

# Pension Review

SUMMER / FALL 2008

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## Texas Proportionate Retirement Program

The City of Austin has engaged in an actuarial study to determine if the City and APRS can cost-effectively participate in the Texas Proportionate Retirement Program. This participation is in conjunction with the Meet and Confer negotiations to consolidate the Public Safety Department employees into the Austin Police Department. The City of Austin and APRS would both have to mutually agree to participate in this program in order for it to become available to members.

Participating in this program will be a benefit for those officers who have

service time in another participating system. If approved, a member who has been a participant of any of the following participating systems may be eligible for proportionate benefits:

- ◆ City of Austin Employees' Retirement System
- ◆ The El Paso City Employees' Pension Fund
- ◆ El Paso Fireman and Policeman's Pension Fund
- ◆ Employees' Retirement System of Texas

- ◆ Judicial Retirement System of Texas I & II
- ◆ Texas Municipal Retirement System
- ◆ Texas County and District Retirement System
- ◆ Teacher Retirement System of Texas

If approved, the Pension Office will send out notification to all of its members.



## Forward VS. Retro DROP

The Austin Police Retirement System has two Deferred Retirement Option Plans (DROP), Forward DROP and Retro DROP. The question most asked here at the Pension Office is: which plan is better? It is a common misconception that one program is better than the other, however, these two DROP plans, if taken for the same amount of months in the same time period, will offer you the exact same amount of money.

Forward DROP is a program where active police officers can choose to retire but continue working for and drawing a paycheck from APD, while their retirement annuity is deferred into a DROP account (earning 5% interest) on their behalf at the retirement system. The maximum amount of time a member can be in the Forward DROP is 60 months. The Retro-DROP works the same way as the Forward DROP, just in reverse. Once a member is ready to retire, they can choose to drop back to a period of time (a maximum of 36 months), have their monthly annuity calculated at the years of service they had at that time, and take a lump-sum which consists of their retirement annuity checks from the back date to the present time along with their retirement contributions that they have made during that time period and the 5% interest credit on that money.

Assuming an officer plans to retire with 26 years of service and take a 36 month DROP option. This officer has two DROP options which will render the same result:

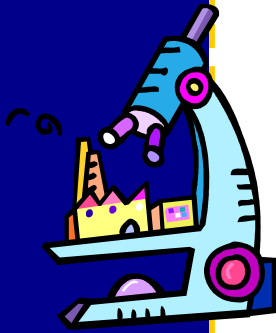
- 1) The member can come into the Pension Office once they reach 23 years of service and sign up for 36 months of Forward DROP. This officer will continue to work until he/she completes the 36 month time period at which time the member would be retired.
- 2) The member can come into the Pension Office at 26 years and retire. At this time, the member can elect to have their benefits calculated at 23 years of service and take a Retro DROP for 36 months.

Other differences between Forward and Retro DROP include:

- ◆ The major difference between Forward and Retro DROP is the DROP period allowed. Forward DROP allows for a 60 month DROP period while the Retro DROP only allows for a 36 month DROP period.
- ◆ Retro DROP allows the member to choose the amount of months they wish to DROP at the date of their termination. Forward DROP, however, requires the member to choose their DROP period (with a maximum of 60 months) prior to termination. IMPORTANT: Members who sign up for Forward DROP will stop receiving retirement credit for time worked beyond the 60 month maximum, but will continue to make retirement contributions.

APRS is encouraging members who are interested in either DROP program to speak with a financial planner and/or tax accountant to be sure this program fits their personal and financial needs.

## 2007 Audit and Actuarial Valuation Reports



The December 31, 2007 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 \$515,011,673 as recorded by the System's independent auditor, Montemayor, Hill & Company, P.C.

The December 31, 2007 actuarial valuation shows 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, 2007.

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 (UAAL) over an acceptable period of time.

The APRS UAAL of \$155,256,384 can be amortized over 23.8 years which is within the Texas Pension Review Board preferred target range of 25-30 years.

## PROP Interest Rate Set

The Austin Police Retirement System's Board of Trustees set the Post Retirement Option Plan interest rate at the Regular Board Meeting on August 20, 2008. The board voted to keep the interest rate at 8% until August 31, 2009.

Retired members who rolled their DROP monies into the PROP as well as members who have

deferred or are deferring their monthly annuities into the PROP will continue to receive the 8% interest rate.

Retired members who wish to enter into the PROP can do so by electing to defer all or a portion (\$500 or more) of their monthly annuity into the PROP account. For more information on the

PROP Monthly Annuity Deferral program, contact Michelle Waller, Benefit Services Specialist at (512) 416-7672.



### Calendar of Upcoming Pension Seminars:

Pension 101

Thursday,

September 25, 2008

11:30 a.m.—1:00 p.m.

.....

Financial Planning Seminar

Thursday,

October 23, 2008

9:00 a.m.— 3:00 p.m.

.....

To sign up for one of these seminars, call (512) 416-7672

## APRS Educational Seminars

The Austin Police Retirement System offers two types of seminars for its members.

The "Pension 101" and the "Financial Planning Seminar" are two very different programs that are geared toward different parts of the membership.

"Pension 101" is a brown bag seminar intended for members with 10 years of service or less. This seminar is jointly presented by representatives of the Austin Police Retirement System and Great-West Retirement Services. The intent of the seminar is to provide an

overview of your retirement program, discuss the differences between Defined Benefit and Defined Contribution, discuss retirement plan features for Austin Police Retirement System, Deferred Compensation Plan and Social Security, discuss how, when and why you might consider transfers between plan funds and provide some retirement planning basics.

