AUSTIN POLICE RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF
DECEMBER 31, 2007

AUGUST 13, 2008

Rudd and Wisdom, Inc.

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August 13, 2008

Police Retirement Board
Austin Police Retirement System
Post Office Box 684808
Austin, Texas 78768

Re: Actuarial Valuation as of December 31, 2007

Members of the Board of Trustees:

In accordance with the requirements of Article 6243n-1, which is the state law governing the Austin Police Retirement System (System), an actuarial valuation of the System as of December 31, 2007 has been completed. The data for police officers, pensioners, and assets used in the valuation were provided on behalf of the Board of Trustees by Sam Jordan, Pension Administrator for the System.

The results of the December 31, 2007 actuarial valuation are described in the Summary section of the report. A comparison of the current valuation with the December 31, 2006 valuation is also discussed in this section. The comparative valuation balance sheets are shown in Exhibit 1. Exhibit 2 shows a 25-year projection of the assets of the System. Exhibits 3 through 6 summarize the System's assets and development of the actuarial value of assets. Data on both police officers and pensioners are contained in Exhibits 7 through 11. Exhibit 12 shows a historical comparison of the actuarial accrued liability and the actuarial value of assets.

A summary plan description based on the current plan is included as Exhibit 13. The actuarial methods and assumptions are described in Exhibits 14 through 19, which include a description of assumption changes since the prior valuation. Exhibit 20 defines certain actuarial terms used in this report.
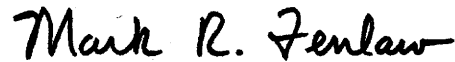
Police Retirement Board
August 13, 2008

The disclosures required in accordance with Statement Number 25 of the Governmental Accounting Standards Board (GASB) for the System's annual report are needed for the System's financial statements. They are included in Exhibit 21. The disclosures required in accordance with GASB Statement Number 27 are needed for the City of Austin's financial statements. They are included in Exhibit 22.

Respectfully submitted,

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Austin Police Retirement System
Actuarial Valuation as of December 31, 2007

Summary

Austin Police Retirement System
Results of December 31, 2007 Actuarial Valuation

The valuation balance sheet as of December 31, 2007, shown in Exhibit 1, reveals that the plan has an unfunded actuarial accrued liability (UAAL) of $155,256,384. Total contributions of 31% of pay (13% by the police officers and 18% by the City of Austin) are contributed to the System. Effective September 1, 2003, a very small portion of the city's biweekly contributions began to be allocated by the Board to a Retiree Death Benefit Fund (account) within the System, which is being used to pay the post-retirement lump sum death benefits after that date. Effective September 1, 2007, the amount of this post-retirement lump sum death benefit was increased from $7,500 to $10,000 as the result of passage of an amendment to the state law governing the System.

The normal cost for the projected benefits for each police officer based on the current plan provisions is 21.839% of pay. Since total contributions on behalf of each police officer are more than the normal cost, the remaining portion can be used to amortize the plan's UAAL. Assuming that the total payroll increases at the rate of 4% per year in future years attributable to general pay increases, the UAAL will be amortized in 23.8 years.

The valuation balance sheets in Exhibit 1 compare the actuarial condition of the System on December 31, 2007 with the condition on December 31, 2006. Both the December 31, 2006 and the December 31, 2007 valuations are based on the plan provisions, summarized in Exhibit 13, that were effective on December 1, 2007. Between these two valuations, the period for amortizing the UAAL has decreased by 5.9 years (from 29.7 years to 23.8 years). Since one year has passed since the prior valuation date, a one-year reduction in the amortization period to 28.7 years would be expected if the experience of the System had been exactly as anticipated (including an 8% rate of investment return on the AVA). For the reasons described below, the System's amortization period is 4.9 years less than expected.

1. The rate of investment return, net of all expenses, on the market value of assets during 2007 was 9.5%. However, the actuarial value of assets (AVA) used in the valuation and the determination of the amortization period is based on an adjusted market value. In particular, the AVA defers recognition of portions of the significant gains in the years 2004 through 2007. The rate of investment return on the AVA, net of expenses, for 2007 was 13.2% compared to the assumed rate of return of 8%. Therefore, the AVA as of December 31, 2007 is larger than expected and caused a **decrease** in the amortization period of 6.3 years.

2. Police officers received a 5.5% general pay increase on October 1, 2007. The pay increase was greater than expected because we assumed that general pay would increase by 4% in 2007. This caused the amortization period to **increase** 2.1 years.

3. The covered payroll increased by 11.7% since the prior valuation, more than the assumed 4% increase. The higher payroll **decreased** the amortization period by 2.4 years.

4. The demographic experience in the aggregate was slightly positive, **decreasing** the amortization period by 0.1 year.

5. The changes in assumptions, in particular the change in the mortality assumption, had the overall effect of **increasing** the amortization period by 1.2 years.

6. The 1% ad hoc pensioner COLA effective January 1, 2008 **increased** the UAAL by $1.9 million and added 0.6 years to the amortization period.

In summary, this valuation reveals that the actuarial value of assets plus future investment income received by the System and future contributions that will be provided by the police officers and the City of Austin will be adequate to pay the benefits provided by the state law and board rules governing the System. In order for the System to have an adequate contribution arrangement, contributions must be made that are sufficient to pay for the System's normal cost and amortize its UAAL over an acceptable period of time. Based on the Texas State Pension Review Board guidelines, our professional judgment, and the actuarial assumptions and cost methods used in this valuation, we consider periods of 25 years to 30 years to be preferable for the System and 40 years to be the maximum acceptable period.

The total contributions to the System are sufficient to pay for the System's normal cost and provide an additional amount that will result in amortization of the UAAL in 23.8 years. In addition, we believe that it is appropriate to assume that the police officers and the City will be able to maintain their commitment in future years to contribute 13% and 18%, respectively, of compensation into the System. Consequently, we are of the opinion that the System has an adequate contribution arrangement based on the levels of benefits and contributions recognized in this valuation.

Projected Actuarial Valuation Results

In addition to completing this actuarial valuation, we did an analysis to estimate the amortization periods over the next four years. We did these projections because the significant actuarial investment gains that the System experienced in each of the years 2004-2007 have been only partially recognized as of December 31, 2007. As shown in Exhibit 5, a smoothing method is used to determine the actuarial value of assets (AVA) that is used in this valuation. This method phases in over a five-year period any investment gains or losses (actual net investment return greater or less than the actuarially assumed net investment return) that the System has had. The AVA used in this current valuation is deferring recognition of a portion of the investment gains in 2004-2007. (There were no investment losses during that period.) The AVA used in this valuation is $482,303,290. The method used to determine this amount is shown in Exhibit 5. The market value of assets, excluding the Retiree Death Benefit Fund, is $514,754,515. The difference between this market value and the AVA, $32,451,225, is the total of the deferred gains that will be recognized in actuarial valuations over the next four years.

For the purpose of projecting the amortization period in the future, we have assumed that the System would have an annual rate of investment return, net of all expenses, equal to the expected actuarial assumed investment rate of 8% per year. The projections also

reflect the valuation assumption of a 4% annual covered payroll growth and assume that no future ad hoc cost-of-living adjustments will be granted. The projected amortization periods are not actual amortization periods from completed actuarial valuations but are projected from the completed December 31, 2007 actuarial valuation, showing the expected effects of the recognition over the next four years of the portions of the past investment gains and losses that are deferred as of December 31, 2007.

Valuation Date	Amortization Period	
	Actual	Projected
December 31, 2007	23.8	
December 31, 2008		19.4
December 31, 2009		16.3
December 31, 2010		13.9
December 31, 2011		12.7

The amortization period is projected to decrease more rapidly than the expected one year between valuation dates because the remaining portions of the investment gains from 2004-2007 are projected to be recognized in valuations in the next four years, thereby reducing the amortization period by a greater than expected number of years. If in 2008 and later the System has investment experience above the assumed 8% or greater payroll growth than the assumed 4% caused by an increase in the number of active member police officers, the amortization periods could be less than shown above. On the other hand, investment experience or payroll growth less than assumed would cause the amortization periods to be greater than shown above. The System's other non-investment experience will also affect the future amortization periods.

Variability in Future Actuarial Measurement

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the current economic or demographic assumptions;

- Increases or decreases expected as part of the natural operation of the methodology used for these measurements;

- Changes in economic or demographic assumptions; and

- Changes in plan provisions.

Analysis of the potential range of such future measurements resulting from the possible sources of measurement variability is outside the scope of this actuarial valuation report. Such range sensitivity analysis could be performed in a subsequent report if desired by the Board of Trustees.

Retiree Death Benefit Fund

The statute established a Retiree Death Benefit Fund effective September 1, 2003. This fund is a separate account within the System used to pay post-retirement lump sum death benefits. The amount of these benefits was increased from $7,500 to $10,000 effective September 1, 2007 by an amendment to the statute. The Retiree Death Benefit Fund is funded by a portion of the city's total contribution rate of 18%. As part of this December 31, 2007 actuarial valuation, the city contribution needed for the Retiree Death Benefit Fund has been re-determined for 2009 to be 0.091%. We recommend that this new rate be effective January 1, 2009, replacing the rate of 0.100% effective for 2008 that was determined based on the December 31, 2006 actuarial valuation.

The remaining 17.909% (18% less 0.091%) of the city's contribution will be used for the System's liabilities excluding the post-retirement lump sum death benefits. The 0.091% city contribution rate is comprised of the normal cost percentage plus an additional amount to amortize the unfunded actuarial accrued liability for only the $10,000 post-retirement lump sum death benefits over 30 years as shown below. The amortization of this unfunded liability is determined as a level percentage of payroll assuming that the payroll will increase 4% per year.

Allocated City Contribution Effective January 1, 2009 for the Retiree Death Benefit Fund	
Normal cost	0.027%
Thirty-year amortization of unfunded actuarial accrued liability	0.064
Total city contribution rate allocated to the Retiree Death Benefit Fund as of January 1, 2009	0.091%

The 0.091% city contribution rate was determined using the same funding method and actuarial assumptions used in this December 31, 2007 actuarial valuation for the System. In particular, the Entry Age Actuarial Cost Method is used with the normal cost determined as a level percentage of payroll. The RP-2000 Mortality Tables for males and females projected to 2010 are used for both active and retired members. The following is a summary of the actuarial valuation results of the liabilities for the $10,000 post-retirement lump sum death benefits.

