

# Pension Review

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SPRING 2008 ISSUE

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## Change to PROP Monthly Annuity Deferral Program

In September 2007, the retiree PROP Monthly Annuity Deferral program was amended to allow for a minimum monthly annuity deferral of \$500 per month.

Under this program, retiring and retired members may elect to defer receipt of all or a portion of their monthly annuity in order to defer the taxation of the deferred payments and to have the deferred benefits accumulate for later disbursement and later taxation in a PROP account. The interest rate for PROP plans is currently 8% effective through August 31, 2008. In order to be eligible to

elect to defer annuity payments into PROP, a retired member must be under the age of 69. Prior to making any disbursements from the PROP plan, the retiree must stop the deferrals into that account. Once deferrals have ceased, no further deferrals can be put into the PROP. Amendments to the amount a retiree defers can be made once per calendar year.

Making an election to defer annuity payments into PROP or amending or revoking that election can have adverse tax consequences in some situations, especially if the member

terminated active service before the year in which they attained age 50. 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.

For further information regarding the PROP Monthly Annuity Deferral program, please contact Michelle Waller, Benefit Services Specialist at the Pension Office at (512) 416-7672.

## Rapid Fire News

### Did you know...

...APRS was recently nominated as the top performing Small Public Fund for 2007! Go to [www.ausprs.org/articles](http://www.ausprs.org/articles) to read the article about this special nomination.

...Retirees can exclude up to \$3,000 (up to \$6,000 if both spouses are Public Safety Officers) of their retiree health insurance premiums from their taxable income. The amount used to pay these premiums will remain taxable until the retiree makes the election to exclude these premiums on their personal income tax returns. Retirees can check their December 2007 paycheck stub for the amount they have paid for health insurance premiums in 2007 (call the Pension Office if you need another copy mailed to you). The IRS 1040 form requires a special code ('PSO') for the retiree to indicate that they are electing to exclude the medical premium payments from their taxable income. The retiree must reduce the taxable amount on line 16b of the 1040 form (line 12b of the form 1040A) by the amount of the exclusion (\$3,000 or less) and enter 'PSO' next to that line. Go to [www.ausprs.org/articles](http://www.ausprs.org/articles) for more information and a link to the IRS Forms 1040 and 1040A Instructions.

...Public Safety Officers who retire at or above age 50 can now 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 one of the Retro or Forward DROP option plans offered by APRS would be exempt from the 10% penalty (the normal 20% withholding rules still apply).

...APRS Forward and Retro DROP accounts both pay an interest rate of 5%. The major difference between these two plans is the amount of time in which you can participate. Retro DROP has a maximum participation of 36 months while the Forward DROP program allows the member to participate for 60 months.

...APRS PROP accounts (both Lump Sum and Monthly Annuity Deferral) are paying an interest rate of 8%. This interest rate is looked at annually by the Board of Trustees and is determined based upon the System's investment performance.



# 2007 Year-End Performance Report



The year 2007 was tumultuous in the US financial market sector as a result of the credit crisis caused by Sub prime mortgage lending write downs and fears of a recession in 2008. Nevertheless, APRS was able to increase its asset size by 10.5% to \$510,324,574 (unaudited) in 2007 from the 2006 year-end audit amount of \$461,179,532. This increase of \$49m in assets was led by a 9.1% performance return on Investments and 1.4% increase to Cash made from additional contributions on members payroll deposits. The asset size could increase slightly once the real estate and alternative

assets year-end audits are completed in June.

So far, this 9.1% investment return produced a premium of 2.74% above the traditional retirement program asset mix of 60% S&P 500, 30% US Bonds, 5% International Equity and 5% Cash.

In 2007, APRS continued to invest across a broad spectrum of diversified assets, adding a High Yield Bond & Mezzanine Loan Manager to its Fixed Income Class and International Equity Manager.

The investment strategy for 2008 suggests an asset allocation mix of 40% US and

International equities; 20% Fixed Income (US Investment Grade & High Yield Bonds, Emerging Market Debt and Private Loans); 20% Real Estate; 20% Alternative with 10% in Energy and 10% in Timber. It is the Board and Consultants belief that this asset mix will preserve the majority of the funds assets should a recession occur in 2008 and provide prospects for steady performance with lower risk than the 60/30/5/5 traditional retirement system asset mix.

The Board, as always, looks forward to the year 2008 and another solid performance return while consistently remaining fully diversified.

## Austin Police Retirement Fund Actual Market Value Change

Year	2003	2004	2005	2006	2007 (unaudited)	5 yr. Avg.
Return	21.06%	15.79%	11.65%	18.35%	10.50%	15.47%

**FACT:**  
**APRS Retirees recently received a combined 7.67% increase on their retirement pay!**

## Retiree COLA and Interest on Contributions

At the Regular Board Meeting on December 19, 2007, the System's actuary informed Trustees that he could approve providing a 1% Retiree Cost of Living Adjustment Increase as well as paying 5% Interest on vested Member Contributions to be paid for year end 2007.

This increase comes after the System had already increased the multiplier to 3.2% from 3.0% for both active and retired members. The

multiplier increase was a direct result of the active members increasing their contributions from 9% to 13% over the last two years. The multiplier increase took effect in December 2007 and resulted in a 6.6% increase for annuitants (retired police officers, surviving spouses of retired officers and disability retirees) on their December 2007 annuities.

