



Pension Review

SPRING 2013 ISSUE

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APRS 2012-2013 Financial Outlook

The APRS 2012 year-end market asset values grew to \$533 million (unaudited), which is up \$49 million from the beginning of the year's \$484 million. This growth is 10.17% increase year to date December 31, 2011, which is good indicator the economy continues to heal from the December 2007 - June 2009 'Great Recession', although two major U.S. fiscal cliffs have yet to be resolved, DEBT Ceiling (\$16,394 Trillion) and the rising costs of Non-discretionary Spending Programs (Medicare and Social Security). However, Economist continue to predict the US economy is in slow growth trajectory beginning 2013 and beyond, but accelerating once the US and European budgets become more balanced and the real estate market improves across the entire United States.

This year's 10.17% plan asset market valuation increase makes marketable improvements to the ten year average 8.77%, 20 years average 10.98% and 30 years average 13.81%.

Austin Police Retirement Fund Actual Market Asset Growth

Year Avg.	2012	10 yr .	20 yr.	30 yr.
Growth Return	10.17%	8.77%	10.98%	13.81%

Rapid Fire News

...Retiree 1099-R forms have been issued. Please contact APRS if you are a retiree or beneficiary who did not receive a 1099-R form for your 2012 tax return.

...APRS has once again engaged Arturo Montemayor & Associates to conduct the 2012 year-end audit of the APRS Financial Statements and commissioned Foster & Foster, Inc. to perform the 2012 year-end actuarial valuation. These audits will begin in April and end on June 30, 2013.

...APRS is interviewing consultants and pending completion will hire investment consultant at March or April board meeting. The trustees are confident any new relationship will continue to be beneficial to the system's mission to diversify its assets while obtaining the best managers to manage the System's assets.

...Year-end 2012 Post Retirement Option Plan Statements have been mailed to all retirees of the System who have a PROP account. APRS encourages members to review these statements for accuracy.

...Year-end 2012 membership Annual Statements have been mailed to all active members of the System. The statements were prepared to show active police officer members the number of years of creditable service on file and, the dollar amount of contributions and interest on deposit. APRS encourages officers to review these statements for accuracy.

2013 APRS

Board of Trustees:

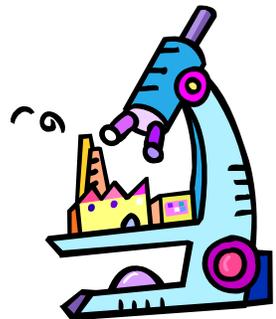
Peter Morin,
ChairmanCmdr. Fred Fletcher,
Vice ChairCmdr. Michael Jung,
Police MemberCatherine Haggerty,
Police MemberCpl. Timothy
Atkinson,
Police MemberSpo. Christopher
Perkins,
Police MemberKendall Thomas,
Retired MemberChesley Wood,
Citizen MemberArt Alfaro,
City MemberElaine Hart,
City MemberKathie Tovo,
Council Member

Retiree Tax Considerations

- The Pension Protection Act of 2006 allowed eligible Public Safety Officers to exclude up to \$3,000 of their retiree health insurance premiums from their taxable income. The amount used to pay these premiums will remain taxable until the retiree makes the elections to exclude these premiums on their personal income tax returns. Retirees can check their December 2012 paycheck stub for the amount they have paid for health insurance premiums in 2012 (call the Pension Office if you need another copy of the December 2012 paystub mailed to you). The IRS 1040 form and form 1040A will contain special codes for the retiree to indicate that they are electing to exclude the medical premium payments from their taxable income. Check IRS Form 1040 (page 26) or Form 1040A (page 25) Instructions for further instructions on how to exclude these premiums.
- Retirees looking to reduce their tax liabilities for 2013 may be eligible to defer \$250 or more of their pre-tax monthly pension into the PROP account at APRS, thereby reducing their tax liabilities for the year. The PROP is currently paying 2.5% interest. Additional tax information is available at www.irs.gov or by calling 1-800-829-1040. Local walk-in assistance is available at the IRS, 825 E. Rundberg Lane, Austin, TX 78753 Mon-Fri 8:30am-4:30pm. Publication 919, from the Internal Revenue Service (www.irs.gov), provides additional guidance on income tax withholding.

