

Pension Review

SUMMER / FALL 2006

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BALLOTS ON PROPOSED CONTRIBUTION INCREASE ARE MAILED

In April, the City of Austin Police Retirement System conducted a survey to measure employee interest in moving a percentage of future pay raises to the Austin Police Retirement System. Currently, active members of the system contribute 9% of their base salary to the pension fund with the City of Austin making an additional 18% contribution. The last contribution increase was in 1993 when officers voted in favor of an increase from 6% to the current 9%.

Austin Police Officers receive a Public Safety Premium of 2% in addition to any base pay increase of the general city workforce. This has resulted in pay increases of 5.5% per year over the last two years. Per the current contract, Austin Police Officers are guaranteed a minimum of 2% per year for the next two years, in addition to any pay increase given to the general city workforce. The survey proposed an increase in the current officer contribution rate of 9% to a maximum of 13% over the next two years. The results of the survey were overwhelmingly in favor of the proposed contribution increase.

On August 10, 2006, ballots will be mailed out to every active officer. The ballot proposes an increase of 4% over the next two years—beginning with a 2% increase in Fiscal Year 2006 and adding an additional 2% increase in Fiscal Year 2007. Ballots must

be postmarked, or hand delivered, to the Pension Office no later than 5:00 p.m. on August 21, 2006.



"A favorable vote for the contribution increase could allow the Board of Trustees of the System to increase the benefit calculation multiplier to 3.2% from the current 3.0%"

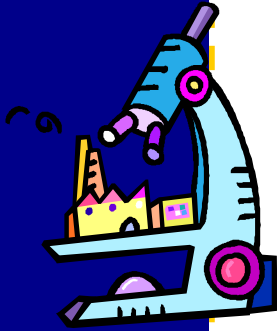
A favorable vote for the contribution increase could allow the Board of Trustees of the System to increase the benefit calculation multiplier to 3.2% from the current 3.0%. A multiplier increase has been approved by the System's actuary and, if approved, would become effective December 1, 2007. The last multiplier increase for the Austin Police Retirement System was given in 2000 when the Board of Trustees approved an increase from 2.88% to the current 3.0%.

The multiplier is the percentage that is multiplied by the years of membership service times the averaged monthly salary for the highest 36 months of the last ten

years of contribution service by payroll deduction for the calculation of the basic life annuity retirement benefit. For example, an officer with an average monthly salary for the highest 36 months of the last ten years of contributing service of \$5,700, with 23 years of service would have a basic monthly benefit of \$3,933.00 under the current 3.0% multiplier ($\$5,700 \times 23 \times 3.0\% = \$3,933.00$). With the proposed contribution increase, that same officer would have a basic monthly benefit of \$4,195.20 ($\$5,700 \times 23 \times 3.2\% = \$4,195.20$).

The Austin Firefighters currently contribute 15.7% of their salary to the pension system and currently have a 3.3% multiplier. Austin Firefighters do not contribute to or receive Social Security benefits from their service with AFD. The Austin Police Retirement System's Board of Trustees is constantly looking for ways to improve benefits for its members and keep the system in line with other similar pension systems. The system is a very strong and stable public pension fund as a result of a continued focus on the security and stability of the fund, however, without additional contributions, the current benefits offered will substantially remain the same for several years. This increase would be a positive benefit for both active and retired members within the system.

2005 Actuarial Valuation and Audit Reports



The December 31, 2005 audit shows that the System's financial statements presented fairly, in all material respects, the financial status of the City Of Austin Police Retirement System and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles. This is the highest standard of measurement that can be issued as an audit opinion.

The APRS audited Net Assets Held in Trust Available for

Pension Benefits at year-end was \$389,689,133 as recorded by the System's independent auditor, Arturo Montemayor, CPA .

The December 31, 2005 actuarial valuation reveals that the actuarial value of assets plus future investment income received by the System and future contributions that will be provided by the members and the City of Austin will be adequate to pay the benefits provided by the state law governing the System as of

December 31, 2005.

In order for the System to have an adequate financing arrangement, contributions must be made that are sufficient to pay for the System's normal cost and amortize its unfunded actuarial accrued liability over an acceptable period of time.

The APRS UAAL is \$123,136,323 million which can be amortized over 38.3 years. This is within the Texas Pension Review Board guidelines of 40 years.

FACT:
SERVICE CREDIT
CAN BE
PURCHASED
USING A
ROLLOVER FROM
YOUR DEFERRED
COMPENSATION
457 ACCOUNT

Service Purchases To Consider

The Police Retirement System sold \$122,033.82 of service credit to 40 eligible police officers in the 1st half of last year for Cadet, Forfeited and Pre-Membership Military Service using the deferred compensation 457 program at Great-West Benefits Corp. 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 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 Michelle Waller at the Pension Office at (512) 416-7672 for a quote and verification of eligibility.

PROP Annuity Deferral Option

An amendment to the Austin Police Retirement system Post Retirement Option Plan (PROP) rules became effective April 1, 2006 whereby retirees under the age of 69 are now allowed to participate in the PROP. The amendment now allows the deferring of your monthly retirement annuity (payment), by posting these monthly annuities into a 7%

interest paying account to be disbursed and taxed at a later date. Special rules provide for a one-time period of deferral that would cease at the earliest of: (1) the date payment of the monthly benefit is requested, or (2) the date any portion of the PROP account is paid, or (3) the IRS required age of 70 and 1/2 date.

This option can have adverse tax consequences in some situations and therefore the election should not be made until the member has discussed the matter with a professional financial planner or tax advisor who is knowledgeable about the tax treatment of distributions from tax qualified plans.



