



Austin Police Retirement System Pension News

Summer 2016

Board of Trustees

Elected by Active members:

Ret. Det. Tim Atkinson,
Chair

Sgt. Jim Beck,
Vice Chair

Ret. Cmdr. Mike Jung

Cmdr. Todd Smith

Sgt. Andrew Romero

Elected by Retirees:

Ret. Lt. Carl Zimmerman

Ret. AC Kendall Thomas

Statutory Trustee Positions:

Ms. Kathie Tovo,
City Councilmember

Mr. Art Alfaro,
City Manager Representative

Ms. Elaine Hart,
City Finance Director

Mr. Chesley Wood,
Citizen Representative

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Letter from Board Chair Tim Atkinson

It is my privilege to serve as the Chair of the Board of Trustees of the City of Austin Police Retirement System. The Board takes its role in governing this important entity very seriously.

On a personal note, July marks my retirement as an Austin police officer. I will, however, continue to serve on the APRS Board to complete several substantial projects to improve the system. As you can imagine, retirement comes with mixed emotions. I'm delighted to have achieved this landmark and I want the same success and opportunity for all officers with the assurance that their retirement fund will be stable and healthy when they get there.

Funding News. Trustees have taken bold steps in the last 18 months to better ensure the long-term financial stability of our pension fund. However, the System's actuarial condition is still concerning. Along our fund's history there were quite a few programs added and decisions made that at the time were believed to add no actuarial cost. However, that has proven to be inaccurate.

Beginning last year we have undertaken to steady the ship and lessen the substantial costs of some of our System's provisions.

Actions in 2015 include: prohibited purchase of



permissive service credit in conjunction with Forward or Retro DROP; adjusted actuarial factors for purchase of permissive service credit; eliminated Retro DROP; adjusted interest rates on Forward DROP; and required full actuarial cost for purchase of military service. The Board also made changes to actuarial assumptions: reduced the investment return

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Letter from the System Executive Director

It is with great pleasure that I accepted the position as Executive Director of the Austin Police Retirement System. I consider it a gift to be able to work in a field I feel passionately about, pension administration, and to do

so in a city I have adored for many decades. More importantly, it is truly an honor to work for public servants that protect us every day.

The Board has been graciously supportive, and

the System office employees already embrace a new vision with me and have shown dedication to growth and improvements.

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Letter from the Chairman cont'd.

assumption from 8.00% to 7.9% (which will be lowered again this year to 7.8%); lowered expected salary growth from 3.75% to 3.5%; and lowered the interest rate on PROP accounts from 4.00% to 2.25%.

More recently in February of 2016 we adjusted the Forward DROP program to mitigate a swelling actuarial cost to the System, grandfathering members that had already achieved 23 years of creditable service, and initiating a new Seven Year Forward DROP for the rest of the membership.

A description of the new Seven Year DROP is provided later in this newsletter.

The consulting actuary estimates that these changes have saved \$18 million dollars and reduced by 6.6 years the period to amortize unfunded liabilities.

The highlights of the 2014 actuarial valuation showed \$653.2 million in assets, \$315.1 million in unfunded

liability, a funded ratio of 67.5%, and a period to amortize the unfunded liability of 28.6 years. The APRS Board recently further adjusted actuarial assumptions which results in a funding period based on the 2014 valuation of 27.8 years.

The State Pension Review Board standards, however, specify a preferred funding period of 15-25 years. In August we

will review the 2015 actuarial valuation, but we do not anticipate an improved position for the fund since we already know that investment performance in 2015 was a dismal -0.6%.

Administrative Changes. This newsletter comes a bit later than desired because the System has been in a period of transition. Following the retirement of the long-

serving CEO, Sam Jordan, the Board began a search for the next leader for daily pension management. In January the Board selected Pattie Featherston as the new Executive Director and she began in early February. Pattie comes with extensive experience in pension administration, state government, and public policy and finance.

She previously served as the Chief Operating Officer of the Teacher Retirement System of Texas, one of the largest pension systems in the nation. She has also worked in state government finance at the Texas Legislative Budget Board.

The APRS Board is delighted to have hired someone of her caliber, and she has already in a few short months initiated a number of improvements for the administration of our System.

Best Regards,

Tim Atkinson

*Trustee action saved
\$18 million dollars
and reduced funding
period by 6.6 years*

Executive Director cont'd.

Transition is seldom easy, so I want to thank you for your patience as we restructure some of our policies and procedures. We have exciting and challenging times ahead, and your support is very much appreciated.

I look forward to getting to know you. Please do not hesitate to let us know at the APRS office if we can ever be of assistance.



APRS STAFF

Pattie Featherston, Exec. Director

Stephanie Willie, Deputy Director

Marisa Hart, Benefits Manager

Vernon Webb, Financial Manager

Rose Frank, Benefits Coordinator

Deborah Esparza, Student Intern

"To serve the APRS membership and protect the retirement benefits for the past, present and future members of the system."

