

# Austin Police Retirement System News

FALL  
2018

## Board of Trustees



### Elected by

#### Active members:

Sgt. Jim Beck,  
Chair  
Det. Andrew Romero,  
Vice Chair  
Cmdr. Todd Smith  
SPO Tyler Link  
Sgt. Tom Hugonnett

#### Elected by Retired Members:

Ret. Lt. Carl  
Zimmerman  
Ret. Sgt. Keith  
Harrison

#### Statutory Trustee

##### Positions:

Ms. Kathie Tovo,  
Mayor Pro Tem  
Ms. Elaine Hart,  
Interim City Manager  
Ms. Belinda Weaver,  
Acting City Treasurer  
Chesley Wood,  
Citizen Representative



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## Letter from Board Chair, Jim Beck

The APRS Board of Trustees has been busy this year in bidding two key consulting positions, the System actuary and the investment consultant. Articles within explain the actuarial work conducted already and work still underway in making sure the Board has the most accurate information upon which to assess the funding status of the System. The actuary reported a funded ratio of 65.8%, with a funding period to amortize unfunded liabilities of 35 years as of December 31, 2017.



The Board also conducted a search for an investment consultant, for which the final selection will occur in September. Investment returns in 2017 were 11.89% and show an increase in assets of \$84 Million, bringing the fund size to \$770 Million.

As always, please do not hesitate to contact me or any Trustee if you need assistance.

## Letter from Executive Director, Pattie Featherston



The 2017 Annual Financial Report concluded with a favorable audit. Investment returns in 2017 made for a strong year. At year end, membership reflected a total of 2,831 participants: 1,866 active officers; 867 recipients of benefits; and, 98 terminated employees entitled to a future benefit.

Please help us welcome our newest Trustee, Belinda Weaver, Interim City Treasurer (Page 4). A Fall 2018 Retirement Education Seminar is scheduled for October 29 (Page 5).

On behalf of all of the APRS staff, thank you for your continued support and encouraging spirit. We are fortunate to work for such dedicated public servants.

## Actuarial Valuation as of December 31, 2017

The recent actuarial valuation showed that the System has \$1.185 Billion in total accrued liability, with \$406 Million in Unfunded Actuarial Accrued Liability (UAAL). This means the funded ratio is 65.8%, with a funding period to amortize unfunded liabilities of 35 years. No assumption changes were made by the Board for the performance of this most recent valuation. However, the actuary has recommended that an experience study be conducted to assess the reasonableness of the currently used

assumptions as compared to the actual experience of the System.

*“This means the funded ratio is 65.8%, with a funding period to amortize unfunded liabilities of 35 years.”*

The State Pension Review Board sets guidelines to advise public pension plans and has adopted guidelines prescribing a funding period to amortize unfunded liabilities not to exceed 30 years, with 25 years being preferable. This is guidance, though, and not a legal requirement.

## Board of Trustees Selected New Actuarial Firm

After year end and heading into preparation for the 2017 actuarial valuation, the System issued an RFP in December to consider options for the retention of actuarial services. In February, the Board heard presentations from several firms and chose Gabriel, Roeder, Smith & Co. (GRS). With many offices nationwide, the consultants in Dallas will service the APRS account.

GRS (<https://grsconsulting.com>) is a very reputable firm that represents many Texas pension funds, including: City of Austin

Employees, Dallas Employees (not police and fire), Ft. Worth Employees (includes police and fire), Houston Employees, Houston Police, TX Municipal Retirement System, TX Employees Retirement System, and the TX Teacher Retirement System.



## Actuarial Result Changes for 2016

As is the standard professional practice of any transition from one actuary to another, there is a replication done of the prior year's valuation. When GRS replicated the 2016 valuation done by the prior actuary, some differences were found. Most notable, the funding period was found to be six years longer than previously thought.

GRS found that as of December 31, 2016, the System was 65.6% funded with a funding period of 34 years to fund unfunded liabilities, as compared to what was reported by the previous actuary of 66.2% funded with an amortization period of 27.3 years.

## Actuarial Experience Study Underway

State law requires an experience study be conducted every five years by public retirement systems that have at least \$100 Million in assets. At its August meeting, the APRS Board of Trustees directed the actuary to conduct an experience study as soon as possible.

Results are expected later this fall.

The experience study involves an analysis that looks back over a period, such as five years, to see if actuarial assumptions used in performing valuations are reasonable considering the actual experience of the System. Assumptions reviewed include demographics, such as mortality, terminations and retirements. The study will also assess the long-term outlook for economic assumptions, such as inflation, return on investments, salary increases, and payroll growth.

