

City of Austin Police Retirement System

January 23, 2015

Dear Retirees and Beneficiaries,

Early this week, the Austin Police Retired Officers Association (APROA) passed a vote of "No Confidence" in the Austin Police Retirement System Board of Trustees. Needless to say, we are disappointed in this recent action taken by the APROA Board. According to the APROA, that decision was based on the investment returns of the APRS during the period of 2009 – 2013 when compared to the returns posted for the same period by both the Austin Employees Retirement System (ERS) and the Austin Fire Employees (AFRS) System.

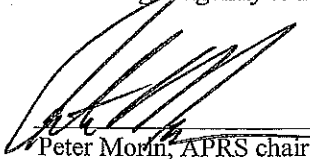
While it is true that APRS returns during that specific period were trailing the returns of the other Systems, we believe it is shortsighted to compare the three systems over such a short period of time. APRS does not recognize investment gains and losses only in the year they occur but spreads those out over a 5-year period. Investment returns in all three systems vary from year to year; each System invariably experiences both gains and losses during any given period. The investment strategies of the three systems also differ significantly; consequently, the Systems will experience different returns with changing markets such as those experienced starting in 2008.

We believe that a more representative evaluation of the performance of the Systems can be found by looking at the investment returns over a longer period of time; after all, the APRS looks at maximizing that return over the long run, not the short run. **The fact of the matter is that APRS has, since its inception, outperformed both ERS and AFRS and continues to do so.**


The Austin Police Retirement System is *financially sound* and has been since it was founded 34 years ago. Each and every month, your check is deposited into your bank account without fail. It is the goal and responsibility of the Board of Trustees to make sure that never changes. To that end, the Board has taken steps in the last two years that included hiring a new consultant and a new actuary, reallocating investments, and replacing a number of underperforming managers. In addition, the Board is in the process of conducting an actuarial study of soft benefits to evaluate what changes, if any, may need to be made to keep APRS financially sound. Changes based on the final study could be made as early as February.

However you need to understand your defined benefit – your pension check - is constitutionally protected by Texas law. Cost of Living Allowances (COLA) are not guaranteed by law or in the APRS plan. In fact, the decision to approve a COLA is now regulated by Texas law; that law mandates that a COLA must first be deemed financially feasible by the System's *actuary*. To that end, with the actuary's guidance, the Board adopted rules that require the System to meet certain amortization and funding ratio requirements before a COLA will be approved by the actuary. Unfortunately, with the downturn of financial markets the System has experienced a challenging investment environment and has not been able to meet those requirements. To give some perspective on COLAs, retirees in ERS have not received a COLA in the past 10 years.

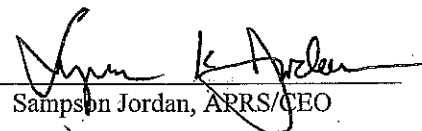
We all read the papers, read the news online, and watch television - there are any number of municipal governments declaring bankruptcy; pension systems reducing members' annuities; and public pension plans being underfunded by the very government entities that create them. Holding those up as examples, there are a number of "Pension Reform" advocates who are spending millions of dollars to attack and eliminate ALL defined benefit plans – like ours. The best way to combat those advocates is to make sure that our System remains financially healthy. Your APRS Board is working diligently to maintain the financial strength of the System.



Peter Morin, APRS chair



Kendall Thomas, APRS vestment chair



Sampson Jordan, APRS/CEO