

AUSTIN POLICE
RETIREMENT SYSTEM
ACTUARIAL VALUATION
AS OF DECEMBER 31, 2012

July 12, 2013

Mr. Sam Jordan, CEO
Austin Police Retirement System
2520 South IH 35, Suite 100
Austin, TX 78704

Re: Austin Police Retirement System

Dear Mr. Jordan:

We are pleased to present to the Board this report of the annual actuarial valuation of the Austin Police Retirement System. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year(s).

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects applicable laws and regulations issued to date at the state and federal level. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, financial reports, and asset information supplied by the City of Austin, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

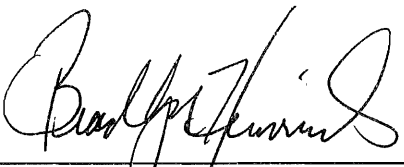
To our knowledge, no associate of Foster & Foster Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Austin, nor does anyone at Foster & Foster Inc. act as a member of the Board of Trustees of the Austin Police Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster Inc.

By:



Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #11-6901

BRH/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the Austin Police Retirement System, performed as of December 31, 2012, has been completed and the results are presented in this Report.

The pension costs, compared with those developed in the December 31, 2011 actuarial valuation report, are as follows:

Valuation Date	<u>12/31/12</u>	<u>12/31/11</u>
Normal Cost % of Total Annual Payroll	21.743%	22.318%
Expected Member Contributions % of Total Annual Payroll	13.000%	13.000%
City Normal Cost Rate % of Total Annual Payroll	8.743%	9.318%
Funding Period To Amortize UAAL (expressed in number of years)	29.4	25.2

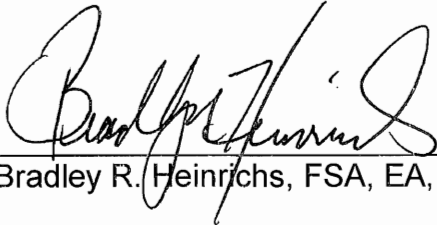
As can be seen above, the funding period required to amortize the Unfunded Actuarial Accrued Liability has increased from 25.2 to 29.4 years since the prior valuation. This increase is the result of net unfavorable actuarial experience over the past year. The primary component of unfavorable experience included a -0.5% investment return (Actuarial Asset Basis) that fell significantly short of the 8.0% assumption. Please refer to the Gain/Loss Analysis on Page 12 for additional details.

In conjunction with this valuation report, the Board of Trustees has approved two changes to the actuarial assumptions, as described on the following page. The impact associated with implementing these changes is displayed in the comparative summary section of this report.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER INC.

By: 
Bradley R. Heinrichs, FSA, EA, MAAA

CHANGES SINCE PRIOR REPORT

1. Benefit Provisions

There have been no changes in benefits since the prior valuation.

2. Actuarial Assumptions/Methods

As approved by the Board of Trustees, there have been two changes to the actuarial assumptions since the prior valuation, as follows:

- The mortality rate assumption has been amended from the RP-2000 Mortality Table projected to 2014 to the RP-2000 Mortality Table without projection of future mortality improvements. While major mortality studies of the general population have shown mortality rates becoming lower over extended periods of time, this may not necessarily be the case for public safety workers. Based upon a study that we performed of the experience of 650 retirement plans for public safety workers, our results showed that there was a 10% margin for future mortality improvements using the RP-2000 Mortality Table with static rates.
- The payroll growth assumption utilized to amortize the Unfunded Actuarial Accrued Liability was reduced from 4.0% to 3.5% per year.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