## Board Conducts Lengthy Selection Process for Investment Consultant

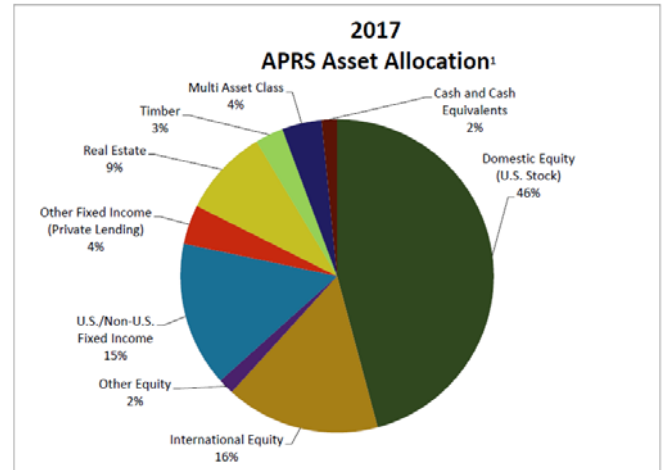
One of the most important advisors to the Board is the investment consultant. It is best practice to periodically conduct a search process for key consultants. It is no reflection on the incumbent which has served the System professionally for over five years; however, this has been a sincere process.

A Request for Proposal was issued in February. A number of proposals were submitted. Chair Jim Beck named a search committee: Todd Smith, Chair; Keith Harrison; Elaine Hart; and Tyler Link.

The committee reviewed all proposals and narrowed the list to a handful of firms for which site visits were conducted by members of the committee and the APRS Executive Director. The Board will interview finalists at its meeting in September.

## 2017 Annual Financial Report

The APRS Board has adopted and published the final audited 2017 Annual Financial Report, and it is posted on the website. The report shows a favorable review by the outside independent auditor, Montemayor Britton Bender PC. It also includes the *Public Pension Standards Award For Funding and Administration 2017*, as presented by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators (NASRA), National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).



Asset classes revised November 13, 2017

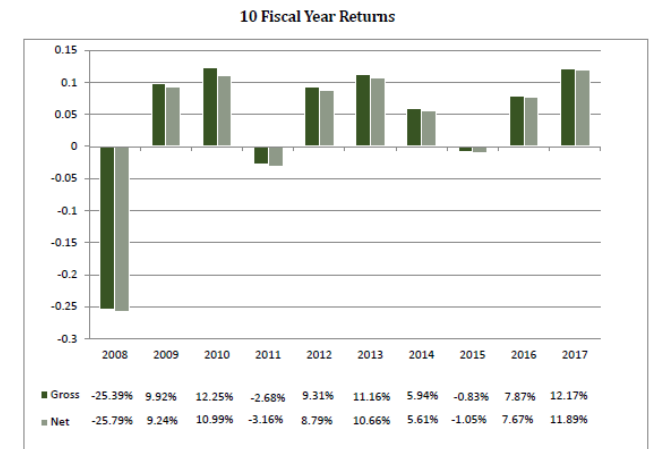
### Highlights of the 2017 Annual Financial Report include:

- Increase of \$84 Million in Net Fiduciary Assets, bringing the fund size to \$770 Million
- Net Investment Returns:

1-year 11.89%  
 3-year 6.03%  
 30-year 8.29%

Although the System has had some down years for investments like all other public pension funds, recent economic gains are strong.

Membership also grew over the last year. Note, however, that the record number of retirements experienced at the end of 2017 will not be reflected until the 2018 annual report.



Current active participating members	1,866
Retirees and beneficiaries currently receiving benefits (867) and terminated employees entitled to future monthly benefits (98)	<u>965</u>
<b>Total Membership on December 31, 2017</b>	<b>2,831</b>

## New Trustee, Belinda Weaver Joins the Board

Trustee Art Alfaro served on the APRS Board of Trustees for a number of years as a representative of the City Manager. Mr. Alfaro retired from his position as City Treasurer in March. Soon to follow, City Manager Cronk appointed Belinda Weaver, who is the Acting City Treasurer, as the replacement for Mr. Alfaro. We offer much gratitude to Art Alfaro for his distinguished service to APRS and heartily welcome Ms. Weaver to the Board.

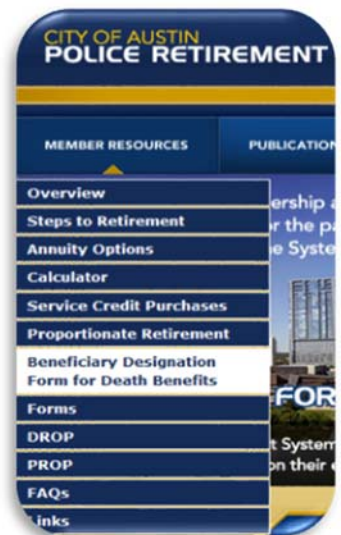
## Board Approves PROP and 5 year Forward DROP Interest Rate

At the Regular Board Meeting on August 15, 2018, the APRS Board of Trustees adopted a continued interest rate of 2.25% on participating accounts in the Post Retirement Option Plan (PROP) and the Five Year Forward DROP program for those who are subject to the variable interest rate due to entering the Five Year Forward DROP after July 31, 2015.

