

# Pension Review

SUMMER / FALL 2007

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## Changes to APRS Statute

The APRS Board of Trustees was informed that legislation amending statute 6243n-1, in the 80th Texas Legislative Session, passed by both the House and Senate. This bill amends the following:

- Section 5.05 of the Act regarding purchase by members of "permissive service credit" (at rates which should be cost neutral to the System in the aggregate) to (1) allow the purchase by a deceased member's

designated beneficiary if there is no surviving spouse (currently, only the member or the surviving spouse may make the purchase) and (2) allow the purchase to be based



on deferring the actual date when retirement benefits would begin in order to reduce the member's cost.

- Sections 6.05 and 6.07 of the Act to increase the minimum death benefit payable upon the death of a member from \$7,500.00 to \$10,000.00.

These amendments to the APRS statute, along with a few other minor changes in language, will become effective and enacted into law on September 1, 2007.

## Service Purchase Cost Increase

Factors for Cadet and Forfeited service purchases will be adjusted in September 2007 when new legislation takes effect. This adjustment will result in an increase of approximately 50%.

There are five service purchase credit options: Uniform Leave of Absence (Military), Pre-membership Military Service, Forfeited Service, Permissive Service and Cadet Service.

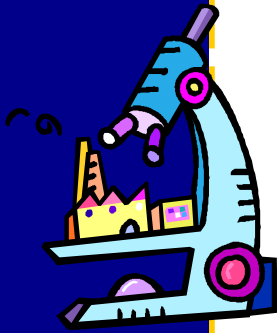
IRS rules allow the use of these direct fund rollovers from your tax deferred accounts to purchase service credit in your retirement program for eligible service credit. This includes Great West Deferred Compensation accounts.

The Police Retirement System sold \$214,912.39 of service credit to 61 eligible police officers in 2007 for Cadet, Forfeited and Pre-Membership Military Service using the deferred compensation 457 program at Great-West Benefits Corp.

APRS is strongly encouraging all members with eligible service to consider purchasing their time prior to the increase. To avoid any increase in cost, you must purchase your service time prior to August 31, 2007.

If you think you may be eligible to purchase any of these options, please contact Michelle Waller, Benefit Services Specialist at (512) 416-7672 for a quote and verification of eligibility.

## 2006 Audit and Actuarial Valuation Reports



The December 31, 2006 audit (draft) 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 \$461,024,149 as recorded by the System's independent auditor, Arturo Montemayor, CPA .

The December 31, 2006 actuarial valuation is pending, but it is expected to show that the actuarial value of assets plus future investment income received by the System plus 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, 2006.

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 unfunded liability is expected to show the system can be amortized within the Texas Pension Review Board guidelines of 40 years.

NEW PENSION  
OFFICE ADDRESS:  
2520 S. IH-35  
SUITE 100  
AUSTIN, TX 78704  
PHONE: (512) 416-  
7672  
FAX: (512) 416-7138  
[WWW.AUSPRS.ORG](http://WWW.AUSPRS.ORG)

## APRS Office Relocation

The Pension Office is renovating and moving to larger quarters downstairs in Suite 100 of the Austin Police Retirement System's 2520 S. IH-35 building.

APRS staff and the Board of Trustees are very excited about the newly renovated office space. As you may know, APRS owns the building at 2520 S. IH-35 (named the Kendall Thomas, Chesley Wood Office Building). Improvements to the suite not

only add to the value of the property but also strengthens the System's investment.

This move will allow the Pension Office to run more efficiently due to the new suite being larger. It provides a more secured work environment, more storage space, allows for better privacy for our members when being counseled by the Benefit Specialist, gives APRS the ability to conduct onsite financial planning seminars for our

members and it allows for future growth within the System.

The new address for the Pension Office will now be:  
2520 S. IH-35, Suite 100, Austin, TX 78704

APRS will be keeping the same phone and fax numbers.

Phone (512) 416-7672, Fax (512) 416-7138

## IRS RULES ON RETIREE HEALTH INSURANCE DEDUCTION

APRS recently received further information from the IRS regarding section 845 of the Pension Protection Act of 2006. This section allows for up to \$3,000.00 of qualified insurance premiums to be excluded from taxable income for public safety members.

The IRS has advised retirement plans that they should not change their reporting of distributed amounts to reflect medical premium payments that retired Public Safety Officers

may elect to exclude from their taxable incomes.

**The amount that is used to pay the medical premiums will remain taxable income to the Public Safety Officers until they make that election on their personal income tax returns.**

APRS will report the amount of medical premiums that were paid in Box 2a of the form 1099R. The retirement plan is not the entity making the decision that

the medical premium payments should be excluded from the individual's taxable income. That is an election which must be made by the individual. The IRS 1040 form, will contain a special code for the individual to indicate that they are electing to exclude the medical premium payments from their taxable income. The individual must reduce the taxable amount on line 16b of the 1040 form by the amount of the exclusion and enter 'PSO' next to that line.

Any questions regarding the new IRS ruling of the Pension Protection Act can be directed to the Benefit Specialist.



# Fund Reaches \$500 Million at Mid-Year

APRS 2007 mid year performance results show the total plan asset value of the Retirement System stood at \$505 million up \$44 million from the beginning of the year's \$461 million. This represents a 9.5% increase from year to date. The Board, Consultants and Staff are pleased with this increase and believe asset class diversification and manager selection has contributed to this very positive gain. They continue to look at future investments providing 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 1.6% and NASDAQ was up 7.8% at midyear.