Actuarial Valuation Results of the Retiree Death Benefit Fund as of December 31, 2007	
1. Actuarial present value of future benefits	
a. Current retired members	$ 959,510
b. Current active members	856,597
c. Total	$1,816,107
2. Actuarial present value of future normal cost contributions	$ 312,770
3. Actuarial accrued liability (Item 1c – Item 2)	$ 1,503,337
4. Assets of fund	$ 257,158
5. Unfunded actuarial accrued liability (Item 3 – Item 4)	$ 1,246,179

Exhibit 1

Austin Police Retirement System
Actuarial Valuation Balance Sheets

	December 31, 2006[1]	December 31, 2007[1]
1. Actuarial present value of future benefits		
a. Payable to those now receiving benefits or entitled to receive benefits	$ 225,435,369	$ 243,443,867
b. Payable to police officers	593,172,782	667,877,357
c. Total	$ 818,608,151	$ 911,321,224
2. Actuarial present value of future normal cost contributions	$ 242,482,827	$ 273,761,550
3. Actuarial accrued liability (Item 1c-Item 2)	$ 576,125,324	$ 637,559,674
4. Actuarial value of assets	$ 417,283,844	$ 482,303,290
5. Unfunded actuarial accrued liability (UAAL) (Item 3-Item 4)	$ 158,841,480	$ 155,256,384
6. Total contributions (percent of payroll)[2]	30.900%	30.909%
7. Normal cost (percent of payroll)	21.691%	21.839%
8. Percent of payroll available to amortize the UAAL	9.209%	9.070%
9. Annualized covered payroll	$ 100,090,151	$ 111,809,091
10. Present annual amount available to amortize the UAAL	$ 9,217,302	$ 10,141,085
11. Years to amortize the UAAL	29.7 Years	23.8 years

[1] Reflects plan provisions effective December 1, 2007 and excludes the $10,000 post-retirement lump sum death benefit effective September 1, 2007.

[2] The total contribution rate of 31% (13% by members and 18% by the city) is reduced by the calculated city contribution rate for the separate Retiree Death Benefit Fund used to pay $10,000 post-retirement lump sum death benefits.

Exhibit 2

Austin Police Retirement System
25-Year Projection

Year	Market Value of Fund at Beginning of Year	Contributions by City and Police Officers	Net Investment Income	Monthly Benefit Payments	Lump Sum Payments	Market Value of Fund at End of Year	Ratio of Fund to Payments
2003	$ 248,984,633	$ 21,340,424	$ 46,292,722	$ 13,394,684	$ 1,792,121	$ 301,430,974	19.85
2004	301,430,974	22,598,861	41,612,897	15,971,005	656,667	349,015,060	20.99
2005	349,015,060	24,167,426	35,273,986	18,022,569	744,770	389,689,133	20.76
2006	389,689,133	26,857,508	65,521,438	19,381,191	1,507,356	461,179,532	22.08
2007	461,179,532	31,444,215	44,359,401	21,063,030	908,445	515,011,673	23.44
2008	515,011,673	34,660,818	41,326,954	26,533,097	4,977,209	559,489,139	17.76
2009	559,489,139	36,047,251	44,862,323	29,405,125	4,062,336	606,931,252	18.13
2010	606,931,252	37,489,141	48,613,782	32,181,967	3,825,122	657,027,086	18.25
2011	657,027,086	38,988,707	52,551,518	34,872,096	4,382,822	709,312,393	18.07
2012	709,312,393	40,548,255	56,692,002	37,440,145	4,432,850	764,679,655	18.26
2013	764,679,655	42,170,185	61,063,517	39,967,270	4,974,305	822,971,782	18.31
2014	822,971,782	43,856,992	65,672,184	42,311,320	5,684,641	884,504,997	18.43
2015	884,504,997	45,611,272	70,569,205	44,651,335	5,739,813	950,294,326	18.86
2016	950,294,326	47,435,723	75,832,940	47,062,312	5,138,574	1,021,362,103	19.57
2017	1,021,362,103	49,333,152	81,463,663	49,622,427	5,843,366	1,096,693,125	19.77
2018	1,096,693,125	51,306,478	87,444,371	52,578,195	6,005,267	1,176,860,512	20.09
2019	1,176,860,512	53,358,737	93,804,098	56,090,928	5,886,393	1,262,046,026	20.36
2020	1,262,046,026	55,493,086	100,475,867	60,104,134	7,584,337	1,350,326,508	19.95
2021	1,350,326,508	57,712,809	107,392,405	64,491,941	9,063,758	1,441,876,023	19.60
2022	1,441,876,023	60,021,321	114,629,427	69,505,634	8,532,047	1,538,489,090	19.71
2023	1,538,489,090	62,422,174	122,224,084	74,555,620	9,242,642	1,639,337,086	19.56
2024	1,639,337,086	64,919,061	130,156,515	79,729,965	9,950,404	1,744,732,293	19.46
2025	1,744,732,293	67,515,823	138,510,199	84,984,792	9,240,650	1,856,532,873	19.70
2026	1,856,532,873	70,216,456	147,317,696	90,246,315	10,093,492	1,973,727,218	19.67
2027	1,973,727,218	73,025,114	156,649,950	95,245,517	8,985,285	2,099,171,480	20.14
2028	2,099,171,480	75,946,119	166,537,190	99,835,104	11,024,224	2,230,795,461	20.12
2029	2,230,795,461	78,983,964	177,019,205	103,901,950	11,192,801	2,371,703,879	20.61
2030	2,371,703,879	82,143,323	188,272,778	107,814,814	10,916,813	2,523,388,353	21.25
2031	2,523,388,353	85,429,056	200,373,082	111,246,772	11,631,947	2,686,311,772	21.86
2032	2,686,311,772	88,846,218	213,504,759	114,499,371	9,351,422	2,864,811,956	23.13

A. Data for years 2003 through 2007 were taken from the annual reports for those years. Fund balance at beginning and end of year reflects the total market value of the System's assets including the Retiree Death Benefit Fund (account).

B. Assumptions for years 2008 through 2032:
  1. Benefits will be paid in accordance with the demographic and economic assumptions used in this December 31, 2007 actuarial valuation and include benefit payments from the Retiree Death Benefit Fund (account).
  2. Contributions will be 31% of payroll (13% of pay by the police officers and 18% by the city).
  3. Annual payroll for 2008 will be $111,809,091. It will increase 4% per year thereafter.
  4. Investment income (net of expenses) will be 8% of the average fund balance in each year.
  5. No ad hoc COLAs were assumed beginning January 1, 2009 or thereafter.

Exhibit 3

Austin Police Retirement System
Net Market Value of Assets as of December 31, 2006 and 2007
Including the Retiree Death Benefit Fund

	December 31, 2006	December 31, 2007
Assets		
Investments		
Real Estate Interests	$ 136,499,681	$ 135,297,987
Corporate Stocks	149,039,163	154,274,645
U.S. Government Bonds	34,917,124	24,958,404
International Government Securities	49,266,965	55,239,814
International Stocks	56,518,146	57,347,043
Short-Term Investment Funds	12,389,657	46,544,368
Partnership Interests	11,382,743	19,820,460
Corporate Bonds	0	9,261,735
Alternatives	9,064,000	10,170,242
Total Investments	$ 459,077,479	$ 512,914,698
Other Assets		
Interest and Dividends Receivable	$ 683,149	$ 860,033
Cash	1,158,384	113,277
Fixed Assets	405,217	961,989
Contributions Receivable	640,415	853,392
Other Assets	31,813	4,405
Total	$ 2,918,978	$ 2,793,096
Total Assets	$ 461,996,457	$ 515,707,794
Liabilities		
Contributions Refundable	$ 273,669	$ 51,616
Other Payables	543,256	644,505
Total Payables	$ 816,925	$ 696,121
Net Market Value of Assets (Assets Minus Liabilities)	$ 461,179,532[1]	$ 515,011,673[2]

[1] Includes $189,240 for the Retiree Death Benefit Fund. The Net Market Value of Assets, excluding the Retiree Death Benefit Fund, is $460,990,292.

[2] Includes $257,158 for the Retiree Death Benefit Fund. The Net Market Value of Assets, excluding the Retiree Death Benefit Fund, is $514,754,515.

Exhibit 4

Austin Police Retirement System

Comparison of Market Value Asset Allocation as of the Prior and Current Actuarial Valuation Dates

December 31, 2006

Domestic Fixed Income 8%

International Stocks 12%

International Fixed Income 11%

Alternatives 2%

Real Estate & Partnerships 32%

Cash & Equivalent 3%

Domestic Stocks 32%

December 31, 2007

Domestic Fixed Income 7%

International Stocks 11%

International Fixed Income 11%

Alternatives 2%

Domestic Stocks 30%

Real Estate & Partnerships 30%

Cash & Equivalent 9%

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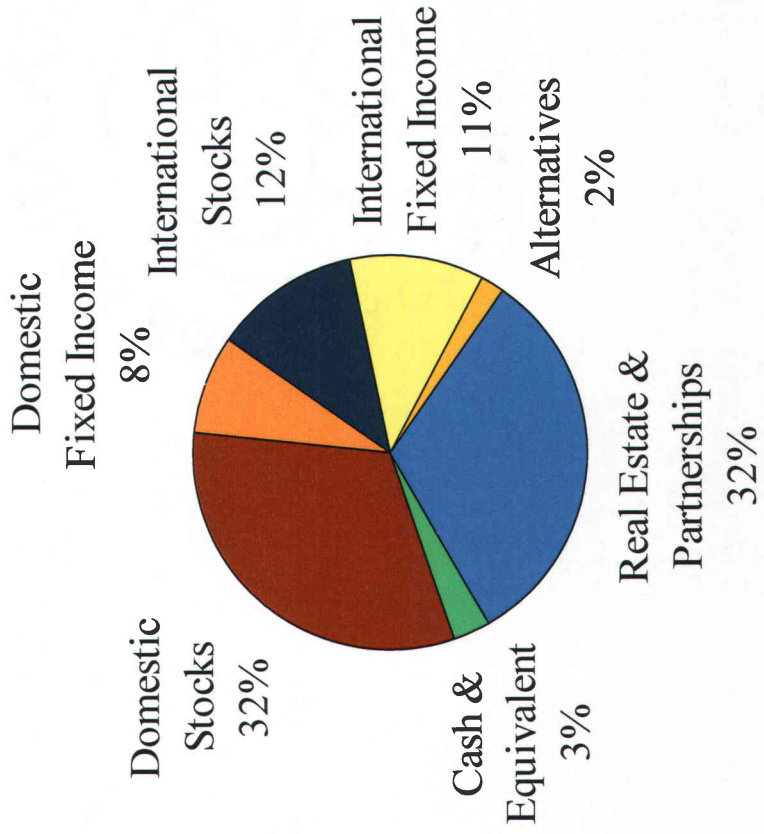
Exhibit 5
Austin Police Retirement System
Development of Actuarial Value of Assets

Calculation of Actuarial Investment Gain/(Loss)
Based on Total Market Value for Plan Years