## Online Beneficiary Form Submission

We encourage all active and retired members to be sure they have a current and completed beneficiary designation on file with the System. You can submit a new form online with the protection of an encrypted signature at [www.ausprs.org](http://www.ausprs.org). Keep in mind that this designation is only for death benefits, not to be confused with your possible selection of an annuity survivor option. One individual survivor (usually one's spouse) can be chosen at retirement to receive your annuity after you pass away, and this selection is irrevocable. However, a separate death benefit is paid to the beneficiary of a retiree in the amount of \$10,000. The death benefit for an active member is paid in the amount of two times the member's contribution account balance, with a minimum of \$10,000. Multiple beneficiaries can be named for the death benefit, and you can change this designation at any time during your career or your retirement.

Austin Police Retirement System, Austin Police Department Human Resources, and the City of Austin Deferred Compensation Plan are each separate entities. It is important for you to keep current beneficiary forms on file with each separate entity. Please do not assume that providing a form to one of these offices will carry over to the others as it will not. Please update your beneficiary information with each separate office, and even call afterward to be certain it was received if you do not receive a confirmation.



## Model QDRO Available

For members faced with divorce, a model Qualified Domestic Relations Orders (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.

If this situation applies to you, please submit a draft QDRO to APRS for legal review and approval before it is finalized with the court. Once the QDRO has been finally acted upon by the court, you will need to submit the final copy to APRS. The QDRO award is calculated only on the employment years that coincide with the time period of the marriage. Benefit distributions are impacted by the QDRO in various ways. APRS can provide further details about how this works.



## City of Austin Police Retirement System

**Kendall Thomas**

**Chesley Wood Building:**  
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Austin, TX 78704

Phone: (512) 416-7672

Fax: (512) 416-7138

[www.ausprs.org](http://www.ausprs.org)

### Office Hours:

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

(closed for City and Federal  
Holidays)

### APRS Staff Members:

Pattie Featherston,  
Executive Director

Stephanie Willie,  
Deputy Director

Michelle Ruland,  
Benefits Manager

John Poth,  
Finance Manager

Rose Frank,  
Operations Manager

Deborah Esparza,  
Administrative Assistant

## Upcoming Events

### October—Fall 2018 Retirement Education Seminar

APRS will be hosting it's next Retirement Education Seminar on October 29, 2018 from 9:00 am - 4:00 pm at the Austin Energy. A flyer regarding the seminar along with the registration form has been sent to your work email address. For those who did not receive such correspondence, please contact our office at (512) 416- 7672 to have a registration form emailed to you. Attendance space may be limited. Members with a minimum of 15 years of creditable service will be given first priority.

### November—Annual City of Austin Veterans Luncheon and Benefits/Education Fair

The Austin Police Retirement System was invited to participate in the 11th Annual City of Austin Veterans Appreciation Luncheon and Benefits/Educational Fair which will take place on Wednesday, November 7th at 11:00 a.m. at the Palmer Events Center. This event is for City of Austin employees who are Military Veterans, Guard and Reserve members. APRS will provide information about pre-membership military service credit for currently serving police officers.

## PROP Deferral Program

This program allows retiring and retired members to 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.

### Snapshot of the program rules:

- In order to be eligible to elect to defer annuity payments into PROP, a retired member must be under the age of 69.
- A retiree who retired in or after the calendar year in which they turn age 50 may take up to two disbursements from their PROP account per calendar year while continuing to defer a portion of their monthly annuity.
- Once deferrals have ceased, no further deferrals can be put into the PROP.
- Changes to the deferral amount can be made twice 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 or to see if you are eligible to participate, please visit [www.ausprs.org/prop](http://www.ausprs.org/prop) or contact the System.

## Please Make An Appointment

We love to see our members, and it is a sincere pleasure to serve you. We strongly encourage you, though, to make an appointment for us to be prepared to meet your needs. No matter how simple or quick your question seems, please call first. Our staff is very small and every day is quite full. Please help us serve you best, and give us a call so we can set an appointment if needed.

You also have the convenience of emailing us your questions or to request an appointment through the APRS website at [www.ausprs.org](http://www.ausprs.org). Under the Contact tab there is a fillable form you can submit and you will receive a response from the System via e-mail.