Mid-Year Performance Update

APRS mid year performance results show the total asset value of the Retirement System stood at \$412 million up \$23 million from the beginning of the year's \$389 million. This is a 5.9% increase from year to date, and although

"APRS mid year performance results show the total asset value of the Retirement System stood at \$412 million up \$23 million from the beginning of the year's \$389 million"

the Board, Consultants and Staff are pleased with this increase, all remain cautious and are evermore vigilant in looking at investments which can provide an internal return greater than 8% (net of fees), the actuarial investment assumption. Looking at the major indices in the market place at mid-year

reveals the S&P 500 was up 1.76% and NASDAQ was down -1.51% at midyear.

The 'APRS' Investment Committee continues to believe the best investment approach is to stay diversified across many asset classes in order to seek

higher returns allowing the 'System' assets to grow at an internal rate of return greater than 10% for the next 3 to 5 years.

A look at the midyear 'APRS' portfolio shows:

◆ Market Dependent allocation is 59% ,of which :

*39% are Equities (28% US equities and 11% International equities)

*9% are Fixed Income (US Bonds)

*11% are Emerging Markets (International debt/bonds).

◆ Alternative Investments allocation is 41%, of which:

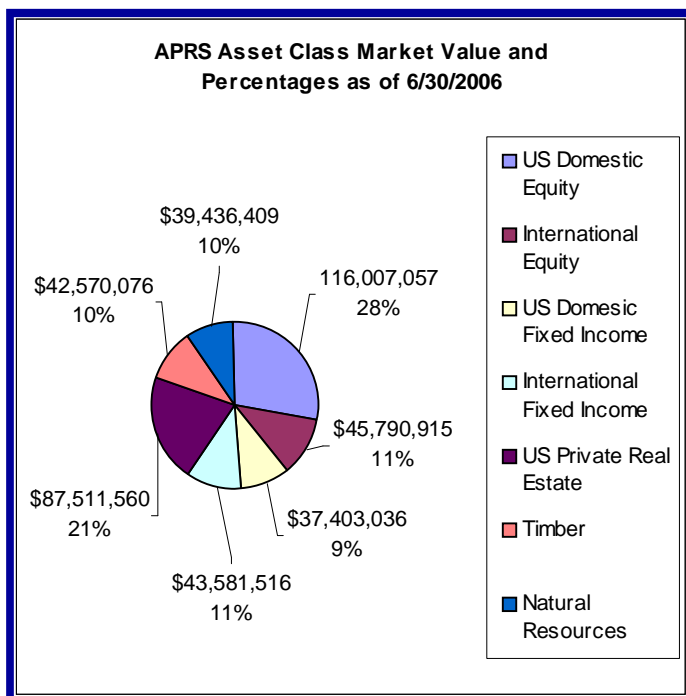
*21% are Real Estate (6.3% apartments, 6.9% commercial buildings and 7.8% opportunistic land development)

*10% are Natural Resources

*10% are Timber

This portfolio provides plenty of diversification and potential higher returns.

This years 5.3% return at mid-year, combined with the second half of 2005, has given the system a top performance rating of 18.2% for one year annualized.



Keep Us Updated!

The system Attorney and the City request 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 APD, the City and the Pension Office have updated forms on file every time there is any type of change in order

to serve you better.

Active members should contact the police personnel office at 7th Street for changes and retired members can go to www.ausprs.org to obtain these forms. All forms can be mailed or faxed to the Pension Office at P.O. Box 41089, Austin, TX, 78704 or (512) 416-7138. When updating your information, please include your name, phone number, date, social security number and signature for verification purposes.

Because identification theft is the fastest growing category of crime in the US, protecting the privacy of your personal information is one of our major responsibilities. Every employee at the Pension Office is responsible for protecting your records and information in our possession.

Please do not become offended if asked to identify yourself on the phone or if asked for a call back number to reach you and never feel embarrassed about requesting the same from the APRS staff.

**City of Austin Police
Retirement System**

PO BOX 41089
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Specialist
Shalonda Brown, Administrative
Secretary

CHECK US OUT ON THE WEB AT:
WWW.AUSPRS.ORG

**Congratulations to our
1st and 2nd Quarter Retirees!!**

Name	Retirement Date	Years of Service
Carl Zimmerman	1/31/2006	27
Robert Pewitt	1/31/2006	37
Richard Micheletti	2/28/2006	24
Travis McDonald	2/28/2006	34
Robert Collins	2/28/2006	33
Robert Dahlstrom	3/31/2006	28
Walter Riek	3/31/2006	27
Brian Hearon	3/31/2006	33
Andrew Waters	3/31/2006	31
Rudy Landeros	3/31/2006	24
Dell Shaw	4/30/2006	21
Don Bredl	4/30/0006	28
William Sievers	4/30/2006	20
David Parkinson	5/31/2006	33
Fred Rodriguez	5/31/2006	32
Carl Pardinek	6/30/2006	27
Elaine Garrett	6/30/2006	29
Edwin Booth	6/30/2006	27

Pension Staff Update

The Austin Police Retirement System has had some recent changes in its staff. A new position, the Benefits Services Specialist, was created in April 2006 and Michelle Waller was promoted from the Administrative Assistant position to fill this new position. Some of her job responsibilities include explaining retirement benefits, providing retirement calculations and assisting members in service purchases. Active police officers are encouraged to contact Michelle Waller with any questions about their benefits.

In June 2006, APRS also hired a new Administrative Secretary, Shalonda Brown. She will now be assisting the Pension Administrator, Assistant Pension Administrator and the Board of Trustees.

Recent Retiree Deaths

The Austin Police Retirement System is pleased to announce that there were no retiree deaths in the first half of 2006, however, the system would like to offer sincere condolences to the family of Bruce Medicott who lost their loved one on May 9, 2006. Bruce was an active police officer with 28 years of service who was looking forward to retirement.

