

Austin Police Retirement System News

Spring 2023

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this issue:

Letter from Executive Director P.2
Retirement Checklist P.2
Current Numbers P.3
Retiree Benefit Payment Portal P.4
PROP Interest P.5

Letter From Board Chair Sheldon Askew

It continues to be my honor to serve as the Chair of the Austin Police Retirement System. In December of 2022, Kathie Tovo's term with APRS concluded. We want to thank Kathie for her dedicated service to APRS since being sworn in as a Trustee in 2011. With Kathie's departure, we now welcome appointed Council Member Mackenzie Kelly to our Board. Please see more information about Council Member Kelly later in this newsletter.



Unfortunately, the market was not favorable for investment returns in 2022. The System's investment return was down roughly 11%. This was driven by the S&P 500 dropping over 19% coinciding with a dramatic fall in bond prices. The Board of Trustees continues to remain committed to investing with high-quality, institutional grade investors and we believe, as a long-term investor, this approach will produce long-term investment returns in line with our assumptions.

The Board meets monthly on the third Wednesday of each month. We welcome you to attend and always value your input. As always, please feel free to reach out to me at any time with questions or concerns.

Retirement Seminar

APRS typically hosts two in person retirement seminars throughout the year, one each in the Fall and Spring. The seminars are designed to provide an overview of the Austin Police Retirement System, the retirement process, and address various other topics as they relate to a member's retirement. A virtual retirement seminar is also available at the bottom of our website: www.ausprs.org. Please contact the System for information on the next retirement seminar.



APRS
AUSTIN POLICE RETIREMENT SYSTEM

Letter From Executive Director Pattie Featherston

On behalf of all APRS staff, we thank you for your continued service as an Austin police officer. As always, please reach out to us at any time and let us know how we can best serve you.

We recognize the first quarter of this year has left many officers with difficult decisions regarding their retirement. Our staff has been working extremely hard to address all the calls and inquiries and we continue to strive to address everyone's needs in a timely manner.



As a reminder, the quickest and most efficient way for us to serve you is by you emailing us at staff@ausprs.org. We continue to utilize technology to serve you in a more timely manner. For example, our Member Portal, located on the top right of our website, allows electronic items to be sent safely and securely to us. To ensure your paperwork is processed promptly and efficiently, please submit the paperwork using the Member Portal. Other submission methods such as mail and fax are accepted but may cause additional delays that are beyond our control.

Again, thank you for all that you do and stay safe!

Retirement Checklist and Documents Needed

Congratulations! If you are nearing your chosen retirement date, make sure you have taken the necessary steps and have all the required documents handy to complete the process.

Determine your last day of employment. Your actual retirement date with APRS will be the last day of that same month, and your first benefit payment will be the last day of the next month. Decide if you will choose a survivor option for a continued annuity payment after your death. Then determine who the survivor is and which survivor option is right for you and your survivor.

You will also need to decide about federal income tax withholdings, so be prepared to fill out a W-4P for the IRS. This plus your insurance choices will determine your final net pay annuity amount. Contact APD-HR for further information about sick leave and vacation leave balances, as these are not administered by APRS.

When you are all ready to sign the retirement paperwork with APRS, be sure to have these documents ready to provide to the System: Driver License(s) or other accepted photo ID for member and survivor; Social Security Card(s) for member and survivor; Marriage License, if any; Qualified Domestic Relations Order (QDRO), if any, unless it is already approved and is on file with APRS; and a Bank document for direct deposit (cancelled check).

Visit the APRS website at <https://www.ausprs.org/actives/steps-to-retirement/> for more tips on how to plan ahead for your big day.

Website Forms for PROP

If you are a retiree in PROP and need to request a distribution or make changes to your PROP deferral amount or beneficiary, please visit our website.