Valuation Date	<u>12/31/2012</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
A. Participant Data			
Actives	1,709	1,709	1,679
Service Retirees + DROP	575	575	527
Beneficiaries	44	44	43
QDRO	25	25	22
Disability Retirees	4	4	4
Terminated Vested	23	23	19
Total	<u>2,380</u>	<u>2,380</u>	<u>2,294</u>
Total Annual Payroll	141,561,047	141,561,047	134,843,931
Payroll Under Assumed Ret. Age	141,561,047	141,561,047	134,843,931
Annual Rate of Payments to:			
Service Retirees + DROP	35,193,018	35,193,018	31,561,485
Beneficiaries	1,916,217	1,916,217	1,897,411
QDRO	355,420	355,420	323,121
Disability Retirees	136,509	136,509	136,509
Terminated Vested	601,903	601,903	416,942
B. Assets			
Actuarial Value	558,475,643	558,475,643	553,701,976
Market Value	538,295,885	538,295,885	483,600,580
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	763,007,423	781,930,154	751,002,491
Vested Benefits	1,576,678	1,629,211	1,757,624
Death Benefits	14,023,341	11,244,456	11,264,236
Disability Benefits	15,479,539	15,713,284	15,806,982
Refund of Contributions	3,177,242	3,178,230	3,090,675
Service Retirees + DROP	379,302,484	386,090,668	343,627,645
Beneficiaries	15,910,016	16,203,614	16,435,130
QDRO	3,736,704	3,775,620	3,498,187
Disability Retirees	1,589,185	1,608,211	1,618,819
Terminated Vested	1,798,204	1,854,278	1,332,205
Total	<u>1,199,600,816</u>	<u>1,223,227,726</u>	<u>1,149,433,994</u>

Valuation Date	<u>12/31/2012</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	1,682,723,298	1,685,659,353	1,606,400,949
Normal Cost (Entry Age Normal)			
Retirement Benefits	27,412,662	28,098,790	26,870,016
Vested Benefits	129,014	133,318	140,584
Death Benefits	628,536	509,947	499,244
Disability Benefits	933,921	946,487	938,893
Refund of Contributions	457,658	457,738	456,152
Total Normal Cost	<u>29,561,791</u>	<u>30,146,280</u>	<u>28,904,889</u>
Present Value of Future Normal Costs	343,023,990	350,521,601	334,175,218
Actuarial Accrued Liability			
Retirement Benefits	439,356,351	449,616,886	434,971,886
Vested Benefits	721,723	745,253	822,539
Death Benefits	7,015,678	5,565,899	5,721,281
Disability Benefits	6,366,009	6,465,138	6,422,920
Refund of Contributions	780,472	780,558	808,164
Inactives	402,336,593	409,532,391	366,511,986
Total Actuarial Accrued Liability	<u>856,576,826</u>	<u>872,706,125</u>	<u>815,258,776</u>
Unfunded Actuarial Accrued Liability (UAAL)	298,101,183	314,230,482	261,556,800
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	402,336,593	409,532,391	366,511,986
Actives	138,294,726	143,244,252	137,924,766
Member Contributions	<u>129,963,192</u>	<u>129,963,192</u>	<u>121,671,207</u>
Total	<u>670,594,511</u>	<u>682,739,835</u>	<u>626,107,959</u>
Non-vested Accrued Benefits	21,034,476	21,429,715	16,899,693
Total Present Value Accrued Benefits	<u>691,628,987</u>	<u>704,169,550</u>	<u>643,007,652</u>

Valuation Date	<u>12/31/2012</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll*	21.743	22.172	22.318
Expected Member Contributions % of Total Annual Payroll*	13.000	13.000	13.000
City Normal Cost Rate % of Total Annual Payroll*	8.743	9.172	9.318
Funding Period to Amortize UAAL **	29.4 years	31.2 years	25.2 years

F. 30-Year Funding Cost

Normal Cost (with interest) % of Total Annual Payroll*	21.743	22.172	22.318
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years % of Total Annual Payroll*	12.655	12.617	11.025
Total 30-Year Funding Cost % of Total Annual Payroll*	34.398	34.789	33.343

* Contributions developed as of 12/31/12 are expressed as a percentage of total annual payroll at 12/31/12 of \$141,561,047 and include 0.025% of payroll for assumed additional administrative expenses for participation in the Proportionate Retirement Program

** The period required to amortize the UAAL was calculated based on the City's currently scheduled annual contribution rate to the Fund of 21.63% of total payroll, less the calculated contribution rate required to fund the Retiree Death Benefit Fund

