annuity reduction if the survivor is more than 10 years younger than the member.
 - ✦ *Result if age difference is....*
 - *10 years or less = 100% annuity*
 - *> 10 years but < 25 years = 67% of annuity*
 - *25 years or more = 50% of annuity*

Pursuant to Section 12.01 (f)(g), Article 6243n-1, Vernon's Texas Civil Statutes

Death Benefit vs. Survivor for Continued Annuity

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Death Benefit Beneficiary

- At the death of an active member, beneficiary(ies) paid the balance of member account X 2 (\$10,000 minimum).
- At the death of a retiree, a tax-free death benefit of \$10,000 (or proportionate amount) is paid to the designated beneficiary(ies) or estate.
- The listed beneficiary(ies) can be changed at any time throughout your career and retirement.
- Multiple beneficiaries can be listed and you can determine a certain percentage for each.

Annuity Survivor

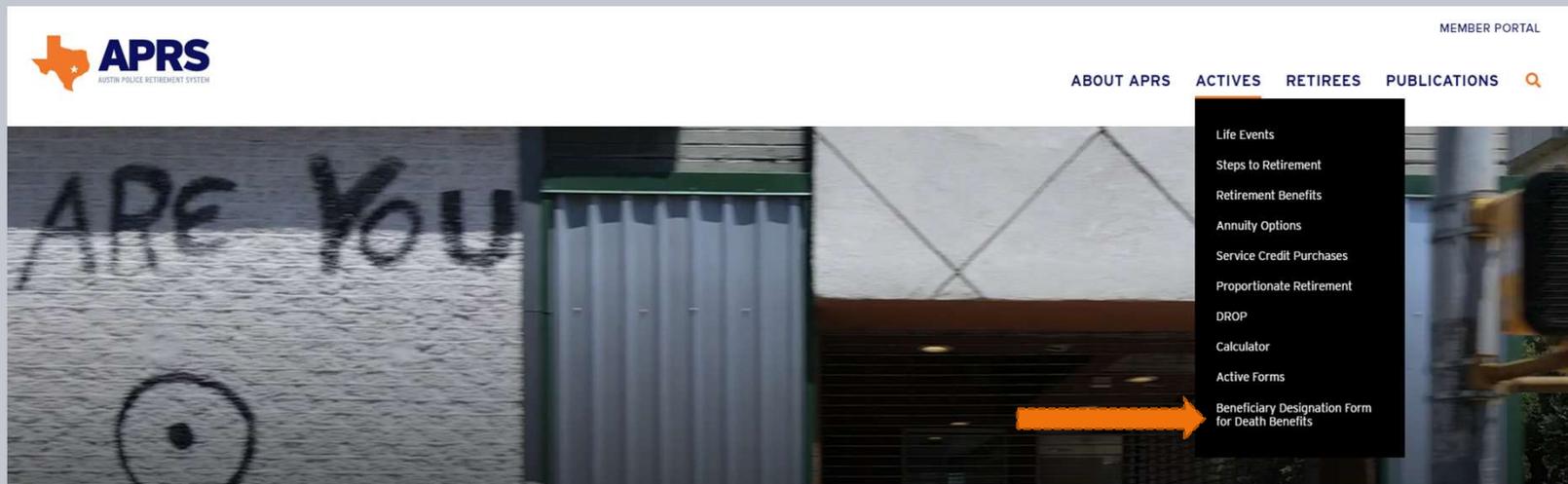
- Selection of the survivor for the continuation of your annuity is chosen separately at the time of retirement.
- Once annuity option has been selected and the survivor is designated, it becomes **irrevocable**.
- Can pre-designate a survivor within one year of retirement eligibility

Designated Beneficiary

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Please always maintain a current and completed beneficiary designation on file with the System. **You can now submit a new form online.**

- ✓ www.ausprs.org
- ✓ Actives
- ✓ Beneficiary Designation Form for Death Benefits



If I updated my beneficiary form with HR why doesn't the System have it?

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- The Austin Police Department and the Austin Police Retirement System are two separate entities.
- Each requires its own beneficiary forms.
- Please do not assume the information is shared.
- Deferred Compensation Plan (managed by Empower) also has a separate form, and they can be reached at (512) 457-9240.

Best practices:

- Update your beneficiary information with each entity directly.
- Follow up by phone to check it has been received and recorded.

Retro DROP

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- At least 23 Years of Creditable Service by **March 31, 2015**
- Proportionate Service Credit allowed toward eligibility, if service occurred before March 31, 2015
- Pre-membership Military Service Credit cannot count toward eligibility
- Retro DROP allowed up to 36 months
- Lump sum benefit is payable upon retirement with a reduced monthly annuity

Five Year Forward DROP

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- **At Least 23 Years Creditable Service by February 17, 2016**
 - You can enter the Five Year Forward DROP while continuing employment.
 - Proportionate Service Credit can count toward eligibility
 - Pre-membership Military Service Credit cannot count toward eligibility
- Maximum Forward DROP allowed is 60 months
- Pays interest
 - 5% if 23 years of creditable service as of July 31, 2015
 - Variable interest (currently 2.58%) if 23 years of creditable service after July 31, 2015
- DROP account also credited with contributions member makes while employment continues.

