



# Pension Review

SUMMER / FALL 2015

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## BOARD OF TRUSTEES

- Tim Atkinson, Chair
- Jim Beck, Vice Chair
- Peter Morin
- Kendall Thomas
- Mike Jung
- Chris Perkins
- Andrew Romero
- Chesley Wood
- Art Alfaro
- Kathie Tovo
- Elaine Hart

## Board Modifies Programs & Assumptions

In February of 2015, the APRS actuary reviewed the DROP Programs (Retro & Forward) and Purchases of Service Options (Permissive, Deferred Permissive as well Pre-Membership Military Service Credit) and recommended changes. The most notable changes were discontinuing (terminating) the Retro ‘Backward’ DROP for those with less than 23 yrs. of APD service as of March 31, 2015 and Permissive Service in combination with these two DROP’s. These two changes alone reduced the amortization period by 5 years. The changes in cost increases to members for Service purchases in Permissive and Pre-

Membership Military Service will save APRS future unfunded liability and reduce the amortization period in future years.

In July 2015, the Board voted to adopt actuarial changes to the actuarial assumptions. These changes included reducing price inflation to 3.25% from 3.50%, payroll growth assumption to 3.5% from 3.75% that reduce the amortization period by 2.1 years, changing the PROP interest rate to 2.25% reduces the amortization period by 3.9 years and decreasing the Investment return assumption to 7.9% increases the amortization by 3 years.

## APRS Chairs Corner

As a board we have made many changes with the goal of maintaining the current benefits (23 years of service with a 3.2 multiplier) for generations to come. Although these choices have been tough, I remain humbled by the dedication of the trustees on the pension and the staff at the office. We are working closely with our consultant to reduce the risks of our investments while also increasing returns in areas that hold weighted promise. In August the Board decided to start moving our assumed rate of return (the expected interest rate the fund earns) down 10 basis points each year for five years, from 7.9% in 2014 to 7.5% in 2018 and thereafter for following years. The effect has moved our unfunded years (period required to

amortize UUAL) from 25.6 years to 28.6 years in 2014. I am confident that we will continue to reduce this unfunded amount below 20 years and raise our funding level above 80%.

In the future I hope to study and implement an actuarially neutral pop-up provision to the plan (this would require legislative approval). We are also looking at new software for our members that will allow seeing balances and running retirement scenarios from your computer and smart phone. Finally, I recognize our CEO Sam Jordan’s 23 years of exceptional performance. When Sam started the plan was worth \$71,223,180. Today the value (AUM) is approximately \$660 Million.

Tim Atkinson 2554



## 2014 Audit & Actuarial Valuation and 2015 Mid-Year Report

The December 31, 2014 audit shows the System's financial statements presented fairly, in all material respects, the financial status of the City of Austin Police Retirement System and the changes in its financial status for the year then ended in conformity with generally accepted accounting principles. This is the highest standard of measurement that can be issued as an audit opinion.

The 2014 audited Net Assets Held in Trust Available for Pension

Benefits at year-end was \$638,019,067 as recorded by the System's independent auditor Montemayor Hill and Company, PC. This asset value is 7.21% greater than 2013. The 2014 actuarial valuation showed the unfunded actuarial accrued liability is 28.6 years and the GASB 25 funding ratio is 66% as presented by the System's actuary, Foster & Foster. This valuation is actuarially sound based on the Texas Pension Review Board guidelines.

The June 30th mid-year

report as presented by The Bogdahn Group Investment Consultant shows the fund has grown to \$652 million, which is 1.92% greater than 2014 year-end \$638 million and this occurred during very volatile 1st half of the 2015 year. The Board, Consultants and Staff believe consistent adherence to its Investment Policy in global diversification across many asset classes, provides the best means to sustain continual growth in assets and thus secure financial stability for its members retirement years.