Valuation Date	<u>12/31/2012</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
G. Retiree Death Benefit Fund *			
Present Value of Benefits			
Active Members	1,078,255	983,179	973,446
Retired and Terminated Vested Members	1,768,327	1,647,550	1,489,705
Total	<u>2,846,582</u>	<u>2,630,729</u>	<u>2,463,151</u>
Present Value of Future Normal Costs	473,410	431,731	426,096
Actuarial Accrued Liability	2,373,172	2,198,998	2,037,055
Asset Value of Fund	601,764	601,764	488,051
Unfunded Actuarial Accrued Liability (UAAL)	1,771,408	1,597,234	1,549,004
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 23 years (as of 12/31/12)			
% of Total Annual Payroll	0.087	0.075	0.074
Normal Cost (with interest)			
% of Total Annual Payroll	0.031	0.028	0.029
Total Required City Contribution Rate Allocated to the Retiree Death Benefit Fund			
% of Total Annual Payroll	0.118	0.103	0.103

* The Retiree Death Benefit Fund was established effective September 1, 2003. The Fund operates as a separate account within the system that is used to advance fund and to pay the \$10,000 post-retirement lump sum death benefits for retirees

GAIN/LOSS ANALYSIS

a. Total Gain/(Loss)

1. UAAL, Beginning of Year	261,556,800
2. Normal Cost Applicable for Year	28,904,889
3. Interest on (1) and (2)	23,236,935
4. Contributions During Year	47,156,863
5. Interest on (4)	1,849,987
6. Expected UAAL, End of Year: (1)+(2)+(3)-(4)-(5)	264,691,774
7. Actual UAAL, End of Year (Before Assumption Change)	314,230,482

Total Actuarial Gain/(Loss)	(49,538,708)
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b. Gain/(Loss) on Assets

1. Actuarial Value of Assets (AVA), Beginning of Year	553,701,976
2. Contributions Less Benefit Payments	7,147,526
3. Expected Investment Earnings	44,576,559
4. Expected AVA, End of Year: (1)+(2)+(3)	605,426,061
5. Actual Actuarial Value of Assets, End of Year	558,475,643

Gain/(Loss) on Assets	(46,950,418)
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c. Gain/(Loss) on Liabilities

1. Expected Actuarial Accrued Liability: a(6)+b(4)	870,117,835
2. Actual Actuarial Accrued Liability (Before Assumption Change)	872,706,125

Gain/(Loss) on Liabilities	(2,588,290)
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ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates – All Lives</u>	<p>Current: RP-2000 Combined Healthy without projection – Sex Distinct.</p> <p>Previous: RP-2000 Combined Healthy Mortality Table for males and females projected to 2014 -- Sex Distinct.</p>
<u>Interest Rate</u>	8.0% per year, compounded annually, net of all expenses.
<u>Payroll Growth</u>	3.5% (previously 4.0%) per year for amortization of the Unfunded Actuarial Accrued Liability.
<u>Administrative Expenses</u>	0.025% of payroll added to Normal Cost.
<u>PROP Investment Accounts</u>	75% retiring in DROP will elect to leave their lump sum in the System until age 60. Average annual rate credited to the PROP accounts will be 4.0%.
<u>Marital Status</u>	85% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 3 years younger than Males.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method
<u>Actuarial Asset Method</u>	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. The asset value of the Retiree Death Benefit Fund is then subtracted to determine the Actuarial Value of Assets.
<u>Retirement Rates</u>	See following tables.
<u>Termination Rates</u>	See following tables.
<u>Disability Rates</u>	See following tables. 55% of disablements are assumed to be service related.
<u>Salary Increases</u>	See following tables.