Updated 2011 Actuarial Valuation

On December 19, 2012 at the request of the Board the 'System' actuary Foster & Foster, Inc. updated the December 31, 2011 valuation and concluded that the 'System's' immediate financial sustainability was not in doubt. The report replicated the actuarial valuation personnel, plan design, financial reports, asset information, actuarial assumptions and methods used in prior valuation submitted by Austin Police Retirement System. Their findings found the information was consistent and reasonable. In their report the amortization period to pay the unfunded actuarial accrued liability was 25.2 year and within the Texas Pension Review Board 30 years preferred recommendation. The unfunded actuarial accrued liability value at \$261,556,800 kept the funding ratio at 68%, well below the 80% recommendation. However, assets and contributions are sufficient to provide the prescribed benefits to develop the appropriate funding requirements for the applicable plan year(s).



Retiree COLA

At the Regular Board Meeting on December 19, 2012, the System's actuary informed Trustees that he could not recommend a Cost of Living Adjustment (COLA) be paid for 2013. Section 6.01(d)(3) requires that "The cost-of-living increase presented for approval by the board must be approved by the system's actuary." Although the amortization

period was less than 30 years the funding ratio was less than 80% as required by Texas PRB' and therefore the actuary did not approve an increase. While our Board and Staff regret to inform you of this, they ask you to keep in mind the financial stability of your System is of the utmost importance to them and future

increases will be evaluated. The Board of Trustees is currently working with the System's actuary to develop a policy for future COLA increases that will make the determination of future increases easier to predict.

Interest on Active Member Contributions

At the Regular Board Meeting on December 19, 2012, the System's Board of Trustees voted not to apply interest to active member contributions for 2013.

Service Purchases for Active Members

The Police Retirement System sold \$665,985 of service credit to 58 eligible police officers in 2012 for Cadet, Forfeited and Pre-Membership Military Service using the deferred compensation 457 program at ING. IRS rules allow the use of these direct fund rollovers from your tax

deferred accounts to purchase service credit in your retirement program for eligible service credit.

There are five service purchase credit options:

- *Uniform Leave of Absence (Military)
- *Pre-membership Military Service
- *Forfeited Service

*Permissive Service

*Cadet Service

If you think you may be eligible to purchase any of these options, please contact Michelle Ruland at the Pension Office at (512) 416-7672 for a quote and verification of eligibility.

2013 Schedule of Regular Board Meetings:

Tuesday,
January 15, 2013

Tuesday,
February 19, 2013

Tuesday,
March 19, 2013

Tuesday,
April 16, 2013

Tuesday,
May 14, 2013

Tuesday,
June 18, 2013

Tuesday,
July 16, 2013

Tuesday,
August 20, 2013

Tuesday,
September 17, 2013

Tuesday,
October 15, 2013

Tuesday,
November 19, 2013

Tuesday,
December 17, 2013

Meeting time: 11:30 a.m. unless otherwise noted

City of Austin Police Retirement System

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Staff:

Sampson Jordan, CEO
**Stephanie Willie, Deputy
Director**
**Michelle Ruland, Benefit
Services Manager**
**Vernon Webb, Financial
Manager**
**Rose Frank, Administrative
Assistant**

Keep Us Updated

The system's Attorney requests that all members update their addresses, record release forms, health insurance forms, beneficiary statements and wills as often as necessary to reflect lifestyle changes such as a death or change in marital status and to help us stay current with your records.

It is very important that the Pension Office have updated forms on file every time there is any type of change in order to serve you better.

Retired members can go to www.ausprs.org to obtain these forms. All forms can be mailed to the Pension Office at P.O. Box 41089, Austin, TX, 78704. Active members should update their information with APD HR.

When updating your information, please include your name, phone number, date, e-mail address, social security number and signature for verification purposes.

Active Member Financial Planning Seminar

APRS will be holding a Financial Planning Seminar geared toward members with 10 or more years of service on March 7, 2013. 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 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.