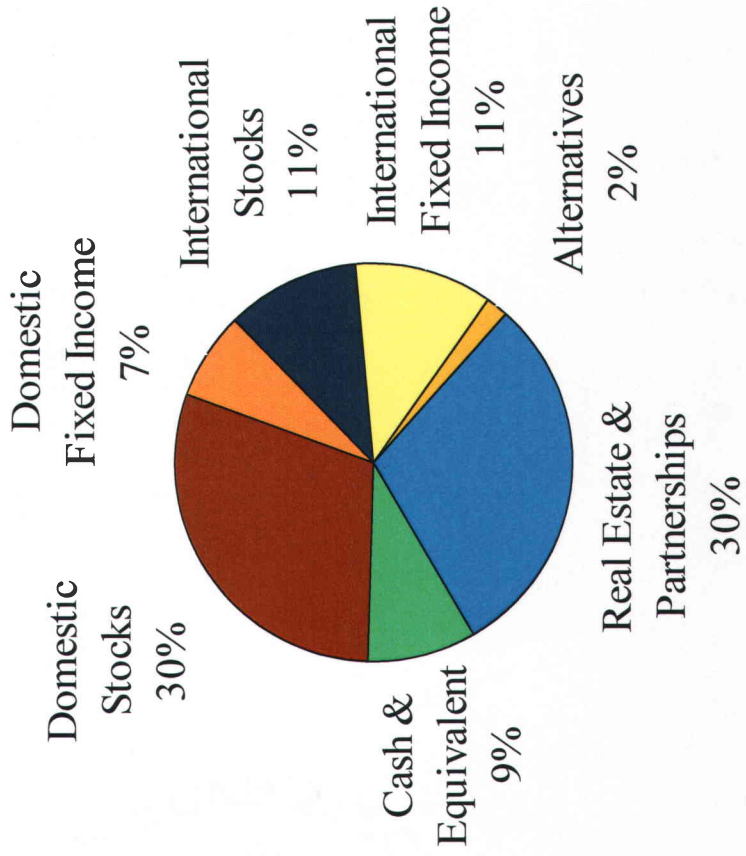|	2007	2006	2005	2004
Market Value of Assets as of beginning of year	$ 461,179,532	$ 389,689,133	$ 349,015,060	$ 301,430,974
City of Austin Contributions	18,594,236	17,033,469	15,840,395	14,794,834
Police Officer Contributions	12,849,979	9,824,039	8,327,031	7,804,027
Benefit Payments and Contribution Refunds	(21,971,475)	(20,888,547)	(18,767,339)	(16,627,672)
Expected Investment Return*	37,265,983	31,409,296	28,133,053	24,348,731
Expected Market Value of Assets as of end of year	$ 507,918,255	$ 427,067,390	$ 382,548,200	$ 331,750,894
Actual Market Value of Assets as of end of year	515,011,673	461,179,532	389,689,133	349,015,060
Actuarial Investment Gain/(Loss)	$ 7,093,418	$ 34,112,142	$ 7,140,933	$ 17,264,166
Market Value Rate of Return Net of Expenses	9.5%	16.7%	10.0%	13.7%
Rate of Actuarial Investment Gain/(Loss)	1.5%	8.7%	2.0%	5.7%

* Assuming (1) uniform distribution of contributions and payments during the plan year and (2) expected investment rate of return of 8.00%.

Deferred Actuarial Investment Gains/(Losses) to be Recognized in Future Years

Plan Year	Investment Gain/(Loss)	Deferral Percentage	Deferred Gain/(Loss) Amount as of December 31, 2007
2007	$ 7,093,418	80%	$ 5,674,734
2006	34,112,142	60%	20,467,285
2005	7,140,933	40%	2,856,373
2004	17,264,166	20%	3,452,833
Total			$ 32,451,225

Actuarial Value of Assets as of December 31, 2007

1.	Market Value of Assets as of December 31, 2007	$ 515,011,673
2.	Deferred Gain/(Loss) to be recognized in future	32,451,225
3.	Preliminary Value (Item 1 – Item 2)	$ 482,560,448
4.	80% of Market Value as of December 31, 2007	412,009,338
5.	120% of Market Value as of December 31, 2007	618,014,008
6.	Total Actuarial Value as of December 31, 2007	482,560,448
7.	Retiree Death Benefit Fund as of December 31, 2007	257,158
8.	Net Actuarial Value as of December 31, 2007 (Item 6-Item 7)	$ 482,303,290

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Exhibit 6

Austin Police Retirement System

Historical Comparison of Market and Actuarial Value of Assets

(Valuations as of December 31)
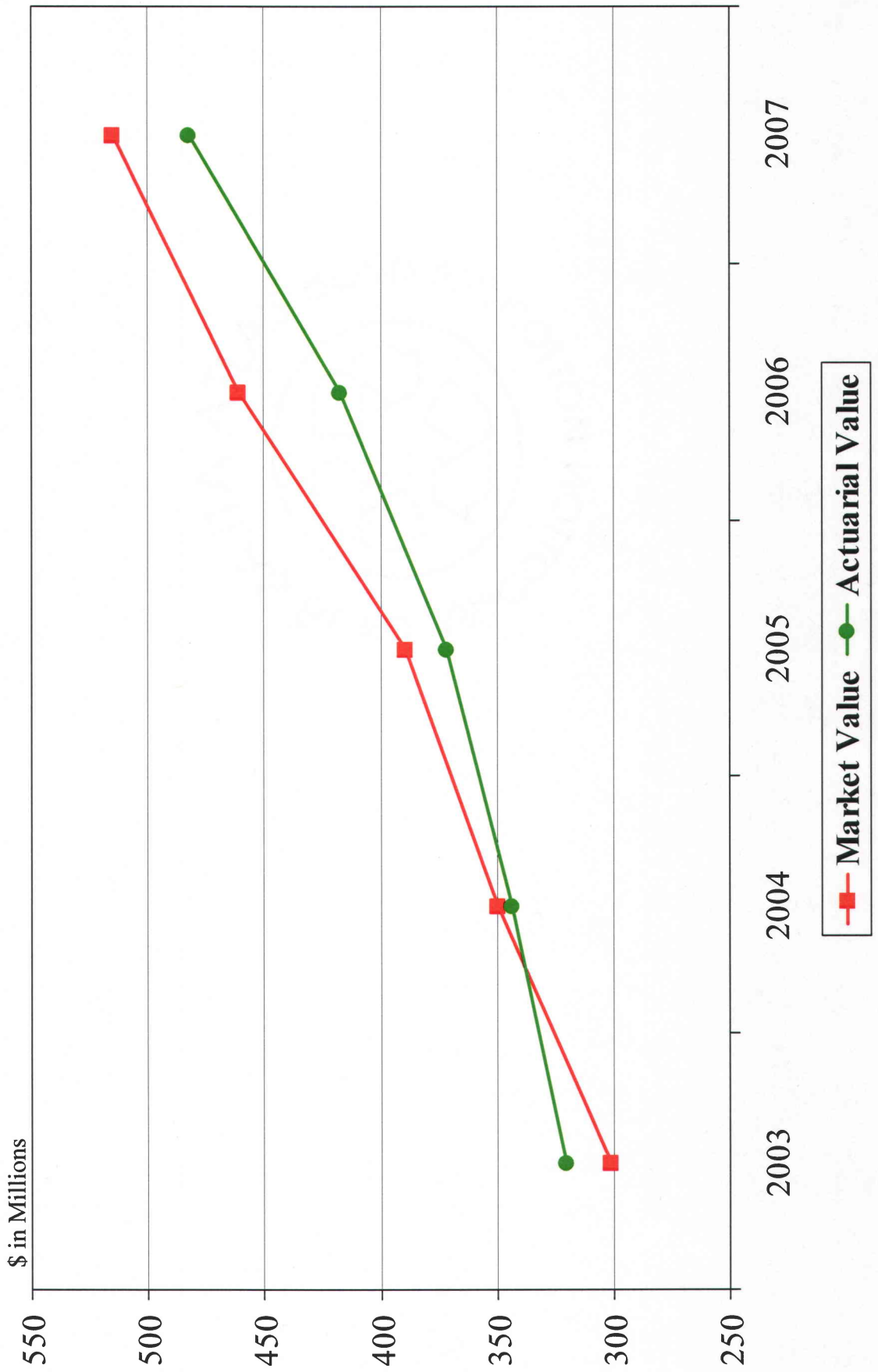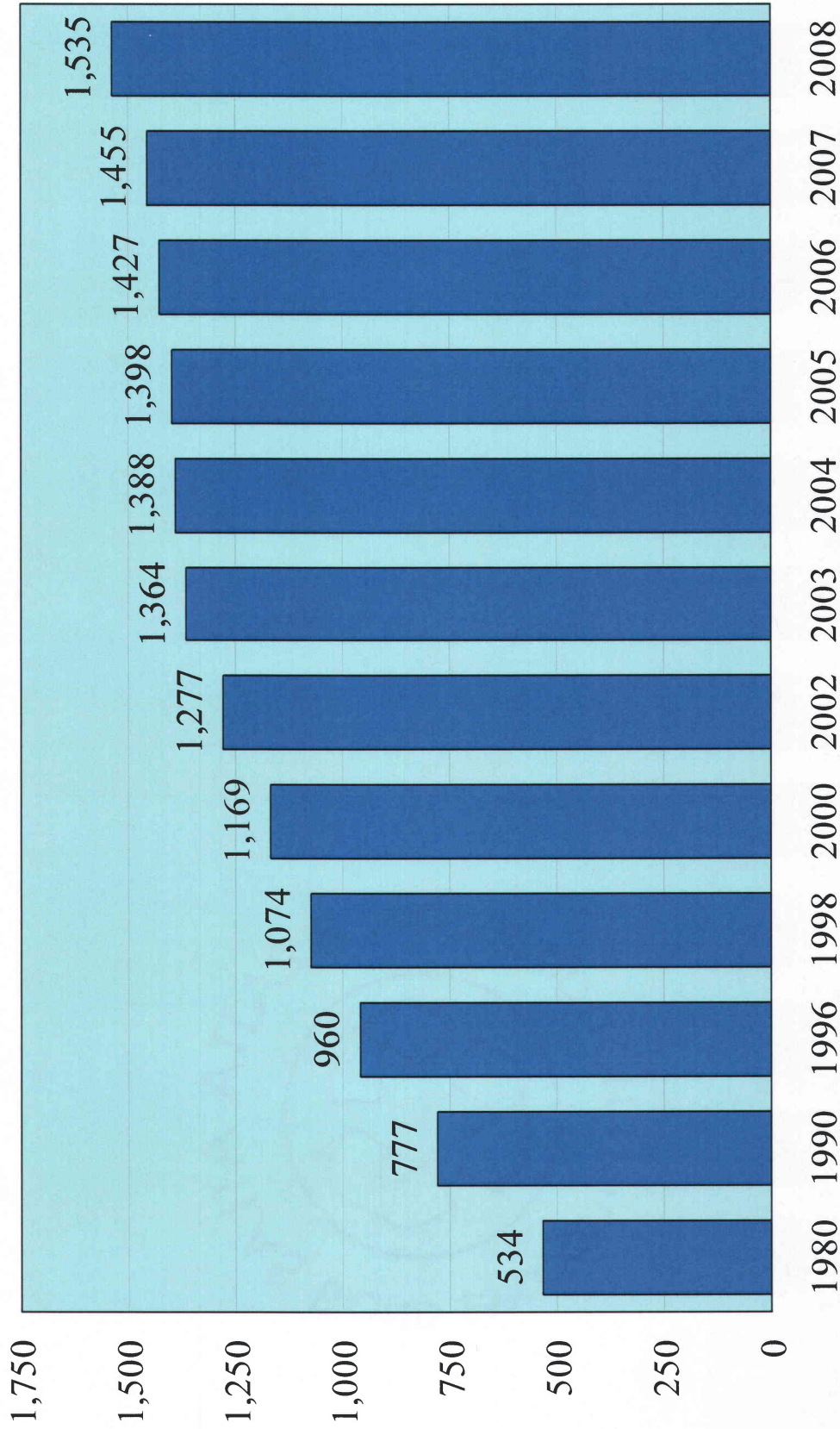