Seven Year Forward DROP

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If 23 years of creditable service after February 17, 2016:

- Employee contributions are collected but not credited to the member's Forward DROP account
- Forward DROP accounts do not earn interest
- Graduated fee applied to the monthly Forward DROP amount
 - 1st year = 25%; 2nd year = 20%; 3rd year = 15%;
 - 4th year = 10%; 5th through 7th years = 5%

Seven Year Forward DROP

Ret. Date: **05/31/2037** Fwd. DROP Participation Date **05/31/2030** Num. of Months: 84

Date	Balance Beginning of Month	Cola Amount	Monthly Annuity	DROP Fee Applied	Adj. Monthly Annuity	Balance End of Month
----- Information Below This Line Is Projected Data -----						
06/30/2030		\$0.00	\$7,072.72	\$-1,768.18	\$5,304.54	\$5,304.54
07/31/2030	\$5,304.54	\$0.00	\$7,072.72	\$-1,768.18	\$5,304.54	\$10,609.08
04/30/2032	\$120,236.28	\$0.00	\$7,072.72	\$-1,414.54	\$5,658.18	\$125,894.46
05/31/2032	\$125,894.46	\$0.00	\$7,072.72	\$-1,414.54	\$5,658.18	\$131,552.64
06/30/2032	\$131,552.64	\$0.00	\$7,072.72	\$-1,060.91	\$6,011.81	\$137,564.45
04/30/2037	\$508,528.48	\$0.00	\$7,072.72	\$-353.64	\$6,719.08	\$515,247.56
05/31/2037	\$515,247.56	\$0.00	\$7,072.72	\$-353.64	\$6,719.08	\$521,966.64
				Total Estimated Drop Amount:	\$521,966.64	



Tax Considerations – DROP and PROP

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Lump Sum Taxation Considerations

- Mandatory 20% federal income tax withheld by APRS **and** disbursement amount may be subject to additional 10% tax penalty for early age withdrawal when individual taxes are filed
- If age less than 50 in the year terminated from service
 - PROP withdrawals before age 59-1/2 **MUST** rollover to another qualified tax-deferred plan to avoid a 10% federal tax penalty
- If at least 50 years old in the year terminated from service, federal law provides a public safety exception to the 10% penalty. (If you roll lump sum to Empower and take a distribution, make sure they code your 1099-R correctly for this exemption).

PROP

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Post Retirement Option Plan (PROP)

- Eligibility: All retired or retiring members who have not previously closed a PROP account.

PROP Account Balance

- DROP Lump Sum
- Monthly Annuity Deferrals
 - Minimum amount \$250/month
 - Amount can be changed twice per year
 - Cannot re-enter deferral program once completely stopped
- Interest determined annually; currently at 2.58%

PROP

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PROP Distribution Requirements

- Two disbursements per year of a minimum of \$2,500 or more (after 90 days in the account)
- Third disbursement in a year closes the account
- Disbursement can be either:
 - Rolled over to a qualified tax-deferred account, or
 - Direct deposited into the member's bank account
- Paperwork requesting disbursement must be submitted and approved prior to the 15th for same month payment
- Cannot re-enter PROP once account is closed
- Required minimum distributions

QDRO Benefit Calculations

- For members who may divorce, a model Qualified Domestic Relations Orders (QDRO) is available on the APRS website.
- Depending on the terms of the QDRO, the DROP amount may be affected by the divorce. Usually, the ex-spouse is assigned a portion of the retirement amount attributable to the time period of the marriage. The portion of your retirement benefit payable to your ex-spouse will begin when you retire from APD or enter Forward DROP.
- APRS should review draft QDRO before court proceedings and receive final order signed by court. A divorce decree will not be accepted in lieu of a QDRO.
- A QDRO Benefit Calculation can be provided after the order has been signed to estimate the amount paid to the ex-spouse.

Disability Retirement

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Applicant's must be unable to perform employment duties due to medical or emotional restriction's and/or diagnosis. The Board has the final authority in granting disability retirement benefits, which must be reviewed annually.

- If the injury occurred while on duty, the disability benefit will be calculated using 20 years of creditable service.
- If the injury occurred while off duty, the disability benefits will be calculated using actual creditable service earned.

