

Assurance for Members of the Austin Police Retirement System

Not an Emergency

These are strange and challenging times, but members of the Austin Police Retirement System need not worry about any threat of near-term failure of their pension plan. Period.

APRS is Governed by State Law

Yes, the long-term funding of the System that will keep it sustainable for future generations needs to be addressed. The System is in the process of doing just that, working diligently with our plan sponsor, the City of Austin. We will also work with the State of Texas, because APRS is a standalone entity created under Texas state law. APRS members also have certain benefit protections under the State Constitution. So, the Texas Legislature has the final authority over the Austin Police Retirement System. A recent article circulating contained a number of inaccuracies, particularly about APRS governance. The Austin City Council does not have the authority to take “emergency control” of its pensions. Nor can a Council committee “grant itself extended legislative authority” over the retirement systems, as was stated in the erroneous article. Please do not listen to hyperbole pension worry.

There’s No “Run on the Bank”

APRS is not experiencing a “run on the bank” as rumored by some, but admittedly retirements are increasing. There has also been a recent uptick in members simply seeking information. It is a good when APRS members are seeking to better educate themselves about their retirement system, their standing in it, and their individual options for future planning. The System has always encouraged members toward better understanding and future financial planning. Some officers not yet eligible for retirement may leave and take a refund of their contributions. However, please note that the System actually benefits from the withdrawal of member accounts, because under state law APRS keeps the City’s contributions received for those members.

Future Outlook

The System’s actuary, Gabriel, Roeder, Smith & Company, estimated in the valuation of data as of December 31, 2018 that without additional funding and/or changes to the benefit structure, APRS funds would be depleted in about 50 years. So, there is certainly time to make revisions to the System as needed to better ensure sustainability for future generations. Naturally, we should and plan to address needed changes sooner rather than later, because the longer it takes these issues, the more it will cost. We expect completion of the next valuation by mid-summer.

Making adjustments as needed over time is how defined benefit pension plans work. There is an ongoing reassessment with annual actuarial valuations and periodic experience studies every four to five years to be sure that, with the fluctuations in demographics and investment returns, the System will always be able to meet its obligations. The recent experience study conducted by APRS showed the need to adjust actuarial assumptions. The result better reflects the current funded status of the System.

Plans are being developed to sustain the pension system and improve its funding status to a healthier position as soon as possible.

Contact for questions: executivedirector@ausprs.org