"Financial Planning Seminar" is an all-day seminar which usually features speakers from the Health Insurance Benefits division of the

COA HR Department, Austin area Financial Planners, the local Social Security office, a local Trust Attorney and your retirement specialist from the Pension Office. This seminar is intended for those who have more than 10 years of service since the information provided is extremely detailed retirement planning information.

More information regarding these two seminars can be found at [www.ausprs.org](http://www.ausprs.org). Members interested in attending should contact Shalonda Brown at the Pension Office at (512) 416-7672.

# APRS Financial Summary

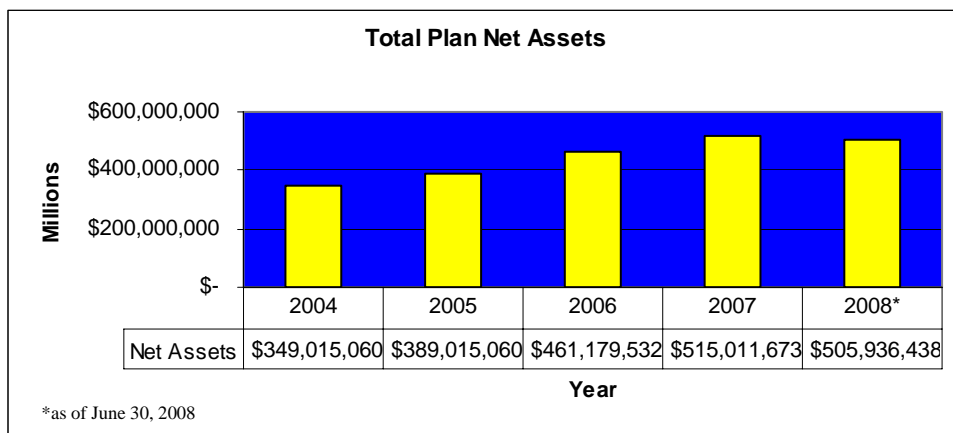
For the calendar year ending December 31, 2007, the market value of the investment portfolio was approximately \$512 million representing an increase over the previous year-end of approximately 11.5% of which roughly 2% came from net contributions and the balance came from investment gains. Investments in equity securities represented 37.4% of the assets with about a third of these in international securities. About 9% of the portfolio was in equity holdings of U.S. companies having a market capitalization of less than \$10 billion (usually referred to as Small to Mid-size companies) and the balance in large cap U.S. companies. The Fixed Income Allocation represented 20% of the portfolio and consisted of 5% in high quality U.S. fixed income securities, since the Plan was experiencing positive cash flow and had little need for a large liquidity balance, and 10% in Emerging Market Debt, which offered a better return potential. The Alternative Allocation represented almost 39% of the portfolio. This allocation provides solid diversification benefits versus the more market sensitive allocation to equity and fixed income strategies, while

providing a steady and attractive income producing component to the portfolio.

One of the truest and time-tested methods of managing risk in an investment portfolio is through diversification. Although the mid-year asset performance was down 1.8%, the Board of Trustees adheres to this belief and therefore follows a discipline of diversification in investing assets in the portfolio. In addition to diversification, the assets are spread among twenty-nine different professional money managers. The Board, along with the System's investment consultant, review the performance of each manager on a monthly basis and managers

are asked to appear personally before the Board any time their performance falters from expected norms or other issues of importance require a review.

Looking forward, the Board is aware of the importance of asset allocation in achieving a desired return within acceptable risk guidelines. To this end, the Board maintains a vigilant watch over its commitments to strategies and asset classes including those that are not as liquid as equity and fixed income. Overall, the Board feels that the portfolio is well positioned to produce the best results possible for the remainder of 2008.



## 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. This will 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 identity 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.

## New Trustees At APRS

The Austin Police Retirement System has some new faces on its Board of Trustees. After fulfilling their service, Karen Kennard, 1st Assistant City Attorney and Sheryl Cole, City Council Member have been replaced.

The Austin Police Retirement System would like to thank Ms. Cole and Ms. Kennard for their dedicated service to the System and its members.

The Board is looking forward to the opportunity of working with the newly appointed trustees Mike Martinez, City Council Member and Jeff Knodel, Deputy Chief Financial Officer.

## City of Austin Police Retirement System

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Austin, TX 78704

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

### Staff:

**Sampson Jordan, Chief Executive Officer**

**Stephanie Willie, Assistant Pension  
Administrator**

**Gabriella Powers, Financial Manager**

**Michelle Waller, Benefit Services**

**Specialist**

**Shalonda Brown, Administrative  
Secretary**

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

Name	Retirement Date	Years of Service
Jimmy Spears	1/31/2008	28
Don Mayes	1/31/2008	28
Robert Perez	1/31/2008	27
Keith Wade	1/31/2008	27
Johnnie Nelson	1/31/2008	31
William Beechinor	1/31/2008	26
William Stephens	1/31/2008	28
Janis Dickerson	2/29/2008	27
Antonio Hipolito	2/29/2008	29
Donald Haywood	3/31/2008	24
Beth Young	3/31/2008	23
Andrew Haynes	3/31/2008	25
Joy Mooney	3/31/2008	29
Ronald Anderson	3/31/2008	26
William Manahan	4/30/2008	23
Victor White	4/30/2008	24
Kimberly Nobles	5/31/2008	24
Robert Hernandez	6/30/2008	26
Leo Enriquez	6/30/2008	28

## 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 Forward 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.

## Recent Retiree Deaths

The Austin Police Retirement System would like to extend our most heartfelt sympathy to the friends and family of Charles Franklin, Edward Blanton and John Monaghan, Jr.

Mr. Franklin passed away in March, Mr. Blanton passed away in April and Mr. Monaghan passed away in July of 2008.

May the friends and families of these two men be comforted in their memories.