Pre-Retirement Death Payment Form

Married: Joint and 100% to Survivor
 Single: 15-Year Certain and Life Annuity

Retirement Rates

For Entry Ages Under 32 ¹				For Entry Ages 33 and Above ³			
APRS Service	22 & Under	23-27	28-32	AGE	33-37	38-42	43 & Over
0-22	0.05	0.05	0.05	33-37	0.10		
23	0.15	0.15	0.225	38-42	0.10	0.10	
24	0.10	0.10	0.15	43-47	0.10	0.10	0.10
25	0.10	0.10	0.15	48	0.10	0.10	0.10
26	0.15	0.15	0.25	49	0.10	0.10	0.10
27	0.15	0.15	0.25	50	0.10	0.10	0.10
28	0.25	0.25	0.25	51	0.10	0.10	0.10
29	0.25	0.25	0.30	52	0.10	0.10	0.10
30	0.30	0.30	0.40	53	0.10	0.10	0.10
31	0.30	0.30	0.50	54	0.10	0.10	0.10
32	0.30	0.30	1.00 ²	55	0.20	0.10	0.10
33	0.30	0.30		56	0.25	0.10	0.10
34	0.40	0.40		57	0.30	0.10	0.10
35	0.40	0.50		58	0.35	0.10	0.10
36	0.40	0.50		59	0.50	0.10	0.10
37	0.50	1.00 ²		60	1.00	0.50	0.10
38	0.50			61		0.35	0.10
39	0.50			62		0.35	0.80
40	0.50			63		0.35	0.40
41	0.50			64		0.35	0.40
42	1.00 ²			65		1.00	1.00

¹ Rates are based on APRS service only and apply after a Member is eligible for retirement with combined APRS and Proportionate Retirement Program (PRP) service. Entry ages are determined based on APRS service only.

² 100% retirement rate will be effective at age 60, if earlier.

³ Rates are based on age and apply after a Member is eligible for retirement with combined APRS and PRP service. Entry ages are determined based on APRS service only.

Termination Rates

<u>Combined Years of Service¹</u>	<u>Probability of Termination During Year</u>
0	0.05
1	0.02
2	0.02
3	0.02
4	0.02
5	0.02
6	0.02
7	0.02
8	0.02
9	0.02
10	0.01
11	0.01
12	0.05
13	0.05
14	0.05
15 & Above	0

¹ APRS service combined with Proportionate Retirement Program service.

Disability Rates

<u>Age</u>	<u>Probability of Disablement During Year</u>
20	0.00014
22	0.00016
24	0.00018
26	0.00021
28	0.00025
30	0.00031
32	0.00040
34	0.00049
36	0.00054
38	0.00062
40	0.00092
42	0.00132
44	0.00173
46	0.00255
48	0.00334
50	0.00379
52	0.00404
54	0.00456
56	0.00532
58	0.00660
60	0.00911
62 & Above	0

Salary Increases

<u>Years of Service</u>	<u>Increase in Salary¹</u>
0	18.0%
1	11.2
2	5.8
3	0.9
4	0.9
5	7.1
6	0.5
7	0.5
8	0.5
9	7.1
10	0.3
11	0.3
12	0.3
13	7.1
14	0.2
15	7.2
16	0.2
17	0.1
18	0.1
19	0.1
20	0.1
21	0.1
22	0.1
23	0.1
24	0.1
25 & Above	0.0

¹ Expected increases in salary as shown above are in addition to 4.0% increase per year due to general wage increases.

VALUATION NOTES

Total Annual Payroll is the annual rate of pay as of the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age .

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Austin Police
Retirement System

BALANCE SHEET
December 31, 2012

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	13,177,323.38
Checking Account	70,520.58
Prepaid Expenses	6,803.36
 Total Cash and Equivalents	 13,254,647.32
Receivable:	
Member Contributions	800,588.68
City Contributions	1,332,056.40
Accrued Income	2,460,299.56
 Total Receivable	 4,592,944.64
Investments:	
Partnership Interests	53,051,133.00
Corporate Bonds	25,603,358.00
Corporate Stocks	177,933,688.81
International Stocks	29,935,866.00
International Government Securities	39,489,181.31
Real Estate Interests	144,152,958.00
Mutual Funds:	
Alternatives	50,204,082.00
International	0.00
 Total Investments	 520,370,267.12
Retiree Death Benefit Fund	601,763.77
Net Fixed Assets	578,687.35
 TOTAL ASSETS	 539,398,310.20
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Payable:	
Refunds	43,471.02
Other	457,190.07
 Total Liabilities	 500,661.09
 Net Assets ¹	 538,897,649.11
 TOTAL LIABILITIES AND NET ASSETS	 539,398,310.20

¹Includes \$601,764 for the Retiree Death Benefit Fund. The Net Market Value of Assets excluding the Retiree Death Benefit Fund, is \$538,295,885.

