



APRS
AUSTIN POLICE RETIREMENT SYSTEM

Fall 2024 Newsletter

Letter from Board Chair, Sheldon Askew

I am pleased to report that 2023 proved to be a successful investing year for APRS. Our return, net of fees, for fiscal year 2023 was **11.50%**. The positive return was primarily driven by stocks advancing in nearly all major developed markets due to falling inflation and signs that many of the world’s central banks may be finished with raising interest rates. Advancements in artificial intelligence also fueled much of markets gain, especially in Information Technology stocks. Through August 31, 2024, our YTD 2024 investment return for only eight months continues to be positive with a **7.62%** return net of fees. We continue to strive to achieve our long-term targeted return of 7.25% for the System. For more information on our 2023 financials, please see page 3 of this report.



While the recent positive performance of APRS is encouraging, it is equally important to stay actively engaged in managing your personal financial goals. Market conditions can shift rapidly, and while broad trends—such as technological advances or changes in monetary policy—may drive current returns, they might not align with every investor’s risk tolerance or objectives. APRS is prohibited from providing any kind of financial advice, but we do encourage all members to take a personal and intentional approach to their own financial situation. Take the time to evaluate your financial needs and goals, stay informed about market trends, and conduct research that aligns with your long-term retirement plans. Prioritizing your own financial health is crucial for being able to position yourself for financial security.

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Annual Statements

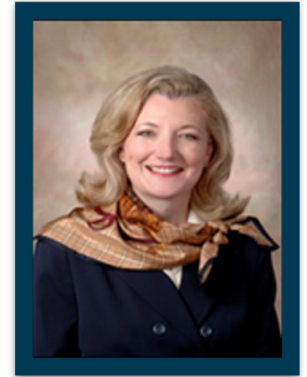
Annual statements will be mailed to active members in January and to PROP-participating retirees in February. Please review your statement, including the listed beneficiaries, and contact the APRS office if you have any questions or if you did not receive your statement. Beginning in 2025, members will have the ability to view their annual statements, DROP statement and PROP statement on their MemberDirect account. For more information, see the article on page 4 of this newsletter titled:

Coming Soon: MemberDirect Portal.

Letter from Executive Director, Pattie Featherston

We are excited to announce that we are nearing the completion of a multiyear project to implement new Pension Administration Software. APRS strives to produce best-in-class service for our members, and this new software upgrade will allow us to better serve you more efficiently. With the many advances in technology, the System makes every effort to use these advances to safeguard pension assets and provide members with timely, accurate self-service capabilities.

Previous newsletters have addressed the increase in retirements over the past few years. While we averaged 48 to 50 retirements historically up until 2020, we averaged over 107 retirements per year from 2021 to 2023. However, retirements appear to have slowed, as we have had 41 retirements through the end of August so far in 2024.



It continues to be our privilege to serve you and assist you with what you may need related to retirement. As always, please reach out to us at staff@ausprs.org if there is anything we can do to assist you. Stay safe!

Actuarial Valuation and Experience Study



Austin Police
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System

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Prior to producing the 2023 Actuarial Valuation, APRS conducted an Experience Study to review the actuarial assumptions being used in the actuarial valuation. Each assumption was analyzed and compared to the actual experience of APRS and the general experience of other large public employee retirement systems. Using this strategic mindset, APRS made a few minor assumption changes to align with past experience and used these updated assumptions in the 2023 Actuarial Valuation.

On July 17, 2024, the Board of Trustees received the annual actuarial valuation for data as of December 31, 2023. It showed the value of total actuarial assets to be \$1,047,377,832, and the total actuarial liability to be \$1,777,931,566 at the end of the year. The unfunded actuarial accrued liability (UAAL) is \$730,553,734, bringing the funded ratio to 58.9%.

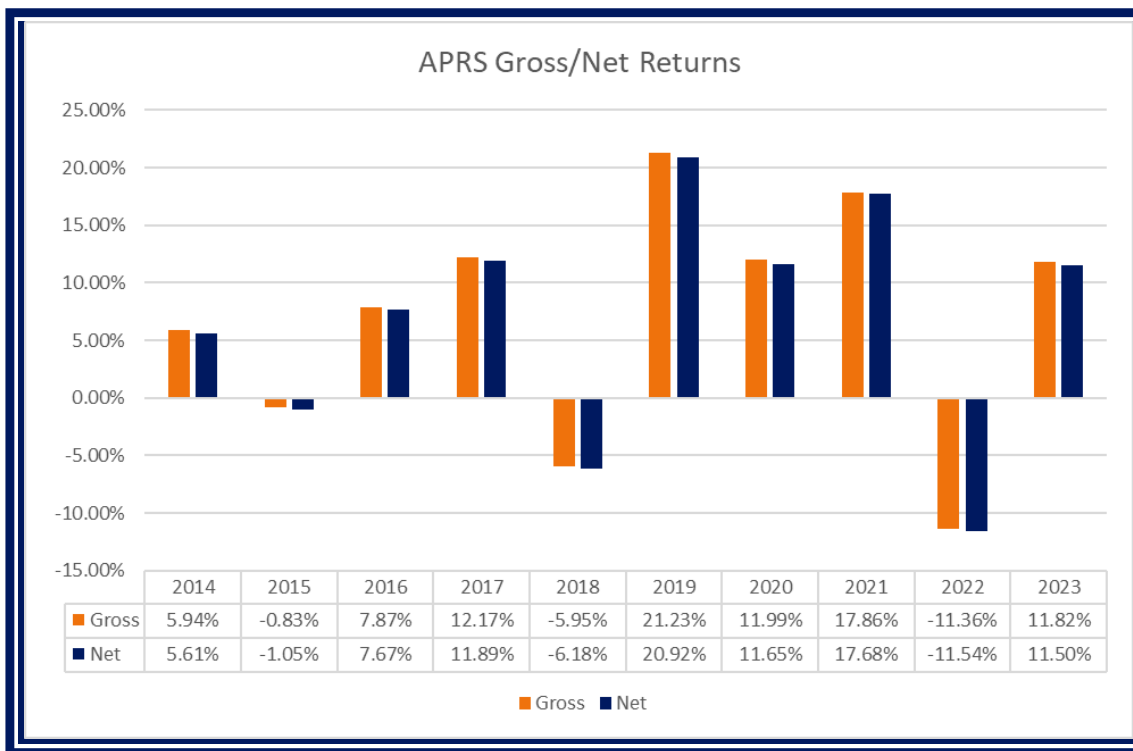
Thanks to the passage of legislation in 2021, the actuarial valuation continues to calculate the actuarially determined employer contribution necessary to cover the normal cost of each member after accounting for the member contributions. Along with the legacy liability payments from the City, this funding mechanism continues to be best practice in addressing the cost of public retirement systems.