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Exhibit 7

Austin Police Retirement System
Distribution of Police Officers by Age and Service as of December 31, 2007 with Average Annual Salary

Years of Service	Attained Age									Total	Average Annual Salary
	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 or Over		
0	7	22	7	4	0	0	0	0	0	40	$32,124
1	27	69	35	21	9	2	0	0	0	163	49,480
2	2	28	18	5	6	1	0	0	0	60	55,849
3	0	20	17	14	2	0	0	0	0	53	60,881
4	0	13	25	16	15	1	0	0	0	70	61,892
5	0	8	30	8	3	2	0	0	0	51	62,657
6	0	10	48	26	7	5	2	0	0	98	62,571
7	0	5	42	32	12	5	0	0	0	96	67,285
8	0	1	18	14	5	2	0	0	0	40	68,019
9	0	1	26	39	23	4	1	0	0	94	68,608
10	0	0	28	38	20	4	2	0	0	92	69,719
11	0	0	12	39	9	2	0	0	0	62	75,120
12	0	1	1	37	14	3	1	0	0	57	76,299
13	0	0	3	32	26	6	1	0	0	68	77,378
14	0	0	0	17	23	10	0	0	0	50	82,821
15	0	0	0	11	22	22	6	0	0	61	85,727
16	0	0	0	6	15	6	1	0	0	28	86,941
17	0	0	0	3	28	20	7	0	0	58	94,380
18	0	0	0	0	3	0	1	0	0	4	90,320
19	0	0	0	0	12	5	5	1	0	23	91,262
20-24	0	0	0	0	19	104	52	8	0	183	97,630
25-29	0	0	0	0	0	10	39	14	1	64	99,212
30-34	0	0	0	0	0	0	9	8	0	17	95,955
35-39	0	0	0	0	0	0	0	2	1	3	107,852
40-44	0	0	0	0	0	0	0	0	0	0	0
Totals	36	178	310	362	273	214	127	33	2	1,535	$72,840
Average Annual Salary	$46,704	$52,766	$62,691	$69,821	$78,278	$89,870	$93,915	$98,605	$121,180	$72,840	

Exhibit 8

Austin Police Retirement System

Historical Summary of Growth in Number of Contributing Members
as of January 1

Year	Members
1980	534
1990	777
1996	960
1998	1,074
2000	1,169
2002	1,277
2003	1,364
2004	1,388
2005	1,398
2006	1,427
2007	1,455
2008	1,535

Average annual increase over:

5-year period 2003-2008: 2.4%
10-year period 1998-2008: 3.6%
28-year period 1980-2008: 3.8%

—— Rudd and Wisdom, Inc.

Exhibit 9

Austin Police Retirement System

Breakdown by Sex of Number of Officers and Average Annual Rate of Pay as Reported for the December 31, 2007 Valuation

Male Officers 88%

Female Officers 12%

Bar chart values: Male $72,817; Female $73,004; Total $72,840

Rudd and Wisdom, Inc.
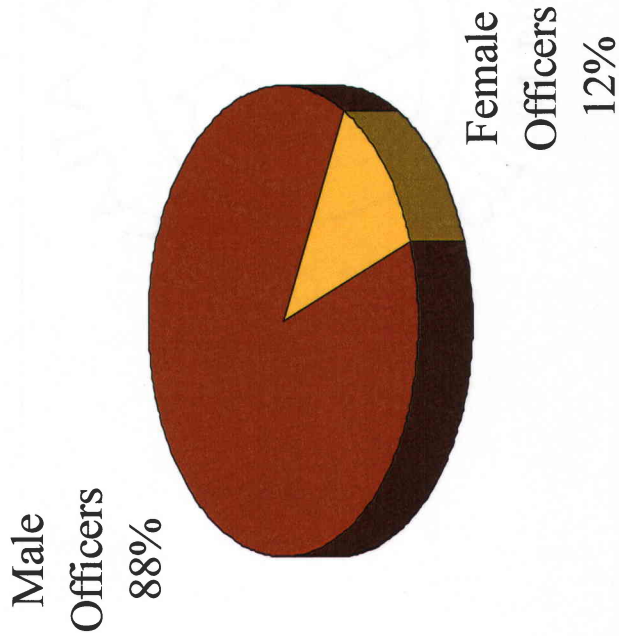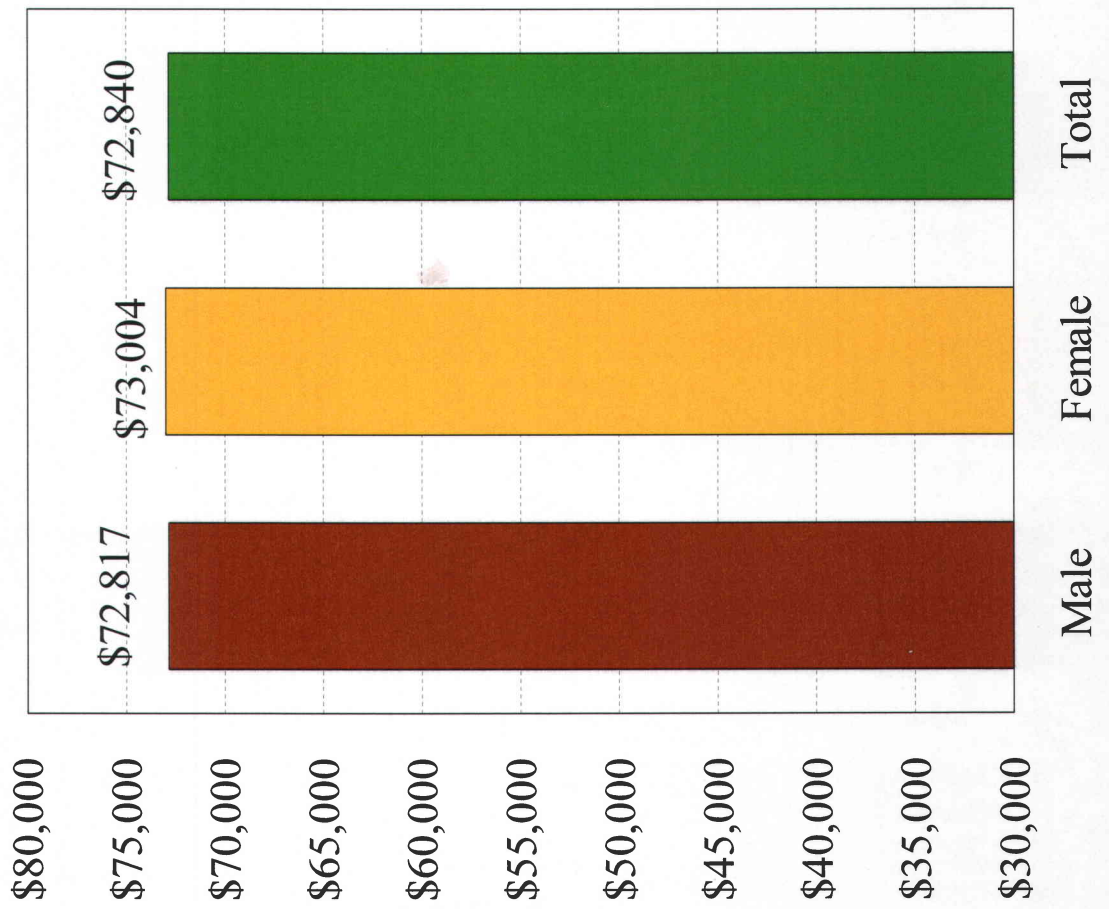
Exhibit 10

Austin Police Retirement System
Breakdown of Pensioners by Type and Annuity Option