The 1% COLA increase will be paid on the annuitants January 31st retirement check. However, those who retired in

2007 will receive a prorated increase of 1% based on the number of months they were retired. The COLA increase can be attributed to good investment performance over the last five year period. The System's actuary determined that granting these increases would still leave the System in an adequate financing arrangement for the future.

The Board of Trustees feels very fortunate to be able to grant these increases and they look forward to a prosperous new year.

# Meet the APRS Board of Trustees

The APRS Board of Trustees will have some familiar faces for 2008. In December 2007, the City of Austin Police Retirement System held an election by mail ballot for three active police officer positions and one retiree position on the Board of Trustees. The Election Committee declared the official election results winners for the three active police member positions to be Fred Fletcher with 474, Catherine Haggerty with 387 votes and Peter Morin with 394 votes. They

also declared the official election result for the retiree position to be John Ross with 157 votes.

Mr. Chesley Wood, a veteran APRS Trustee, was once again appointed as the Citizen Representative by the Board of Trustees.

All newly elected and appointed members were sworn in on January 9, 2008 and will serve a four year term that ends on December 31, 2011.

The Board wishes to thank all participants in the election process and sends its congratulations to the winners.

The Board would also like to extend its utmost gratitude to Vanessa Downey-Little for her service on the board. In 2006, Vanessa stepped in to fill the Citizen Representative position for Mr. Chesley Wood, and her service was greatly appreciated.

## 2008 Investment Committee Members:

Kendall Thomas (Chairman), Michael Jung (Vice-Chair), Peter Morin, John Ross, Chesley Wood

Alternates: Fred Fletcher, Catherine Haggerty

## 2008 Disability Committee Members:

John Ross (Chairman), Catherine Haggerty (Vice-Chair), Fred Fletcher, Michael Jung, Sean Mannix

Alternates: Peter Morin, Kendall Thomas

## 2008 Goals and Objectives Committee Members:

Sean Mannix (Chairman), Catherine Haggerty (Vice-Chair), Fred Fletcher, Michael Jung, Peter Morin

Alternates: John Ross, Kendall Thomas

# Service Purchases for Active Members

The Police Retirement System sold \$771,788.62 of service credit to 194 eligible police officers in 2007 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 purchase credit options:

- \*Uniform Leave of Absence (Military)
- \*Pre-membership Military Service
- \*Forfeited Service
- \*Permissive Service
- \*Cadet Service

The factors used in calculating the cost to purchase credit for Pre-Membership Military and Permissive

Service have been updated as of January 1, 2008. The adjustment of these factors will result in an increase of approximately 1-2% per month of the cost for you to purchase your 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.

# 2007 Auditor and Actuary Hired

The Board of Trustees has once again hired Arturo Montemayor & Associates to engage in the 2007 year-end audit of the APRS Financial Statements. They have also commissioned Rudd & Wisdom, Inc. to engage in the 2007 year-end actuarial valuation. These audits will begin in April and end on June 30, 2008.

## 2008 Schedule of Regular Board Meetings:

Wednesday,  
January 9, 2008

Wednesday,  
February 13, 2008

Wednesday,  
March 12, 2008

Wednesday,  
April 16, 2008

Wednesday,  
May 14, 2008

Wednesday,  
June 18, 2008

Wednesday,  
July 16, 2008

Wednesday,  
August 20, 2008

Wednesday,  
September 17, 2008

Wednesday,  
October 15, 2008

Wednesday,  
November 19, 2008

Wednesday,  
December 17, 2008

*Meeting time: 11:30 a.m.  
unless otherwise noted*

City of Austin Police  
Retirement System

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

## Congratulations to our 3rd and 4th Quarter Retirees!!

Name	Retirement Date	Years of Service
Cathy Ellison	9/30/2007	29
Harold Piatt	10/31/2007	30
Johnny Rabel	11/30/2007	28
Alejandro Sanchez	11/30/2007	23
Paul Brick	12/31/2007	28
James Schramm	12/31/2007	28

**FINANCIAL PLANNING  
SEMINAR:**  
**IF YOU ARE INTERESTED IN  
ATTENDING THE NEXT  
FINANCIAL PLANNING  
SEMINAR, PLEASE CONTACT  
SHALONDA BROWN AT THE  
PENSION OFFICE AT  
(512) 416-7672.**

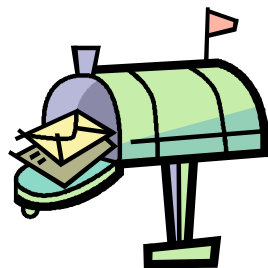
## Recent Deaths

The Austin Police Retirement System would like to extend our most heartfelt sympathy to the friends and family of Jack Adkins and Robert Hargis. Retiree Jack Adkins passed away on September 5, 2007 and retiree Robert Hargis passed away on September 28, 2007. May the friends and families of these two men be comforted in their memories.



## Annual Statements Mailed

The Austin Police Retirement System (APRS) year-end 2007 membership Annual Statements have been mailed. The statements were prepared to show active police officer members the number of years of creditable service on file and, the dollar amount of contributions and interest on deposit.



## Keep Us Updated!

The system's Attorney requests 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 the Pension Office have updated forms on file every time there is any type of change in order to serve you better.

Retired members can go to [www.ausprs.org](http://www.ausprs.org) to obtain these forms. All forms can be mailed to the Pension Office at P.O. Box 41089, Austin, TX, 78704. Active members should update their information with HR.

When updating your information, please include your name, phone number, date, social security number and signature for verification purposes.