Instructions

1. Visit the APRS website at <https://www.ausprs.org/retirees/prop/>

2. Select the appropriate PDF to download, save and complete.

3. We strongly urge you to upload the form to the MEMBER PORTAL located at the top right of the website. Alternatively, you can mail the form to the APRS P.O. Box as it contains highly sensitive information.

Please do not email these documents, as it is not a secure way to transmit personally identifying information.

Virtual Seminar on APRS Website

The System has created a virtual retirement education seminar that can be found on the website at www.ausprs.org. We hope this presentation can provide members with basic information about the APRS benefit plan.

Latest Retirement Numbers

Due to the March 31st police contract expiration between the Austin Police Association and City of Austin, APRS has handled a significant increase in callers and inquiries this year. As a result, there were 36 retirements in March, in addition to the 12 retirements in January and 17 in February, bringing the first quarter total to 65 retirements. This grew to 78 by the end of April before printing this newsletter. For perspective, APRS averaged 48 to 50 retirements a year until 2020, which had 97 retirements, with 116 in 2021, and 97 in 2022.

Mackenzie Kelly Appointed to APRS Board

In January, Council Member Mackenzie Kelly was appointed to the Austin Police Retirement System Board of Trustees by the Austin City Council. Council Member Kelly replaces former Council Member Kathie Tovo and will serve as the Trustee designated by the City Council.

Council Member Mackenzie Kelly serves the people of Austin City Council District 6. An Austin native, volunteer firefighter, police advocate, and health care worker, Council Member Mackenzie Kelly has embraced a lifetime of public service. Before being elected to City Council, Kelly served at the Round Rock Fire Department Training Division, Williamson County Emergency Management and with the City of Austin Community Emergency Response Team (CERT). In 2019, Kelly was elected president of the 100th class of Austin Police Department's Citizen Policy Academy.

Required Minimum Distribution

Retired members with Post Retirement Option Plan (PROP) accounts need to be aware of the laws and policies regarding the required minimum distribution (RMD withdrawals) that must occur when they reach a certain age. This requirement is based in federal tax law, and it is essential that strict enforcement be followed to allow APRS to maintain its tax qualification status for the benefit of the entire System and all its members.

Section 401(a)(9) of the Internal Revenue Code (IRC) requires members who are participating in a governmental plan such as APRS to follow a distribution process if they have an account balance at the end of the calendar year in which the member attains (or would have attained) age 73 (or age 72 if 72 was attained on or before January 1, 2023, or age 70½ if 70½ was attained on or before December 31, 2019). Failure to satisfy the minimum distribution requirements could jeopardize the tax qualification status of the System and subjects the member to an additional tax on the amount that should have been but was not timely paid to the participant for the year. Members have until March 1st of the following year after the year they achieve the age that triggers the required minimum distribution to make the necessary withdrawal. Members who do not request their RMD by the appropriate date will have the RMD determined by the System, and it will be distributed to them directly.

Annual Statements Mailed

Annual statements were mailed to active members in January and to PROP and Forward DROP-participating retirees in February. Please review your statement and contact the APRS office if you have any questions or if you did not receive your statement.

Model QDRO Available

For members faced with divorce, a model Qualified Domestic Relations Order (QDRO) is available on the APRS website. It is a document in addition to a divorce decree that specifies if a former spouse is awarded any portion of the APRS member's retirement benefit and how much. Please note the model was last updated and approved in July 2017. Always check the website for the current version. Any updates, however, do not impact any QDROs already adopted by the court. Please submit your draft QDRO to APRS for review before it is filed with the court. This can avoid unfortunate and untimely needed revisions.

Retiree Benefit Payment Portal at Northern Trust

Retired members of APRS can utilize the Benefit Payment Participant Web Passport through the APRS custodian bank, Northern Trust, to view or make changes to their annuity payment account. This secure portal provides immediate and secure access to your benefit payment information 24 hours a day, seven (7) days a week. Benefits include: real-time account information as well as historical tax statements; instant on-the-spot payment status; access to payment history, images of paid checks; and the ability to update member contact information, member addresses, tax information, and electronic bank deposit information. You should have already received an announcement flyer last October in your monthly statement. Retirees in PROP will continue to utilize the APRS website at <https://www.ausprs.org/retirees/prop/> to submit PROP changes.