Straight Life 38%

15 Year Certain & Life 1%

Joint & 100% 21%

Joint & 50% 8%

Joint & 2/3 9%

Surviving Beneficiary 8%

Vested Term. 2%

Disability 1%

Level Income Options 12%
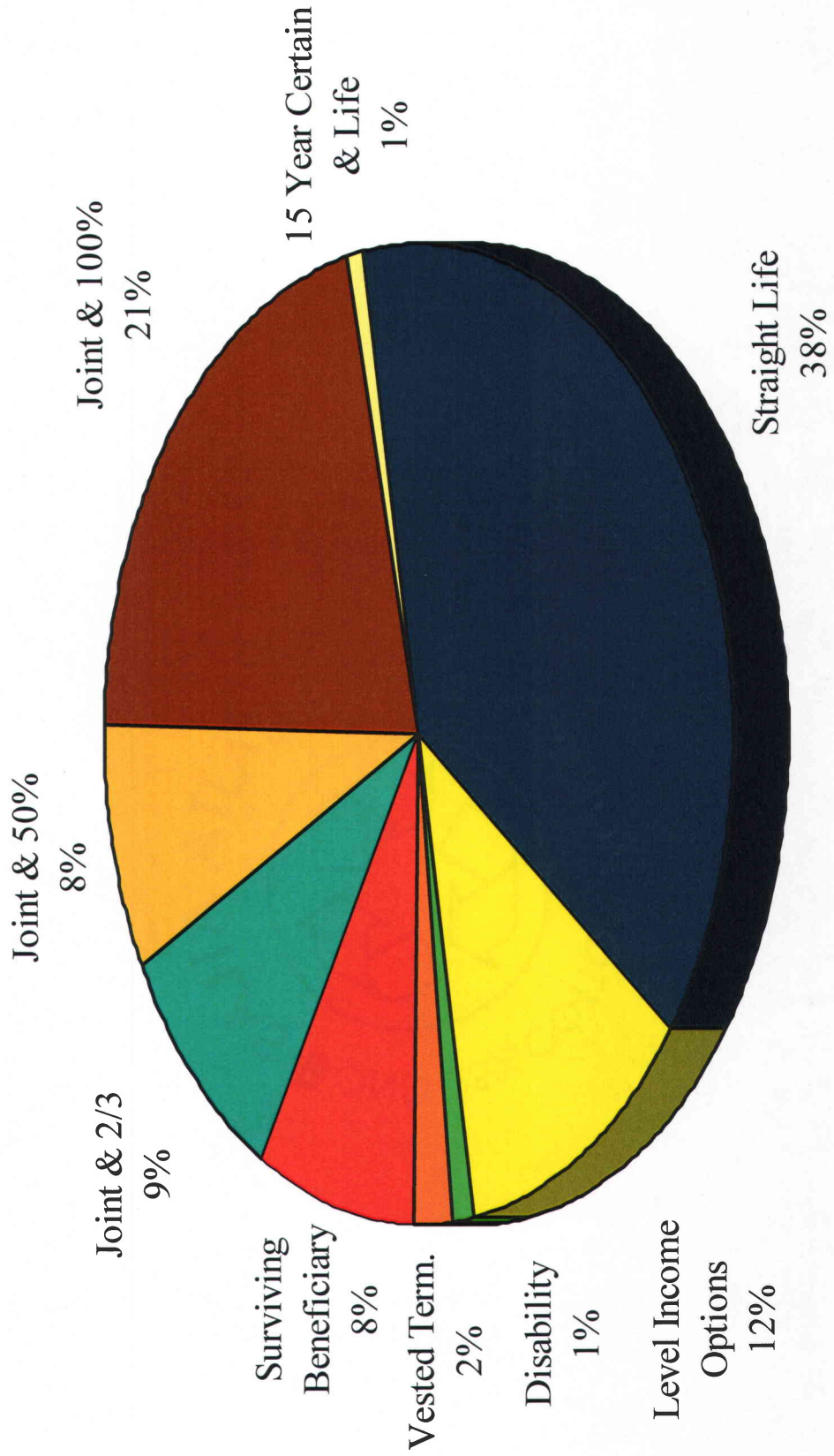
Exhibit 11

Austin Police Retirement System
Summary Data of Police Officers and Pensioners
as of the December 31, 2007 Valuation

Active Police Officers	Male	Female	Total
Total Contributing Police Officers	1,350	185	1,535
Annualized Reported Payroll	$98,303,299	$13,505,792	$111,809,091
Average Annual Rate of Pay	$72,817	$73,004	$72,840

Pensioners and Vested Terminated Officers	Number	Monthly Payment	Actuarial Present Value of Benefits
Service Retirements by Type of Annuity			
Straight Life	166	$757,443	$96,827,753
Joint and 100%	100	429,964	58,615,055
Joint and 50%	38	183,634	24,164,841
Joint and Two-Thirds Beneficiary	43	192,994	25,805,793
Joint and Two-Thirds Last Survivor	1	4,768	527,348
Level Income Straight Life	16	62,330	5,739,869
Level Income Joint and Two-Thirds	27	99,573	10,032,861
Level Income Joint and 100%	10	38,650	4,522,084
Fifteen Year Certain and Life	3	12,153	1,472,505
Total Service Retirements	404	1,781,510	227,708,109
Disability Retirements	4	10,129	1,387,726
Surviving Beneficiaries	35	127,969	13,499,272
Vested Terminated Officers	11	19,866	848,760
Total	454	$1,939,474	$243,443,867

Exhibit 11 (continued)

Austin Police Retirement System
Police Officer and Pensioners Reconciliation

	Police Officers	Current Payment Status	Vested Terminated Police Officers	Total
1. As of December 31, 2006	1,455	421[1]	11	1,887
2. Change of status				
a. retirement	(21)	21	0	0
b. disability	0	0	0	0
c. death	(1)	(1)	0	(2)
d. withdrawal	(20)	0	(1)	(21)
e. vested termination	(1)	0	1	0
f. new QDRO	0	2	0	2
g. completion of payment	0	0	0	0
h. net changes	(43)	22	0	(21)
3. New police officers	123	0	0	123
4. As of December 31, 2007	1,535	443[2]	11	1,989

[1] Includes 12 alternate payees of QDROs.
[2] Includes 14 alternate payees of QDROs.

Exhibit 12

Austin Police Retirement System

Historical Comparison of Actuarial Accrued Liability and Actuarial Value of Assets
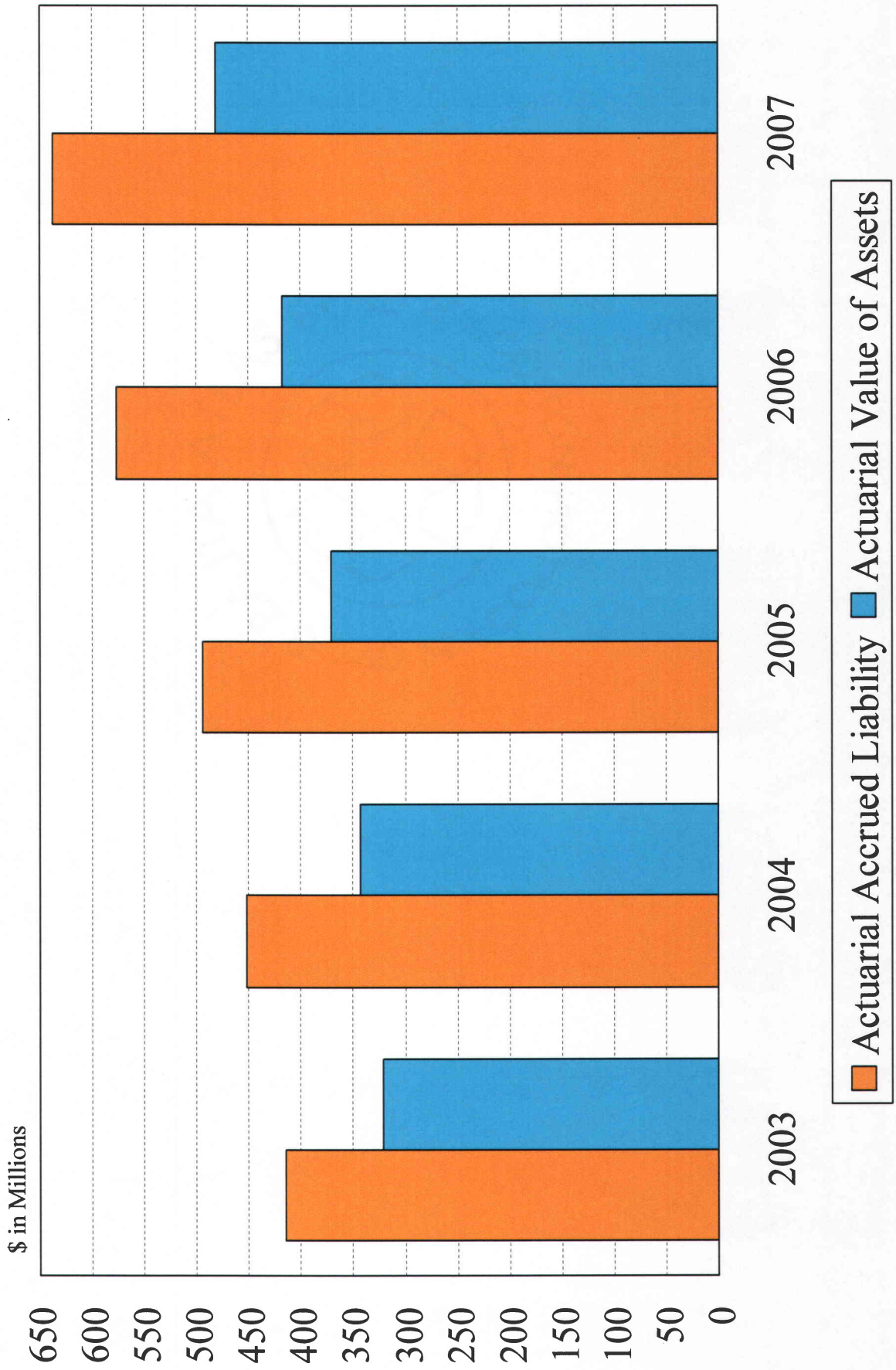*(Valuations as of December 31)*

$ in Millions

Actuarial Accrued Liability ■ Actuarial Value of Assets

———— Rudd and Wisdom, Inc. ————

Exhibit 13

Austin Police Retirement System
Summary Plan Description

Date System Began: January 1, 1980

Plan Effective Date: December 1, 2007

Administration: The fund is administered by a retirement board consisting of 11 members. Funds are held by the retirement board, as trustee.

Employees Included: All regular and permanent full-time police officers or cadets who are employed by the police department. In addition, employees of the System's administrative staff are also included.

Employee Contributions: 13% of each police officer's "Compensation Considered".

City Contributions: 18% of "Compensation Considered" for all "Employees Included" effective as of October 1, 1996 and thereafter. Since September 1, 2003, a very small portion of the city contribution has been allocated by the Board to the Retiree Death Benefit Fund (account) administered by the System.

Service Considered: The number of months during which a member is required to make and does make prescribed contributions plus (a) any creditable service received as a result of the provisions for establishing credit for certain military service, cadet service, or probationary service, (b) any previously forfeited service that is reinstated according to the provisions for reinstatement, and (c) any "permissive service credit" that is purchased according to plan provisions.

Compensation Considered: Base pay and longevity pay.

Average Final Compensation: The highest monthly average of the "Compensation Considered" for 36 months of the last 120 months during which the member contributed to the system or during the months of service for which he did contribute, if less than 120.

Exhibit 13 (continued)

Austin Police Retirement System
Summary Plan Description

Normal Retirement Date: The first day of the month following the earliest month in which (a) the member has completed at least 23 years of creditable service not reflecting any military service credit; or (b) the member has attained age 55 and completed at least 20 years of creditable service not reflecting any military service credit; or (c) the member has reached age 62.

Normal Service Retirement Benefit: A member is eligible for a normal service retirement benefit after having reached his normal retirement date. The monthly annuity, payable as a life annuity (modified cash refund), is, effective December 1, 2007, 3.20% of "Average Final Compensation" multiplied by years and months of "Service Considered."