## Actuarial Soundness Projection Test

Plan Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assumed Asset Return	7.9%	7.8%	7.7%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Criteria 1 (Amort < 30)	Pass									
Criteria 2 (GASB Fund Ratio > 80%)	Fail									
<b>RESULT</b>	<b>Fail</b>									

Greater returns bring up the funding ratio above 80% and brings down the amortization period below 30 years. As you can see, unless the System's investment returns are greater than tiered 7.9%-7.5%, no COLA will be granted in the near future. Returns greater than tiered 7.9%-7.5% are the keys to unlock COLAs for the members.

## Upcoming Trustee Election

Elections will be held in December to fill three Police member Trustee positions and one Retiree member Trustee position. Each position holds a four-year term.

The filing period to petition for placement and serve as a member of the Board will begin September and announced in October 2015.

**This year, elections will be conducted by electronic balloting. APRS has engaged VR Election**

**Services to conduct the trustee election.** Like in past election, members will cast their vote either by phone or by logging on to a secure website .



Please watch your mail carefully for any mail from APRS regarding petition filing statements so that you do not miss instructions on how to become a candidate in the election and by VR

Election on how to cast your vote in November & December.

Voting instructions will be mailed to each police member's home address, currently on file with the Police Department. (Retired members' addresses will be obtained from the Pension Office.) In order to ensure receipt, active members with address changes are encouraged to contact the police personnel office at the 7th Street office. Retirees with address changes should contact the Pension Office.

## 2015 Legislative Update

The following were among the changes made at the Capitol regarding pension legislation during the 84th Legislative Session that ended on May 31, 2015.

House Bill 3310, (authored by Rep. Paul, Flynn, Bonnen, Dennis & Fallon) requires public retirement systems to: 1) provide contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 yrs. (eff. 2015 valuations), 2) Perform actuarial experience study prior to September 1, 2016, and 3) provide funding soundness restoration plan (FSRP) when plan exceeds 40 years over several actuarial valuations. In addition HB 23 (authored



by Davis) changes the TGC 176 Financial Disclosure by identifying combined gifts at \$100 instead of \$250 in 12 month period and broadening familial relationship between vendors and government officers to the 3rd degree of consanguinity and 2nd degree of affinity. These changes become effective September 1, 2015. Government defined benefit plan programs and communities believe these changes provide greater transparency in ethics.

**City of Austin Police  
Retirement System**

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**Staff:**

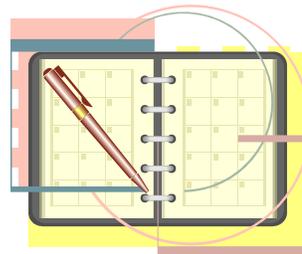
**Sampson Jordan, CEO  
Stephanie Willie, Deputy Director  
Vernon Webb, Financial Manager  
Marisa Hart, Benefit Services Manager  
Rose Frank, Benefit Coordinator**

# Financial Planning Seminar

APRS will be holding a Financial Planning Seminar geared toward members with 10 or more years of service on October 22, 2015.

Seating is limited and is granted on a first come, first served basis. If you are interested in attending, please contact Rose Frank at [rfrank@ausprs.org](mailto:rfrank@ausprs.org) or (512) 416-7672.

A \$10 reservation fee along with the Registration form must be on file with the Pension Office to hold your reservation at the seminar. The \$10 fee will be refunded upon your attendance at the seminar.



## PROP Interest Rate

The Austin Police Retirement System's Board of Trustees set the Post Retirement Option Plan interest rate at the Regular Board Meeting on August 19, 2015. The board voted to keep the interest rate at 2.25% until August 31, 2016.

Retired members who roll their DROP monies into the PROP as well as members who have deferred or are deferring their monthly annuities into the PROP will begin earning the 2.25% interest rate effective September 1, 2015. As well as Forward DROP members who entered the program after July 31, 2015.

Retired members who wish to enter into the PROP can do so by electing to defer all or a portion (\$250 or more) of their monthly annuity into the PROP account. For more information on the PROP Monthly Annuity Deferral program, contact Marisa Hart, Benefit Services Manager at [mhart@ausprs.org](mailto:mhart@ausprs.org) (512) 416-7672.