Retiree Health Insurance: \$3,000 Federal Tax Exclusion

The federal Pension Protection Act of 2006 allows eligible retired public safety officers to exclude up to \$3,000 of their retiree health insurance premiums from their gross taxable income each year, as long as the premiums are deducted from their retirement benefit. The premiums can be for coverage of you, your spouse, or dependents. 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 annual IRS Form 1099 for the amount they have paid for health insurance premiums. The IRS Form 1040 will contain special codes for the retiree to indicate that they are electing to exclude the health insurance premiums from their taxable income. Please direct specific questions to your own tax advisor.

Northern Trust Benefit Portal for Retirees

Enroll today to begin using Northern Trust Benefit Payment Participant Web Passport.

To enroll, visit northerntrust.com/bppweb.

For general inquiries, please contact the Northern Trust Benefit Payment Participant Service Center at (866) 252-5395.

Post Retirement Option Plan (PROP)

The Post Retirement Option Plan (PROP) is a feature of the System that allows retirees to move their annuity and/or any lump sum payments due from a DROP account into a special PROP account to continue deferred tax status. You can enter PROP if you are retired, under the age of 72, and have never previously closed a PROP account at APRS. The annuity deferral program requires a minimum deposit of \$250 per month (which can be changed twice per year). The program allows two withdrawals per year of a minimum of \$2,500. Interest paid on the account is determined annually and is currently 2.58%.

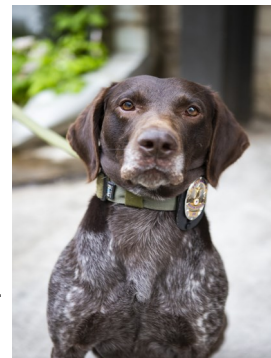
When you enter PROP, you are advised to seek the counsel of a tax advisor who is knowledgeable about the tax treatment of distributions from tax qualified plans. Many APRS members reach retirement eligibility and choose to retire in their forties. There is a complication with the federal tax law that you should keep in mind. Even if you have earned retirement eligibility and the ability to receive annuity payments without a tax penalty, once you instead opt to have your payments deposited to PROP, they will be withdrawn in lump sums and may therefore be subject to a federal tax penalty due to "early age withdrawal." There is an exception in federal law for public safety employees if you retired during or after the calendar year you turned age 50 or if you retired with 25 years of creditable service.

Please visit <https://www.ausprs.org/retirees/prop/> for more information on the PROP program. You may contact the System if you have any questions or concerns about PROP, but please also be advised that the System cannot give tax advice that should be given by a tax professional.

Keep Your Death Benefit Beneficiary Form Updated

We see a continuing need to emphasize the importance of keeping beneficiary forms current. State law allows a member to designate a spouse or non-spouse to receive a death benefit, which is different from a chosen survivor selected to receive the member's continued annuity upon death.

It is very important for APRS members to be aware that failure to have a valid APRS beneficiary form on file with the System, and to keep it current, can complicate the management of the final affairs of a deceased member. Members should especially review death benefit beneficiary designations any time you have a change in life circumstance, such as marriage, divorce, death of a spouse or other designated beneficiary, or birth of a child.



The beneficiary form for death benefits can be submitted on the website. Multiple beneficiaries can be named, and this designation may be changed during the member's career or during retirement. The death benefit paid for an active member's account is paid in the amount of two times the balance of the deceased member's contribution account balance, with a minimum of \$10,000. The benefit paid for a deceased retiree is \$10,000 (or a proportionate amount if retired under the Proportionate Retirement Program).



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M-F / 8:00 am-5:00

pm

(closed for City and

Federal Holidays)