Disability Benefit: A member is eligible for a disability benefit (a) at any age provided he has completed ten years of service and (b) has a total and permanent disability from any cause. A member with less than 10 years of service is also eligible for a disability benefit if his disability is total and permanent and is the result of his duties as a police officer. The annuity is based on credited service and compensation to date of disability; however, not less than 20 years of service will be credited for an occupational disability.

Death Benefits: If death occurs before eligibility for retirement, the member's beneficiary receives a benefit equal to twice the accumulated member contributions made plus allowable interest. This benefit will not be less than $10,000.

If death occurs before retirement but after eligibility for retirement and the member had elected an optional annuity, the member's beneficiary will be entitled to a monthly annuity calculated as if the member had retired at the end of the month in which he died. A $10,000 lump-sum death benefit is also payable to the beneficiary.

If death occurs before retirement but after eligibility for retirement and prior to selection of an optional annuity and, if the member leaves a lawfully married spouse surviving, then the surviving spouse may select an optional annuity or select a lump sum benefit equal to twice the accumulated member contributions made plus allowable interest. If the lawfully married surviving spouse dies before having received benefits equal to the amount of accumulated member contributions, the excess of such accumulated deposits over the benefits actually received will be refunded in one sum to the member's estate. If the member leaves no surviving spouse, then the member's designated beneficiary, or if no beneficiary exists, the executor or administrator of the estate, may select either the Fifteen Year Certain and Life Annuity or a lump sum benefit equal to twice the accumulated member contributions made plus allowable interest. If an optional annuity is selected in lieu of a lump sum benefit, a $10,000 lump sum death benefit is payable to the beneficiary.

Exhibit 13 (continued)

Austin Police Retirement System
Summary Plan Description

If death occurs after retirement, under certain optional pension forms the beneficiary will also be entitled to receive a monthly annuity for life or for the remainder of a certain period. If no monthly annuity is payable, the member's beneficiary receives a lump sum benefit equal to the excess, if any, of the accumulated member contributions plus allowable interest over any benefits actually received.

Retiree Death Benefit Fund: Effective September 1, 2003, a separate fund was established to pay post-retirement lump sum death benefits. This fund is funded by city contributions. Effective September 1, 2007, the amount of these benefits was increased to $10,000.

Termination Benefit: A member terminating employment with less than 10 years of service for reasons other than service retirement, disability retirement or death will receive an amount equal to his contributions to the retirement system and accumulated interest. Interest is credited at the end of each calendar year at a rate determined by the system's board of trustees on the member's beginning-of-year account balance. Effective September 1, 2007, interest will not be credited to members with less than 10 years of service.

If the terminating member has 10 or more years of service, he may elect to leave his accumulated contributions with the retirement system. He will be entitled to a deferred benefit commencing at the normal retirement date based upon his service and compensation prior to termination.

Optional Payments: A retiring member may elect an optional form of annuity payment rather than the standard Life Annuity. Such options are a Joint and 100% to Survivor, Joint and 50% to Survivor, Joint and Two-Thirds to Survivor, Joint and Two-Thirds to Last Survivor or 15-Year Certain and Life Annuity.

A retroactive deferred retirement option plan (RETRO DROP) can also be elected by retiring members meeting certain eligibility requirements. This option provides the member with a monthly annuity and a lump sum. The RETRO DROP benefit computation date elected by the member (1) may not be earlier than the date the member completed 23 years of creditable service not reflecting any military service credit and (2) may not be earlier than 36 months prior to the date of retirement.

Exhibit 13 (continued)

Austin Police Retirement System
Summary Plan Description

Beginning in 2007, a FORWARD DROP can be elected by a member who has at least 23 years of creditable service not reflecting any military service credit. This option provides the member at retirement with a monthly annuity and a lump sum. The monthly benefit is determined at the election date as if the member had retired on that date. The amount of the lump sum depends upon the period between the election date and the actual date of retirement. The maximum lump sum possible is provided if the member retires five years after the election date.

Postretirement Cost-of-Living Increases: The Board may authorize an annual ad hoc cost-of-living adjustment (COLA), subject to actuarial approval, not to exceed 6% per year. A COLA of 1% was given January 1, 2008. No COLAs were given January 1, 2007 and January 1, 2006. COLAs of 1.75%, 3%, and 1.5% were given January 1, 2005, 2004, and 2003, respectively. Postretirement benefit increases will automatically be provided when the system's benefit formula as a percent of average compensation for years of service increases. Therefore, effective December 1, 2007, the monthly benefits of pensions also increased 6.67% because of the increase in the benefit formula from 3.0% to 3.2% of average compensation.

Exhibit 14

Austin Police Retirement System
Summary of Actuarial Methods and Assumptions

1. Actuarial Cost Method

   Entry Age Actuarial Cost Method
   - The normal cost is calculated to be a level percent of compensation over a member's career.
   - The unfunded actuarial accrued liability is assumed to be funded by level percent contributions of employee payroll based on annual payroll growth of 4% per year due to general wage increases.

2. Asset Valuation Method

   Gains and losses in the market value of assets, based on the difference between the actual rate of return and the assumed rate of return, are recognized in the actuarial value over five years. The actuarial value will not be less than 80% or more than 120% of the market value of assets.

3. Investment Return (Interest Rate)

   8% per year, net of all expenses

4. Inflation

   4% per year

5. Salary Increase Due to General Wage Increases

   4% per year

6. Salary Increases Due to Promotion and Longevity Increases

   2.8% per year average over 25-year career. See Exhibit 16 for the promotion and longevity salary increases by year of service.

7. Total Salary Increase

   6.8% per year average over 25-year career. See Exhibit 16 for the total salary increases by year of service.

8. Interest Credited on Officer's Accumulated Contributions

   5% per year

9. Mortality
   a. Active and Retired

   RP-2000 Mortality Tables for males and females projected to 2010

   b. Disabled

   RP-2000 Mortality Tables for males and females projected to 2010

Exhibit 14 (continued)

Austin Police Retirement System
Summary of Actuarial Methods and Assumptions

10. Retirement Rates	Expected average retirement age of 53.5 based on the officers included in the December 31, 2007 valuation. See Exhibit 17 for service and age-related rates.
11. Withdrawal Rates	Expected number of terminations of 23 in 2008 based on the officers included in the December 31, 2007 valuation. See Exhibit 18 for service-related rates.
12. Disability Rates	See Exhibit 19 for age-related rates.
13. Future Pre-Employment Military Service Purchase for Officers Who Have Told System They Have Military Service and Have Not Yet Purchased Credit	• 100% of officers will purchase • All of military service will be purchased up to allowable 24 months • Officers will pay 25% of estimated cost
14. Future Pre-Employment Military Service Purchase for Officers Who Have Not Told System Whether They Have Such Service	• 35% of officers will purchase • 22 months purchased on average • Officers will pay 25% of estimated cost
15. DROP Election	55% of those eligible for at least a 12-month DROP lump sum will make such an election (RETRO) or will have made such an election (FORWARD). See Exhibit 17 for the allocation between RETRO and FORWARD.
16. DROP Period Election	Members elect the maximum period eligible (up to 36 months for RETRO and up to 60 months for FORWARD).
17. Percent Single after Eligible for Service Retirement	15%
18. Age of Spouse of Officer Who Dies While Eligible to Retire	Female 3 years younger than male

Exhibit 14 (continued)

Austin Police Retirement System
Summary of Actuarial Methods and Assumptions

19. Payment Form Election for Pre-
    Retirement Death Benefits
    a. Married Members   Joint and 100% to Survivor
    b. Single Members   15-Year Certain and Life Annuity

20. Ad Hoc Cost-of-Living Increases   None
    for Pensioners

21. Cadet Service Purchase
    - 100% of officers who have not yet purchased the credit will purchase their cadet service in the future.
    - Officer purchase amount based on officer contribution rate and cadet pay at time of cadet service.

22. Forfeited Service Purchase, Probationary Service Purchase, and Uniform Military Leave of Service Purchase

    100% of officers with such eligible service will purchase the respective service.

23. DROP Lump Sums Left with the System for Investment after Retirement (PROP)
    - 40% of officers retiring with DROP will leave their lump sum in the System until age 60.
    - Average annual rate credited to the PROP accounts will be 7%.

24. Contributions (% of Covered Payroll)
    a. City   18%
    b. Police Officers   13%

Exhibit 15

Austin Police Retirement System
Changes in Actuarial Methods and Assumptions

	December 31, 2006 Actuarial Assumption	December 31, 2007 Actuarial Assumption
• Mortality for Active and Retired	RP-2000 Mortality Tables for males and females projected to 2006	RP-2000 Mortality Tables for males and females projected to 2010
• Mortality for Disabled	RP-2000 Mortality Tables for males and females projected to 2006	RP-2000 Mortality Tables for males and females projected to 2010
• Interest Credited on Officer's Accumulated Contributions	3%	5%

Exhibit 16

Austin Police Retirement System
Salary Rate of Increase Assumption from Year t-1 to Year t

	Salary Increases Due to	
Year of Service t	Promotion and Longevity Increases	Total Increases
1	18.0%	22.7%
2	11.2	15.6
3	5.8	10.0
4	0.9	4.9
5	0.9	4.9
6	7.1	11.4
7	0.5	4.5
8	0.5	4.5
8	0.5	4.5
10	7.1	11.4
11	0.3	4.3
12	0.3	4.3
13	0.3	4.3
14	7.1	11.4
15	0.2	4.2
16	7.2	11.5
17	0.2	4.2
18	0.1	4.1
19	0.1	4.1
20	0.1	4.1
21	0.1	4.1
22	0.1	4.1
23	0.1	4.1
24	0.1	4.1
25	0.1	4.1
26-45	0.0	4.0

Exhibit 17

Austin Police Retirement System
Assumed Service Retirement Rates Per 1,000 Members*

| | For Entry Ages Under 32 | | | For Entry Ages 33 and Above | | | |
Service	22 & Under	23-27	28-32	Age	33-37	38-42	43 & Over
23	50	75	100	43			
24	150	150	150	44			
25	200	200	200	45			
26	250	250	250	46			
27	450	350	300	47			
28	500	400	400	48			
29	500	400	500	49			
30	500	500	500	50			
31	500	500	500	51			
32	500	500	1000**	52			
33	500	500		53			
34	500	500		54			
35	600	500		55	200		
36	600	500		56	250		
37	600	1000**		57	300		
38	600			58	350		
39	600			59	500		
40	600			60	1000	500	
41	600			61		350	
42	1000**			62		350	800
				63		350	400
				64		350	400
				65		1000	1000

* Rates are applicable after officer is or would be eligible for retirement.
** 100% retirement rate will be effective at age 60 if earlier.