APRS Mission Statement

State Government Oversight of Public Pensions

For years there has been a growing national debate about state and local public pension funds. The controversy has centered largely around defined benefit (DB) plans that provide lifetime annuities based on salaries and years of service. In contrast, defined contribution (DC) plans consist only of the balance in an individual's account consisting of employee and employer contributions plus earned interest.

There are aggressive public policy interest groups that have launched serious attacks on public pension funds, especially DB plans. The State of Texas is becoming more and more interested and vocal in the management of state and local pension funds.

The State Pension Review Board (PRB) has grown in responsibility for monitoring the financial status of all of the State's 93 public sector DB plans. Legislative committees have held several hearings geared at more closely examining some of the more financially troubled local pension plans. Legislative interim studies develop into final reports that usually become proposed legislation, which we will monitor closely.

The bottom line is that everyone affiliated with pension administration is feeling at risk as we enter into the next legislative session, which will convene January 10, 2017. We will be watching intently and providing input as needed.



Stay Current with Your Beneficiary Designation

With most every privilege and benefit comes personal responsibility. One of the most important responsibilities you have in managing your employment benefits is to be sure you have filed valid and current beneficiary designations.

Please note that the City of Austin Police Retirement System (APRS) and the City of Austin Human Resources Department are separate entities, and we have different beneficiary designation forms that govern different benefits. APRS pays a death benefit to the beneficiary(ies) of both active members and retirees, and you must submit the correct APRS form to make your designations.

In addition, if you choose a survivor annuity when you retire, you will designate the individual to receive

your annuity beyond your death. The selection for a survivor annuity does not have to be the same person you select for the death benefit. A different form for this selection will be required at the time you retire. There are also separate beneficiary designation forms for the DROP and PROP programs.

We need original signatures on these forms, so they must be submitted through mail or in person. If you have previously sent a form through email or fax, please resubmit immediately in the proper manner. The form is on the APRS website at www.ausprps.org. If you are not sure what beneficiary designation we have on file for you, as they say...better safe than sorry, so please resubmit today!

In the future we hope to redesign internal systems to allow for the electronic submission of forms. As of now, though, we do not have the ability to ensure security and for that reason will not accept electronic transmissions for such important forms.

City of Austin HR can be contacted at (512) 974-3284 to submit the form they need.

Empowered Deferred Compensation Plan also has a separate form, and they can be reached at (512) 457-9240.



New Seven Year Forward DROP

For members that achieved 23 years of creditable service by February 17, 2016, there are no changes to the Five Year Forward DROP program. However, for members that reach 23 years after that date, there is a new Seven Year Forward DROP program. The changes are due to Board action necessary to mitigate the actuarial impact of the Forward DROP program as described above.

In this program, the employee contributions will be collected but will not credit to the member's Forward DROP account. There will be no interest applied to the member's account.

There is also a graduated fee applied to the monthly account balance. The fee structure is as follows: Year One is 25%; Year Two is 20%; Year Three is 15%; Year Four is 10%; Years Five, Six and Seven are 5%.

While somewhat different from the historic Five Year Forward DROP, the Seven Year Forward DROP still allows significant accumulation for a lump sum distribution at the time of retirement.



Do you know about PROP?

PROP stands for the Post Retirement Option Plan. It 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 69, and have never previously closed a PROP account at APRS. The program requires a minimum deposit of \$250 per month (which can be changed twice per year), and it allows two withdrawals per year of a minimum of \$2,500. Interest is paid on the account at 2.25%.

When you enter PROP you are advised to seek the counsel of a tax advisor. Many APRS members reach retirement eligibility and choose to retire in their forties. There is a complication with the

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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" if you retired before the calendar year you turned 50.

Please contact us 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.

Change of Address

It is very important, especially for retirees of the System, to keep your address current in our records.

For Active Members please contact APD's HR Department at (512) 934-5005.

For Retired Members please visit the APRS website at www.ausprs.org to download the "Address Change Form." The form is located under "Member Resources" at the Homepage. From

there you will navigate to "Forms - Retiree - Address Change Form." Once completed, you have the option to mail, fax or email it back to our office.



Confidentiality of Member and Retiree Information

Please note that APRS takes confidentiality very seriously, in part to protect the System from legal challenges which could have a harmful financial impact to the fund. State law, both in the specific statute governing APRS and more generally in the Texas Government Code, very strictly protects individual information of members of the retirement system. There are a few exceptions related to those working on your behalf such as a spouse or attorney. However, even in these instances APRS will exhibit sincere caution in providing information to anyone that is not directly the member or retiree.



Police Officer Organizations

Many of you are already aware of the advantage of community support among your profession especially in a highly stressful career. Information is provided here in case you are interested in participating in groups that can be supportive to you and your family.

Here is how to contact two of the groups that we know serve active members and retirees of APRS.

Austin Police Association (APA)

Ph: (512) 474-6693

www.austinpolic.com

Austin Retired Police Officer Association (ARPOA)

Ph: (512) 658-0692

www.arpoa.org

Retirement Education Seminar

Thank you to all who attended the recent retirement education seminar hosted by APRS. We had over 90 registered attendees, which made it the largest seminar ever.