Austin Police
Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2012
Market Value Basis

REVENUES

Contributions:		
Member	17,874,653.70	
Buy-Back	660,214.00	
City	27,757,746.37	
City for Proportionate Retirement Program	864,248.80	
City for Retiree Death Benefit	145,415.98	
Total Contributions		47,302,278.85
Earnings from Investments		
Interest & Dividends	3,494,762.74	
Miscellaneous Income	4,190,122.17	
Net Realized Gain (Loss)	10,189,795.55	
Unrealized Gain (Loss)	32,646,629.08	
Total Earnings and Investment Gains		50,521,309.54
EXPENDITURES		
Expenses:		
Investment Related ¹	1,842,582.06	
Administrative	1,162,651.17	
Total Expenses		3,005,233.23
Distributions to Members:		
Benefit Payments	33,452,171.06	
Lump Sum DROP and PROP Balances	5,695,738.64	
Retiree Death Benefits	30,000.00	
Termination Payments	831,427.35	
Total Distributions		40,009,337.05
Change in Net Assets for the Year		54,809,018.11
Net Assets Beginning of the Year		484,088,631.00
Net Assets End of the Year		538,897,649.11

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

Austin Police
Retirement System

ACTUARIAL ASSET VALUATION
December 31, 2012

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return.

Plan Year Ending	Gain/(Loss)	<u>Gains/(Losses) Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2013	2014	2015	2016	2017
12/31/2009	3,260,002	652,000	0	0	0	0
12/31/2010	16,389,018	6,555,607	3,277,804	0	0	0
12/31/2011	(56,982,781)	(34,189,669)	(22,793,112)	(11,396,556)	0	0
12/31/2012	8,502,880	6,802,304	5,101,728	3,401,152	1,700,576	0
Total		(20,179,758)	(14,413,580)	(7,995,404)	1,700,576	0

Development of Investment Gain/Loss

Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2011	484,088,631
Contributions Less Benefit Payments	7,292,942
Expected Investment Earnings*	39,013,196
Actual Net Investment Earnings	47,516,076
2013 Actuarial Investment Gain/(Loss)	<u>8,502,880</u>

*Expected Investment Earnings = $0.08 * 484,088,631 + [(1 + 0.08)^{0.5} - 1] * 7,292,942$

Development of Actuarial Value of Assets

Market Value of Assets, 12/31/2012	538,897,649
(Gains)/Losses Not Yet Recognized	20,179,758
Actuarial Value of Assets, 12/31/2012	<u>559,077,407</u>
(A) 12/31/2011 Actuarial Assets, including Retiree Death Benefit Fund:	554,190,027
(I) Net Investment Income:	
1. Interest, Dividends and Misc Income	7,684,885
2. Realized Gains (Losses)	10,189,796
3. Change in Actuarial Value	(17,388,722)
4. Investment and Administrative Expenses	(3,005,233)
Total	<u>(2,519,274)</u>
(B) 12/31/2012 Actuarial Assets, including Retiree Death Benefit Fund:	559,077,407
Actuarial Assets Rate of Return = $2I/(A+B-I)$:	-0.5%
Market Value of Assets Rate of Return:	9.7%

12/31/2012 Limited Actuarial Assets, including Retiree Death Benefit Fund: 559,077,407
(Lesser of Actuarial Assets or 120% of Market Value, but no less than 80% of Market Value)

12/31/2012 Limited Net Actuarial Assets, excluding Retiree Death Benefit Fund: 558,475,643