Exhibit 17 (continued)

Austin Police Retirement System
Assumed Distribution of Retirements by Option Elected

Service at Employment Termination	No DROP Elected[1]	RETRO DROP Elected	FORWARD DROP Elected	Total
23 or less	100%	0%	0%	100%
24	45	45	10	100
25	45	35	20	100
26	45	25	30	100
27	45	20	35	100
28	45	20	35	100
29	45	20	35	100
30	45	20	35	100
31	45	20	35	100
32	45	20	35	100
33	45	25	30	100
34	45	35	20	100
35	45	45	10	100
36	45	55	0	100
37	45	55	0	100
38	45	55	0	100
39	45	55	0	100
40	45	55	0	100
41	45	55	0	100
42	45	55	0	100%

[1] Police officers elect a type of service retirement benefit that does not include payment of a lump sum distribution.

Exhibit 18

Austin Police Retirement System
Assumed Withdrawal Rates Per 1,000 Members

Years of Service	Withdrawal Rates
0	100
1	20
2	20
3	20
4	20
5	20
6	20
7	20
8	20
9	20
10	20
11	17
12	14
13	10
14	5
15	0
16	0
17	0
18	0
19	0

Exhibit 19

Austin Police Retirement System
Assumed Disability Rates Per 1,000 Members*

Age	Disability Rates	Age	Disability Rates
20	0.14	40	0.92
21	0.15	41	1.14
22	0.16	42	1.32
23	0.17	43	1.48
24	0.18	44	1.73
25	0.19	45	2.09
26	0.21	46	2.55
27	0.23	47	2.98
28	0.25	48	3.34
29	0.28	49	3.62
30	0.31	50	3.79
31	0.35	51	3.92
32	0.40	52	4.04
33	0.45	53	4.24
34	0.49	54	4.56
35	0.52	55	4.90
36	0.54	56	5.32
37	0.57	57	5.86
38	0.62	58	6.60
39	0.73	59	7.53
		60	9.11
		61	11.72
		62 and later	0.00

* Rates are for disability due to all causes, and occupational disability rates are assumed to be 55% of all cause rates. Rates are not applicable after an officer is or would be eligible for retirement.

Exhibit 20

Austin Police Retirement System
Definitions

1. *Actuarial cost method* – A procedure for determining the actuarial present value of pension plan benefits and for developing an actuarially equivalent allocation of such value to time periods in the form of a normal cost contribution rate and an actuarial accrued liability.

2. *Actuarially equivalent* – Of equal actuarial present value, determined as of a given date with each value based on the same set of actuarial assumptions.

3. *Actuarial present value* – The value of an amount or series of amounts payable or receivable at various times in the future, determined as of a given date (the valuation date) by the application of the actuarial assumptions.

4. *Entry age actuarial cost method* – A method under which the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis over the earnings of the individual between the entry age and assumed exit. Entry age is calculated as the difference between the attained age and the years of service credit as of the valuation date. Service is assumed to be continuous.

5. *Normal cost contribution rate* – That portion of the actuarial present value of benefits which is allocated to a valuation year by the Entry Age Actuarial Cost Method. It is expressed as a percent of compensation and is equal to the actuarial present value at hire of projected benefits divided by the actuarial present value at hire of anticipated future compensation. It is calculated for each individual and summed for the entire group.

6. *Actuarial accrued liability* – That portion, as determined by the Entry Age Actuarial Cost Method, of the actuarial present value of benefits which is not provided for by future normal cost contributions.

7. *Unfunded actuarial accrued liability* – The excess of the total actuarial present value of future benefits over the sum of the tangible assets and the actuarial present value of future normal cost contributions.

8. *Actuarial value of assets* – The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation.

9. *Actuarial gain or loss* – A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates.

10. *Amortization period* – The period determined in an actuarial valuation as the number of years required, beginning with the valuation date, to amortize the unfunded actuarial accrued liability with a level percent of payroll that is the difference between the expected total contribution rate and the normal cost contribution rate.

Exhibit 21

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statements for Fiscal Year
Ending December 31, 2007

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/02[2]	$298,781,560	$384,991,799	$86,210,239	77.6%	$79,236,366	108.8%
12/31/03	320,354,298	413,964,994	93,610,696	77.4	80,958,862	115.6
12/31/04[3]	343,446,574	451,579,880	108,133,306	76.1	86,673,590	124.8
12/31/05[3]	371,504,533	494,640,856	123,136,323	75.1	93,428,957	131.8
12/31/06[3,4]	417,283,844	576,125,324	158,841,480	72.4	100,090,151	158.7
12/31/07[3]	482,303,290	637,559,674	155,256,384	75.6	111,809,091	138.9

[1] The covered payroll is based on the annual rate of base pay and longevity pay used in the valuation.
[2] Reflects changes in plan benefit provisions effective September 1, 2003.
[3] Some of the actuarial assumptions were revised.
[4] Reflects changes in plan benefit provisions effective September 1, 2007 and December 1, 2007.

II. Schedule of Employer Contributions

Plan Year Ended December 31	Annual Contribution As a Fixed Percentage of Payroll	Annual Required Contribution[1]	Percentage Contributed
2002	18%	$12,566,293	100%
2003	18.000/17.906[2]	13,929,724[3]	100
2004	17.906	14,714,174[4]	100
2005	17.902	15,754,922[5]	100
2006	17.906	16,945,167[6]	100
2007	17.919	18,510,066[7]	100

[1] The annual required contribution is based on actual covered payroll.
[2] Effective September 1, 2003, a portion of the Employer's total 18% contribution is allocated to a Retiree Death Benefit Fund.
[3] The employer's total contribution during 2003 including the Retiree Death Benefit Fund was $13,950,555.
[4] The employer's total contribution during 2004 including the Retiree Death Benefit Fund was $14,794,834.
[5] The employer's total contribution during 2005 including the Retiree Death Benefit Fund was $15,840,395.
[6] The employer's total contribution during 2006 including the Retiree Death Benefit Fund was $17,033,469.
[7] The employer's total contribution during 2007 including the Retiree Death Benefit Fund was $18,594,236.

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statements for Fiscal Year
Ending December 31, 2007

III. Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2007
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll, open
Amortization period	23.8 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market

Actuarial assumptions:
- Investment rate of return, net
    of expenses 8.0%
- Projected salary increases including
    promotion and longevity .... 4.0% to 22.0% per year, averaging 6.8%
- Inflation rate per year 4.0%
- Postretirement cost-of-living adjustments .... None

IV. Actuarial Information for Notes to the Financial Statement as Required by Paragraph 32 of GASB 25

A. PLAN DESCRIPTION

The Board of Trustees of the City of Austin Police Retirement System is the administrator of a single-employer defined benefit pension plan. The System is considered part of the City of Austin's financial reporting entity and is included in the City's financial reports as a pension trust fund.

The System was originally established in 1979 by a City Council ordinance. Effective August 1991, the System is governed by state law with plan amendments made by the Legislature of the State of Texas. The System provides retirement, death, disability and withdrawal benefits. Benefits vest after 10 years of credited service. Participants may retire at (a) 23 years of service excluding any military service credit regardless of age, or (b) age 55 with 20 years of service excluding any military service or (c) age 62. The monthly benefit at retirement is payable as a life annuity (modified cash refund). As of the actuarial valuation date of December 31, 2007, the monthly benefit is equal to 3.2% of the highest 36-month average salary multiplied by years and months of service.

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statements for Fiscal Year
Ending December 31, 2007

The DROP provisions require that a participant must have 23 years of creditable service with the retirement system excluding any military service credit on the date the participant either elects for the RETRO DROP benefit computation date or elects to enter the FORWARD DROP. Further, the DROP provisions may be changed in the future by Board rule with approval by the System's actuary. Similarly, the eligibility requirement for service retirement may be changed in the future by Board rule with approval by the System's actuary, except, the age 62 minimum eligibility regardless of service may not be changed.

The Post Retirement Option Plan (PROP) is an option allowing retiring officers to leave their DROP lump sum in the System for a period of time. The participant can elect to receive partial payments from the DROP lump sum account and can also elect to delay payment of the entire DROP lump sum. Interest credits are paid on the participant's DROP lump sum account following the participant's retirement until the entire lump sum is paid. The interest credits are granted based on an annual rate determined from time to time by Board Rule.

Distributions to officers or their beneficiaries are also available in the event of total and permanent disability, provided the officer has completed 10 years of service or the injury was sustained during the performance of employment duties, or upon death. The terms of benefit payments are determined by certain elections made by the officer, their level of earnings and length of service. Payments to officers or their beneficiaries may be increased annually on an ad hoc basis, limited to 6% per year, and subject to the approval of the Retirement Board and the actuary.

A $10,000 post-retirement lump sum death benefit is payable from a separate Retiree Death Benefit Fund (account) administered by the System.

Participating members in the System include full-time police officers and cadets employed by the police department of the City and employees of the System. The following membership status of the System was reflected in the actuarial valuation as of December 31, 2007:

Retirees and beneficiaries currently receiving benefits (443) and terminated employees entitled to future monthly benefits (11)	454
Current participating members	1,535
Total	1,989

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the System's Financial Statements for Fiscal Year
Ending December 31, 2007

B. CONTRIBUTIONS

The System is funded by biweekly contributions from the basic compensation, consisting of base pay and longevity pay, of police officers and by contributions from the City. Under the provisions in effect on December 31, 2007, participants are required to contribute 13% of their basic compensation to the System effective October 2007. The City is required to make contributions equal to 18% of basic compensation and may authorize additional contributions. Since September 1, 2003, a portion of the City's total 18% contribution has been allocated to the Retiree Death Benefit Fund. This portion, re-determined annually, was 0.081% for 2007 based on the December 31, 2005 actuarial valuation and is 0.100% for 2008 based on the December 31, 2006 actuarial valuation. This portion was redetermined based on the December 31, 2007 actuarial valuation to be 0.091% for 2009.

The City contribution rate is required by the state law governing the System and may be changed by amendment made by the Legislature of the State of Texas. The participant contribution rate must be at least 6% but was increased from 9% to 11% effective October 2006 and to 13% effective October 2007 by a recommendation of the Retirement Board and an approving vote of the participating members in accordance with the state law governing the System. The participant contribution rate may be changed by amendment made by the Legislature of the State of Texas or by appropriate actions of the Board and the participating members in accordance with the state law governing the System.

While contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by the System must be approved by a qualified actuary. The actuary certifies that the contribution commitment by the police officers and the City provides an adequate contribution arrangement at the time any change is made. Using the entry age actuarial cost method, the System's normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the System's unfunded actuarial accrued liability, and the number of years needed to amortize the System's unfunded actuarial accrued liability is determined using an open, level percentage of payroll method. Based on the actuarial valuation as of December 31, 2007 and the plan provisions recognized in that valuation, the normal cost was 21.839% of pay and the amortization period was 23.8 years.