Seminar speakers included APRS, representatives from APD Human Resources, City of Austin Insurance Benefits, and the Deferred Compensation plan. In addition, this year new guest speakers included a Certified Financial Planner and representatives from APD Peer Support.

We will continue to host our two annual seminars offsite in order to accommodate the large interest among the membership regarding the retirement process and available benefits.

Registration information including

the date and times will be sent via email through APD Human Resources.

For those who attended, please take advantage of the APRS online email portal to provide feedback regarding the presentations and any comments you have for improvement.

Your feedback is greatly welcomed and appreciated!

It is always important to take an active role regarding your retirement, so we encourage all officers to utilize the online benefits calculator by completing a simple and fast registration.

For those nearing retirement eligibility, please download a Benefit Calculation from our website and email or fax it to the APRS office for

an in-depth analysis of your retirement account.

The next seminars are tentatively scheduled for October and March with final dates to be determined.



Scheduling Retirement Appointments

Please visit www.ausprs.org to schedule your retirement appointment 30 days before your last day of work.

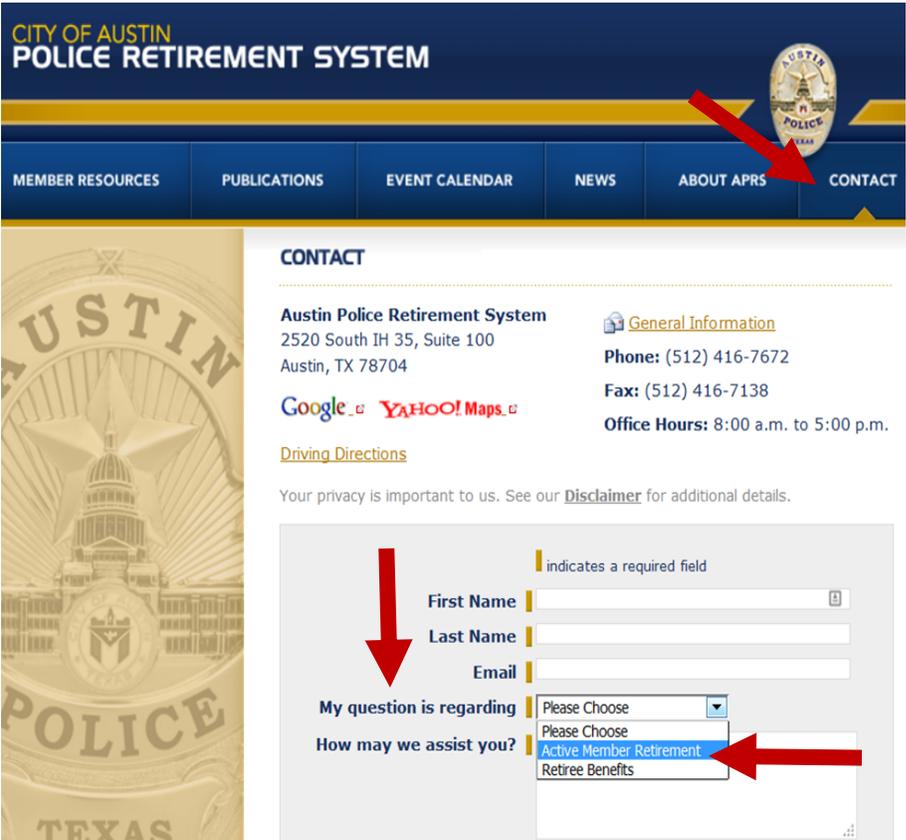
Navigate to the “Contact” tab to fill in your information.

Under the “My Question is regarding” section, you will select “Active Member Retirement.”

Include the following information within the body of the email:

1. Last day of work
2. Type of Retirement
3. Survivor Option
4. Type of Service Purchase
5. PROP Account Set Up

Within 24 hours you should receive a confirmation email and a separate appointment if needed to complete any service credit purchase(s).



The screenshot shows the website header for the City of Austin Police Retirement System. The navigation menu includes: MEMBER RESOURCES, PUBLICATIONS, EVENT CALENDAR, NEWS, ABOUT APRS, and CONTACT. A red arrow points to the CONTACT tab. The CONTACT page displays the following information:

CONTACT

Austin Police Retirement System
2520 South IH 35, Suite 100
Austin, TX 78704

[General Information](#)
Phone: (512) 416-7672
Fax: (512) 416-7138
Office Hours: 8:00 a.m. to 5:00 p.m.

[Google](#) [YAHOO! Maps](#)
[Driving Directions](#)

Your privacy is important to us. See our [Disclaimer](#) for additional details.

The form contains the following fields:

- First Name (required)
- Last Name (required)
- Email (required)
- My question is regarding (dropdown menu)
- How may we assist you? (dropdown menu)

Red arrows in the image point to the CONTACT tab and the "Active Member Retirement" option in the dropdown menu.

APRS Contact Information

City of Austin Police Retirement System
2520 South IH 35, Suite #100
Austin TX, 78704

Phone: (512) 416 -7674
Fax: (512) 416-7138

Office Hours: M-F 8am-5pm
By Appointment.

www.ausprs.org