The 'APRS' Investment Committee understands 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 58% ,of which :

\*40% are Equities (27% US equities and 12% International equities)

\*8% are Fixed Income (US Bonds)

\*10% are Emerging Markets (International debt/bonds).

◆ Alternative Investments allocation is 42%, of which:

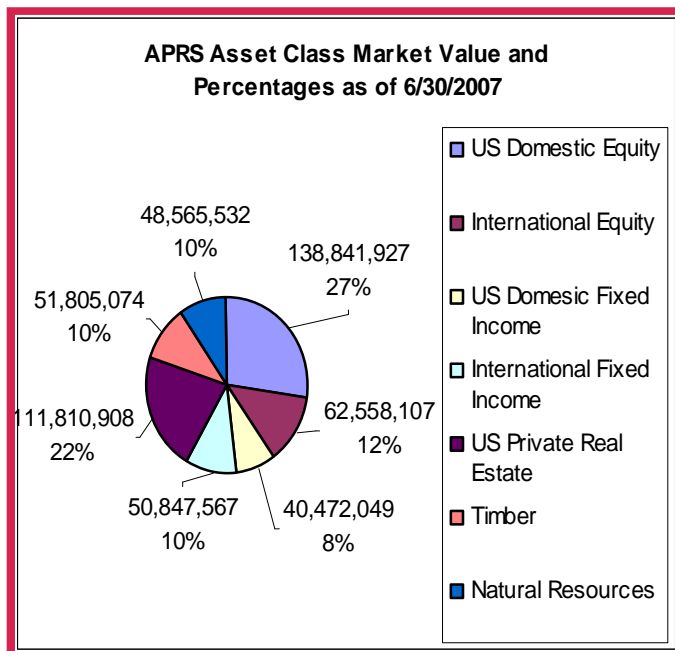
\*22% are Real Estate (4.2% apartments, 8.5% commercial buildings and 9.3% opportunistic land development)

\*10% are Natural Resources

\*10% are Timber

This portfolio asset mix provides plenty of diversification and has potential for higher returns.

This years 9.5% return at mid-year, combined with the second half of 2006, 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](http://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.

## DROP Tax Advantages

A provision of the Pension Protection Act of 2006, which was enacted into law now, allows active Public Safety Officers who retire at or above age 50 to avoid the 10% early distribution penalty on any lump sum payment distribution from a governmental defined benefit plan at the time of retirement.

This means that any distributions from a one of the Retro or Froward DROP option plans offered by APRS would be exempt from the 10% penalty. However, the normal 20% withholding rules still apply. The traditional rollover into a Tax Qualified Plan (IRA) still avoids this 10% penalty unless withdrawn before age 59 1/2.

To learn more about this option, please contact Michelle Waller, Benefit Services Specialist at (512) 416-7672.

**City of Austin Police  
Retirement System**

PO BOX 41089  
Austin, TX 78704  
Phone: (512) 416-7672  
Fax: (512) 416-7138

Check us out on the web at:  
[www.ausprs.org](http://www.ausprs.org)

Staff:  
Sampson Jordan, Pension Administrator  
Stephanie Willie, Assistant Pension  
Administrator  
Gabiella Powers, Financial Manager  
Michelle Waller, Benefit Services  
Specialist  
Shalonda Brown, Administrative  
Secretary

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

<b>Name</b>	<b>Retirement Date</b>	<b>Years of Service</b>
Mary Ann Hueske	1/31/2007	23
Frederick Toler	1/31/2007	25
Rhonda J. Clifton	1/31/2007	23
Wayne Simer	1/31/2007	27
Charles Black	1/31/2007	28
Ronald Potts	2/28/2007	29
Dennis Smith	2/28/2007	23
John Alexander	2/28/2007	28
Raymond Sanders	3/31/2007	23
Frederick Powell	3/31/2007	30
Richard McFadin	3/31/2007	25
Michael Shane	4/30/2007	31
Steven Claiborne	4/30/2007	25
James Collins	6/30/2007	22
Keith Burt	6/30/2007	33

**CONTACT US TO  
RESERVE YOUR PLACE AT THE  
OCTOBER 2007  
FINANCIAL PLANNING SEMINAR**

**Recent Retiree Deaths**

The Austin Police Retirement System would like to extend our most heartfelt sympathy to the friends and family of Perry Conner. May those who knew and loved Perry be comforted in his memory.

**Upcoming Trustee Election**

Elections will be held in December to fill three Police member Trustee positions and one Retiree member Trustee position. Each position holds a four-year term.

The filing period for petition for placement to serve as a member of the Board will be announced in September. Members who wish to be placed on the ballot must be a current or retired police member. Eligibility is verified by payroll computer listings. To be assured of nomination, candidates must file, in writing, a "Statement of Interest," stating their name, length of police department employment, job title, a brief description of job responsibility, and a brief personal statement explaining why they want to serve. Candidates may include a photo for publishing purposes. Statements of Interests must be sent to: The Election Committee, Austin Police Retirement System, P.O. Box 41089, Austin, Texas, 78704.

Voting will be conducted by mail and the ballots and instructions will be mailed to each police member's home address, currently on file with the Police Department. (Retired members' addresses will be obtained from the Pension Office.) In order to ensure receipt of their ballot, active members with address changes are encouraged to contact the police personnel office at the 7th Street office. Retirees with address changes should contact the Pension Office.