Exhibit 22

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Austin
for the Fiscal Year Ending September 30, 2008

I. Annual Pension Cost

For the fiscal year ending September 30, 2008, the City's Annual Pension Cost (APC) for the Austin Police Retirement System is $_____ as described below in footnote 6 of Trend Information. The total contributions by the City are a fixed 18% of the basic compensation, consisting of base pay and longevity pay, of the members of the System (including both police cadets and officers). However, since September 1, 2003, a portion of the city's contribution is allocated to a separate Retiree Death Benefit Fund (account). This portion, redetermined annually, was 0.081% for 2007 based on the December 31, 2005 actuarial valuation and is 0.100% for 2008 based on the December 31, 2006 actuarial valuation. Therefore, the contributions for the fiscal year ending September 30, 2008 were equal to 17.919% of payroll for the period October 1, 2007 through December 31, 2007, 17.900% of payroll for the period January 1, 2008 through September 30, 2008.

The annual required contributions (ARC) by the city for the fiscal year ending September 30, 2008 were based on the actuarial valuations as of December 31, 2005 and as of December 31, 2006 using the entry age actuarial cost method and were determined in compliance with the GASB Statement No. 27 parameters, including a maximum amortization period of 30 years for the ARC for both of those valuations. The actuarial methods and assumptions used for the three most recent valuations are shown below:

Valuation date	12/31/2005	12/31/2006	12/31/2007
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	30 years	30 years	25 years
Asset valuation method	5-year adjusted market value	5-year adjusted market value	5-year adjusted market value
Actuarial Assumptions			
• Investment return	8.0%	8.0%	8.0%
• Projected salary increases	4.0% plus promotion and longevity	4.0% plus promotion and longevity	4.0% plus promotion and longevity
• Inflation	4.0%	4.0%	4.0%
• Cost-of-living increases	0.0%	0.0%	0.0%
• Payroll increases	4.0%	4.0%	4.0%
ARC as a percent of payroll	18.775%	17.846%	17.646%

Exhibit 22 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Austin
for the Fiscal Year Ending September 30, 2008

II. Three-Year Trend Information for the
Austin Police Retirement System

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percentage of Payroll	Percentage of APC Contributed	Net Pension Obligation
09/30/2006	$_____[1,2]	17.902/17.906%	100%	$0
09/30/2007	_____[1,3]	17.906/17.919	_____[4]	_____[5]
09/30/2008	_____[6]	17.919/17.900	_____[4]	_____[6]

[1] City will be able to determine these amounts from their accounting system since there was no Net Pension Obligation (NPO) at the beginning of the fiscal year.

[2] APC was equal to the ARC, which is 17.902% of covered payroll for the period October 1, 2005 through December 31, 2005 plus 17.906% of covered payroll for the period January 1, 2006 through September 30, 2006, which is the actual contributions.

[3] APC was equal to the ARC, which is 18.148% of covered payroll for the period October 1, 2006 through December 31, 2006 plus 18.775% of covered payroll for the period January 1, 2007 through September 30, 2007, which is more than the actual contributions. There was no interest on the NPO nor an NPO-related adjustment to the ARC, since the NPO was zero at the beginning of the year.

[4] The percentage of APC contributed is the actual city contributions to the System in excess of the portion of contributions for the Retiree Death Benefit Fund, divided by the APC.

[5] The NPO as of September 30, 2007 is equal to the APC less the actual city contributions to the System in excess of the portion of contributions for the Retiree Death Benefit Fund. The NPO at the beginning of the year was zero.

[6] See the worksheet at the end of this exhibit.

III. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/02[2]	$298,781,560	$384,991,799	$86,210,239	77.6%	$79,236,366	108.8%
12/31/03	320,354,298	413,964,994	93,610,696	77.4	80,958,862	115.6
12/31/04[3]	343,446,574	451,579,880	108,133,306	76.1	86,673,590	124.8
12/31/05[3]	371,504,533	494,640,856	123,136,323	75.1	93,428,957	131.8
12/31/06[3,4]	417,283,844	576,125,324	158,841,480	72.4	100,090,151	158.7
12/31/07[3]	482,303,290	637,559,674	155,256,384	75.6	111,809,091	138.9

[1] The covered payroll is based on the annual rate of base pay and longevity pay used in the valuation.
[2] Reflects changes in plan benefit provisions effective September 1, 2003.
[3] Some of the actuarial assumptions were revised.
[4] Reflects changes in plan benefit provisions effective September 1, 2007 and December 1, 2007.

Exhibit 22 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Austin
for the Fiscal Year Ending September 30, 2008

IV. Actuarial Information for Notes to the Financial Statement as Required by Paragraph 20 of GASB 27

A. PLAN DESCRIPTION

The Board of Trustees of the City of Austin Police Retirement System is the administrator of a single-employer defined benefit pension plan. The System is considered part of the City of Austin's financial reporting entity and is included in the City's financial reports as a pension trust fund. The System issues a stand-alone report that is available from the Retirement Board.

The System was originally established in 1979 by a City Council ordinance. Effective August 1991, the System is governed by state law with plan amendments made by the Legislature of the State of Texas. The System provides retirement, death, disability and withdrawal benefits. Benefits vest after 10 years of credited service. Participants may retire at (a) 23 years of service excluding any military service credit regardless of age, or (b) age 55 with 20 years of service excluding any military service or (c) age 62. The monthly benefit at retirement is payable as a life annuity (modified cash refund). As of the actuarial valuation date of December 31, 2007, the monthly benefit is equal to 3.2% of the highest 36-month average salary multiplied by years and months of service.

The DROP provisions require that a participant must have 23 years of creditable service with the retirement system excluding any military service credit on the date the participant either elects for the RETRO benefit computation date or elects to enter the FORWARD DROP. Further, the DROP provisions may be changed in the future by Board rule with approval by the System's actuary. Similarly, the eligibility requirement for service retirement may be changed in the future by Board rule with approval by the System's actuary, except, the age 62 minimum eligibility regardless of service may not be changed by Board rule.

The Post Retirement Option Plan (PROP) is an option allowing retiring officers to leave their DROP lump sum in the System for a period of time. The participant can elect to receive partial payments from the DROP lump sum account and can also elect to delay payment of the entire DROP lump sum. Interest credits are paid on the participant's DROP lump sum account following the participant's retirement until the entire lump sum is paid. The interest credits are granted based on an annual rate determined from time to time by Board Rule.

Exhibit 22 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Austin
for the Fiscal Year Ending September 30, 2008

Distributions to officers or their beneficiaries are also available in the event of total and permanent disability, provided the officer has completed 10 years of service or the injury was sustained during the performance of employment duties, or upon death. The terms of benefit payments are determined by certain elections made by the officer, their level of earnings and length of service. Payments to officers or their beneficiaries may be increased annually on an ad hoc basis, limited to 6% per year, and subject to the approval of the Retirement Board and the actuary.

A $10,000 post-retirement lump sum death benefit is payable from a separate Retiree Death Benefit Fund (account) administered by the System.

Participating members in the System include full-time police officers and cadets employed by the police department of the City and employees of the System.

B.   CONTRIBUTIONS

The System is funded by biweekly contributions from the basic compensation, consisting of base pay and longevity pay, of police officers and by contributions from the City. Under the provisions in effect during the fiscal year ending September 30, 2008, participants are required to contribute 13% of their basic compensation to the System effective October 2007. The City is required to make contributions equal to 18% of basic compensation and may authorize additional contributions. Since September 1, 2003, a portion of the City's total 18% contribution has been allocated to the Retiree Death Benefit Fund. This portion, redetermined annually, was 0.081% for calendar year 2007 based on the December 31, 2005 actuarial valuation and is 0.100% for calendar year 2008 based on the December 31, 2006 actuarial valuation. This portion was redetermined based on the December 31, 2007 actuarial valuation to be 0.091% for calendar year 2009.

The total City contribution rate of at least 18% is required by the state law governing the System and may be changed by amendment made by the Legislature of the State of Texas. The participant contribution rate must be at least 6% but was increased from 9% to 11% effective October 2006 and to 13% effective October 2007 by a recommendation of the Retirement Board and an approving vote of the participating members in accordance with the state law governing the System. The participant contribution rate may be changed by amendment made by the Legislature of the State of Texas or by appropriate actions of the Board and the participating members in accordance with the state law governing the System.

While contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by the System must be approved by a qualified actuary. The

Exhibit 22 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Austin
for the Fiscal Year Ending September 30, 2008

actuary certifies that the contribution commitment by the police officers and the City provides an adequate contribution arrangement at the time any change is made. Using the entry age actuarial cost method, the System's normal cost is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost rate is used to amortize the System's unfunded actuarial accrued liability, and the number of years needed to amortize the System's unfunded actuarial accrued liability is determined using an open, level percentage of payroll method. Based on the actuarial valuation as of December 31, 2007 and the plan provisions recognized in that valuation, the normal cost was 21.839% of pay and the amortization period was 23.8 years.

Exhibit 22 (continued)

Austin Police Retirement System
GASB Statement No. 27 Worksheet for
Annual Pension Cost (APC) and Net Pension Obligation (NPO)
for the Fiscal Year Ending September 30, 2008

	Plan Year in Which the Accounting Year		Accounting Year Total
	Begins	Ends	
	Column A	Column B	Column C
1. Plan years	2007	2008	
2. Valuation date that is the basis for plan year ARC	12/31/2005	12/31/2006	
3. Months of accounting year in each plan year	Oct.-Dec.	Jan.-Sept.	
4. Portion of accounting year in each plan year	25%	75%	
5. GASB compliant ARC for months of accounting year in line 3	_____ [1]	_____ [2]	
6. ARC for the accounting year (5A+5B)			_____
7. NPO at beginning of accounting year	_____ [3]		
8. Actuarial investment return assumption used in calculating line 5	8.0%	8.0%	
9. Multiply line 7A by line 4 x line 8	_____	_____	
10. Total interest on NPO (9A+9B)			_____
11. Actuarial amortization factor used in calculating line 5 amount	18.2974	18.2974	
12. Divide line 7A by line 11, then multiply by line 4	_____	_____	
13. Adjustment to the ARC (12A+12B)			_____
14. Annual pension cost (APC) (6C+10C-13C)			_____
15. Actual contributions to the plan for the accounting year			_____ [4]
16. Change in NPO (14C-15C)			_____
17. NPO at end of accounting year (7A+16C)			_____
18. % of APC contributed (15C÷14C)			_____

[1] ARC = 18.775% of actual covered payroll for October – December 2007.
[2] ARC = 17.846% of actual covered payroll for January – September 2008.
[3] The NPO as of October 1, 2007 should have been determined according to footnote 5 on page 37.
[4] Contributions in excess of the portion of contributions for the Retiree Death Benefit Fund.