Additional Retirement Benefits

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Active Member Death Payment

- Member accumulated contributions x 2, \$10,000 minimum
Paid to the designated beneficiary(ies) or estate

Retiree Death Benefit Payment

- APRS - death benefit of \$10,000 (or proportionate) (non-taxable)
Paid to the designated beneficiary(ies) or estate
- City of Austin – death benefit of \$1,000 (non-taxable)
Paid to the designated beneficiary(ies) or estate

Health Insurance Tax Exclusion

- Up to a \$3,000 tax exclusion of qualified Health Care insurance premiums
- Can be claimed on personal income tax return

Benefit Calculations

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First try the online Benefits Calculator!

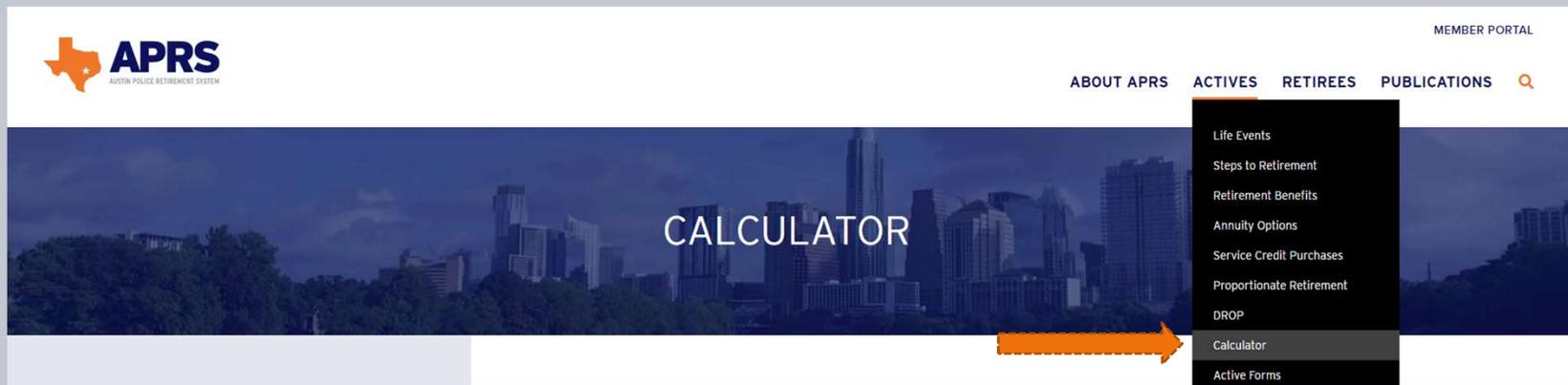
Submit Benefits Calculation Request Form

In the event of exceedingly numerous requests, APRS may have to impose limitations.

Website Calculator

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- No online registration
- Annuity Options
- Seven Year Forward DROP
- Retirement with Proportionate Service Credit
- Retirement with 20 years of creditable service at age 55
- Retirement at age 62 with any years of creditable service



Net Pay

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- APRS cannot provide net pay estimates
- To estimate your net take home pay, you will need to deduct the cost of health insurance premiums, federal income tax, and any amounts deferred to the PROP from the gross calculation provided by APRS
 - Health insurance costs can be obtained by visiting www.austintexas.gov/retirees or by calling the City Benefits Division directly at (512) 974-3284.
 - Federal tax withholding rates can be found through the Internal Revenue Service website at [https://www/irs.gov](https://www.irs.gov), or by consulting a tax professional. APRS staff are prohibited from providing tax advice or assistance to members.

Retirement Packet

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- Plan to request your retirement packet at least 30 days but no more than 90 days in advance of your retirement date
- Retirement packets will be e-mailed to you for completion
- Permissive service purchases must be done closer to the retirement date
- A list of original documents will be needed the day of your appointment:
 - Marriage License, if selecting a Survivor option for a spouse
 - Social Security Cards for Retiree & Survivor
 - Birth Certificates for Retiree & Survivor
 - Photo ID for Retiree & Survivor
 - Check Deposit Slip for Direct Deposit Authorization
 - QDRO from Divorce (if applicable)

Retirement Packet

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Please be prepared to provide the following details when submitting your retirement packet:

- Last day of work
- Survivor Option, which one and for whom
- Survivor DOB
- Service Credit Purchase(s)
- DROP Participation?
- PROP Participation?



Contact Us

Phone:

(512) 416-7672

E-mail:

staff@ausprs.org

Website:

www.ausprs.org

- Please do not e-mail sensitive information
- Use the Member Portal on the website
- A confirmation will be sent when the submission is received



 MEMBER PORTAL
ABOUT APRS ACTIVES RETIREES PUBLICATIONS 



All forms must be downloaded and saved prior to completing. After uploading and submitting the documents on this page, a green confirmation screen will appear if the documents have been successfully submitted. APRS will send an e-mail confirming receipt, please follow up with the System if you do not receive a confirmation e-mail within 2 business days.