Another element we continue to monitor is the diminishing number of active contributing members versus the growing number of annuitants. From 2022 to 2023, active contributing members declined from 1,633 to 1,551, while annuitants increased from 1,258 to 1,371.

Annual Financial Report

The APRS Board adopted and published the final 2023 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 Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending December 31, 2022, awarded by the Government Finance Officers Association (GFOA). APRS also received the 2023 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 2023 Annual Financial Report include:

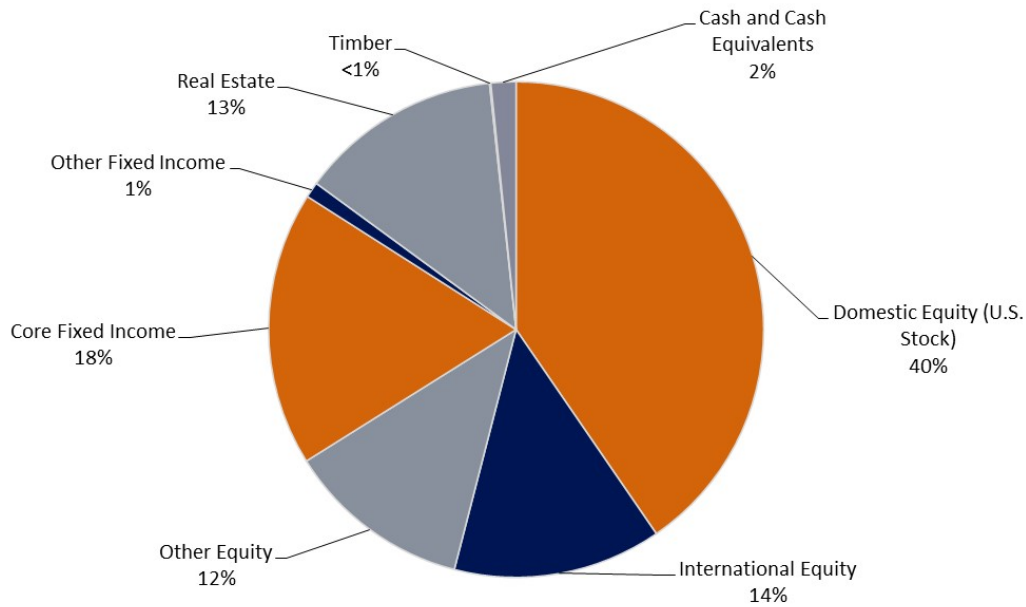
The total market value of assets increased from \$933 million as of December 31, 2022, to \$1.01 billion as of December 31, 2023. The increase of \$81 million in 2023 was primarily attributed to national and international economics, including: stock advances in nearly all major developed markets as well as strong rebounds in the fixed income markets.

Total contributions in 2023 increased by \$6.2 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.

Investment Returns and Assumptions

The System’s rate of return in 2023 reflects a gain of 11.50% net of expenses. The long-term net return since inception of the fund is 7.97%, the 10-year return is 6.35%, and the 3-year return is 5.09%. 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. This means that each year only 20% of the investment return is recognized, with another 20% recognized each of the next four years. APR is still recognizing gains in 2020-2021, which help offset the impact of losses in 2022.

2023 APRS Asset Allocation



Total Membership grew from 3,048 in December 2022 to 3,078 in December 2023; Active Members Declined, Annuitants Increased:

	<u>2023</u>	<u>2022</u>
Current active contributing members	1,551	1,633
Retirees and beneficiaries currently receiving benefits (1,371) and terminated employees entitled to future monthly benefits (156)	1,527	1,415
Total Membership	3,078	3,048

Coming Soon: MemberDirect Portal

The Austin Police Retirement System is pleased to announce the upcoming launch of our new pension administrative software and MemberDirect portal, which will bring numerous improvements to our service delivery and overall user experience. This advanced system is designed to enhance the efficiency and accuracy of pension administration, and our new MemberDirect portal will assist in delivering a better user experience for all members. MemberDirect will allow members to electronically view payment advices, update contact information and beneficiary designations, retire online, view DROP and PROP account balances, request PROP account distributions, run benefit calculations, purchase service credit, and much more! The software transition will happen on January 1, 2025, with the MemberDirect portal following shortly thereafter.

However, with this transition, we want to inform retirees of an important change. Effective January 1, 2025, APRS will no longer utilize the Northern Trust Benefit Payment Passport system for retiree address, bank, and tax withholding changes. These changes will be available for retirees to make in the MemberDirect portal in the future, but during the transition phase, members will need to contact APRS directly to update their information. The APRS website has a page to assist members in finding information on the MemberDirect portal and how to make changes during this transitional period.

Please visit <https://ausprs.org/memberdirectfaq> for more information.