Austin Police
Retirement System

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2012
Actuarial Asset Basis

REVENUES

Contributions:		
Member	17,874,653.70	
Buy-Back	660,214.00	
City	27,757,746.37	
City for Proportionate Retirement Program	864,248.80	
City for Retiree Death Benefit	145,415.98	
Total Contributions		47,302,278.85
Earnings from Investments		
Interest & Dividends	3,494,762.74	
Miscellaneous Income	4,190,122.17	
Net Realized Gain (Loss)	10,189,795.55	
Change in Actuarial Value	(17,388,721.69)	
Total Earnings and Investment Gains		485,958.77
EXPENDITURES		
Expenses:		
Investment Related ¹	1,842,582.06	
Administrative	1,162,651.17	
Total Expenses		3,005,233.23
Distributions to Members:		
Benefit Payments	33,452,171.06	
Lump Sum DROP and PROP Balances	5,695,738.64	
Retiree Death Benefits	30,000.00	
Termination Payments	831,427.35	
Total Distributions		40,009,337.05
Change in Net Assets for the Year		4,773,667.34
Net Assets Beginning of the Year		553,701,976.00
Net Assets End of the Year²		558,475,643.34

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration, and exclude the Retiree Death Benefit Fund of \$601,764.

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 12/31/11	1679
b. Terminations	
i. Vested (partial or full) with deferred benefits	5
ii. Non-vested or full lump sum distribution received	23
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	45
f. DROP	4
h. Continuing participants	1602
i. New entrants	107
j. Total active life participants in valuation	1709

2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, DROP Participants</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Receiving QDRO Benefits</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	527	43	4	22	19	615
b. In	50	1	0	3	5	59
c. Out	2	0	0	0	1	3
d. Number current valuation	575	44	4	25	23	671

STATISTICAL DATA

	<u>12/31/2011</u>	<u>12/31/2012</u>
Actives	1,679	1,709
Average Current Age	39.7	39.6
Average Age at Employment	28.0	28.1
Average Past Service	11.7	11.5
Average Annual Salary	\$79,636	\$82,079

* Foster & Foster does not have enough historical data to include data prior to 12/31/2011.
We will add hisortical data going forward.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	13	5	1	0	0	0	0	0	0	0	0	19
25 - 29	43	49	12	26	12	34	0	0	0	0	0	176
30 - 34	24	28	12	45	24	144	29	1	0	0	0	307
35 - 39	12	9	7	21	10	89	176	26	0	0	0	350
40 - 44	4	2	3	25	5	56	128	142	18	0	0	383
45 - 49	0	1	2	19	3	29	58	72	81	11	0	276
50 - 54	0	0	0	9	1	5	19	21	50	39	2	146
55 - 59	0	0	0	5	2	0	4	4	16	13	5	49
60 - 64	0	0	0	1	0	0	0	0	0	0	1	2
65+	0	0	0	0	0	0	0	0	0	0	1	1
Total	96	94	37	151	57	357	414	266	165	63	9	1,709

AUSTIN POLICE RETIREMENT SYSTEM
SUMMARY OF BENEFIT PROVISIONS

<u>Creditable Service</u>	Total years and completed months (excluding a month in which service amount to fewer than 15 days) during which a Member makes contributions to the System.
<u>Earnings</u>	Base pay, plus longevity pay.
<u>Average Final Compensation</u>	Average Earnings for the highest 36 months over the last 120 months of service.
<u>Member Contributions</u>	13.0% of Earnings.
<u>City Contributions</u>	20.63% (as of 12/31/2011), scheduled to increase to 21.63% effective October 1, 2012.
<u>Normal Retirement</u>	
Date	Earlier of age 62, age 55 and 20 years of Creditable Service, or 23 years of Creditable Service, regardless of age (excluding military service).
Benefit	3.20% of Average Final Compensation <u>times</u> Creditable Service.
Form of Benefit	Modified Cash Refund (options available).
<u>Vesting</u>	
Schedule	100% after 10 years of Creditable Service.
Benefit Amount	Member will receive his (her) accrued benefit payable at the Normal Retirement Date based upon actual Creditable Service prior to termination. Non-vested members receive a refund of accumulated contributions.

