



## City of Austin Police Retirement System

### Your Pension Benefits Are Safe

Bail out packages? Congressional deals? \$700 billion dollars of aid? Central Bank intervention? Although you've read the headlines, there is probably one question that you'd like clearly answered - how will all this affect my retirement benefit payments and PROP account balance? Rest easy knowing your retirement and PROP accounts are safe! Although our country is suffering from a serious financial condition and news of the financial markets can be understandably concerning, it is important for you to know that your retirement assets are securely and constitutionally protected and not directly affected by the current credit crisis.

APRS along with its investment consultant CSG is closely monitoring the fund's exposure to the turbulent financial sector. Our portfolio is immensely diversified and heavy in alternative investments which are less market sensitive to equity and fixed income strategies. This allocation provides solid diversification benefits which will help keep the System's assets steady as it did during the last slump of 2001–2002. APRS is a long term investor in fact, our 10 year investment return running average is about 8.62% and our 5 year running average is 10.48%!

The United States government has already acted promptly with the bail out plan and they are committed to finding a definitive resolution to the banking struggles. The APRS Board is confident that as this country has endured financial crisis in the past, it will also withstand this financial crisis. Keep in mind that the assets of this System have been positioned in anticipation of events such as the current crisis long before this crisis began. Our Trustees are confident that they have positioned the System not only to get through these chaotic times, but that we will prosper in the future.

The best news for you is that despite the overall state of the economy, your pension benefits are not solely dependent on the financial markets. Unlike defined contribution plans such as a 401 (k) accounts, your benefits are determined by a formula based on the multiplier, your years of pension service and highest average 36-months salary – the economy does not factor into your calculation. You will receive your benefits for life and state law protects these benefits so they cannot be reduced!

Looking forward, it is true that an economic down turn can have an impact on our investment return. The strength of that impact will determine how things such as interest rates applied to PROP accounts and/or COLAs (cost of living adjustments) will be affected. Each year, COLAs and the PROP interest rate are determined based upon investment returns averages over the last five years. And ultimately, your pensions are based upon the contributions paid by employers and employees. Because we widely diversify our investments, we are better able to weather the volatility in the financial markets than most pension funds and the System enjoys a healthy cash flow of contributions from members and the City.

Finally, we have not panicked and neither should you. Your pension benefit is defined, your pension investments are well diversified, the Austin Police Retirement System is a well-managed plan and economic history tells us that the markets will rebound.

A handwritten signature in black ink, appearing to read "Peter Morin".

Peter Morin, Chairman