Disability

Eligibility	Total and permanent as determined by the Board. Members must have 10 years of Creditable Service if the disability was non-service related.
Benefit	Accrued benefit at date of disability, but not less than 64% of Average Final Compensation for service related disablements.
Form of Benefit	Modified Cash Refund (options available).

Death Benefits

Before Retirement Eligibility	Twice the amount of the Member's accumulated contributions, subject to a minimum of \$10,000.
After Retirement Eligibility	Member's accrued benefit as of the date of death, payable based on optional annuity selected either by Member or beneficiary. Additionally, a lump sum death benefit is payable in the amount of \$10,000.

Retiree Death Benefit Fund

Effective September 1, 2003, a separate fund (funded as a portion of the City's contribution rate) was established to pay post-retirement lump sum death benefits. Effective September 1, 2007, the amount of these benefits was increased to \$10,000.

Cost of Living Adjustment

Eligibility	Normal Retirement.
Amount	Determined by the actuary if providing a COLA (not to exceed 6.0% per year) will not impair financial stability of the System. Post-Retirement benefit increases will automatically be provided when the System's benefit accrual rate is increased.

Proportionate Retirement Program

Effective September 1, 2009, the System and the City began participating in the statewide Proportionate Retirement Program (PRP). Service in other participating public employee retirement systems can be combined with service in the System to satisfy the System's requirements for service retirement eligibility and for eligibility for vested benefits of a terminated Member. The participating systems, in addition to the System, are the six statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

Forward DROP

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Not to exceed 60 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

Retro DROP

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Upon election to retroactively enter DROP, the Retro DROP period will not exceed 36 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements
of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/12	558,475,643	856,576,826	298,101,183	65.2%	141,561,047	210.6%
12/31/11	553,701,976	815,258,776	261,556,800	67.9%	134,843,931	194.0%
12/31/10	546,956,628	776,231,027	229,274,399	70.5%	127,731,696	179.5%
12/31/09	518,111,923	733,634,660	215,522,737	70.6%	122,928,285	175.3%
12/31/08	464,230,585	693,202,499	228,971,914	67.0%	122,735,216	186.6%
12/31/07	482,303,290	637,559,674	155,256,384	75.6%	111,809,091	138.9%

The schedule provided below has been prepared in accordance with the requirements
of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution (% of Pay)	City Contribution (% of Pay)	Percentage Contributed
2012	19.698%	20.778%	105.5%
2011	19.360%	19.782%	102.2%
2010	20.291%	18.788%	92.6%
2009	16.776%	18.254%	108.8%
2008	17.846%	17.900%	100.3%
2007	18.775%	17.919%	95.4%

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

THREE YEAR TREND INFORMATION

Fiscal Year <u>Ending</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
9/30/2012	26,409,663	105.3%	(7,039,826)
9/30/2011	22,269,355	117.3%	(5,640,531)
9/30/2010	20,609,831	111.0%	(1,798,632)

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

Fiscal Year Ending	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>
Annual Required Contribution (ARC - %)	16.776%	16.776%	19.698%
City Contribution Rate (%)	18.6300%	19.630%	20.630%
Actual Contributions Made (\$)	22,877,000	26,111,254	27,808,958
City ARC (\$)	20,600,352	22,314,946	26,552,635
Interest on NPO	37,483	(143,891)	(451,242)
Adjustment to ARC	(28,004)	98,300	308,270
	-----	-----	-----
Annual Pension Cost	20,609,831	22,269,355	26,409,663
Contributions Made	22,877,000	26,111,254	27,808,958
	-----	-----	-----
Increase in NPO	(2,267,169)	(3,841,899)	(1,399,295)
NPO Beginning of Year	468,537	(1,798,632)	(5,640,531)
	-----	-----	-----
NPO End of Year	468,537	(1,798,632)	(7,039,826)