

AUSTIN POLICE
RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF DECEMBER 31, 2014
(Updated August 31, 2015)





August 31, 2015

Mr. Sam Jordan, CEO
Austin Police Retirement System
2520 South IH 35, Suite 100
Austin, TX 78704

Re: Austin Police Retirement System

Dear Mr. Jordan:

We are pleased to present to the Board this report of the annual actuarial valuation of the Austin Police Retirement System. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year(s).

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects applicable laws and regulations issued to date at the state and federal level. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, financial reports, and asset information supplied by the System, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

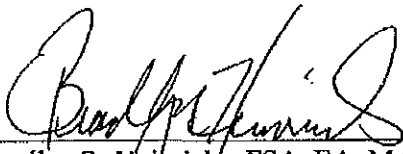
To our knowledge, no associate of Foster & Foster Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Austin, nor does anyone at Foster & Foster Inc. act as a member of the Board of Trustees of the Austin Police Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster Inc.

By:


Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #14-6901

BRH/lke

Enclosures

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SUMMARY OF REPORT

The updated annual actuarial valuation of the Austin Police Retirement System, performed as of December 31, 2014, has been completed and the results are presented in this Report.

The pension costs, compared with those developed in the December 31, 2013 actuarial valuation report, are as follows:

Valuation Date	New Benefits New Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2013</u>
Normal Cost % of Payroll Under Assumed Ret Age.	21.605%	22.055%	21.775%
Expected Member Contributions % of Total Annual Payroll	13.000%	13.000%	13.000%
City Normal Cost Rate % of Total Annual Payroll	8.605%	9.055%	8.775%
Funding Period To Amortize UAAL (expressed in number of years)	28.6	31.1	28.9

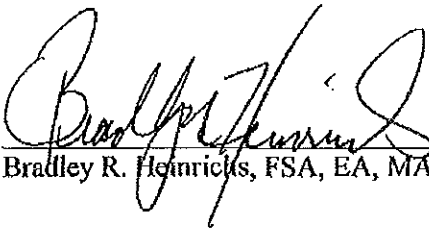
As can be seen above, the funding period required to amortize the Unfunded Actuarial Accrued Liability initially increased from 28.9 to 31.1 years since the prior valuation. This increase is the result of net unfavorable actuarial experience during the past year. The principal components of unfavorable experience resulted from a 6.5% investment return (Actuarial Asset Basis) that fell short of the 8.0% assumption and unfavorable retirement experience. These actuarial losses were partially offset by average increases in compensation that were lower than the assumed rate.


In addition, the Board of Trustees approved a number of benefit and actuarial assumption changes throughout the past year, as discussed on page 7. As shown, this resulted in a 2.5 year reduction in the required funding period. The specific details of the impact associated with implementing these changes are displayed in the comparative summary section of this report.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER INC.

By: 
Bradley R. Heinrichs, FSA, EA, MAAA

By: 
Drew D. Ballard, EA, MAAA

CHANGES SINCE PRIOR REPORT

1. Benefit Provisions

There have been a number of changes in benefits since the prior valuation, as detailed below.

- Effective February 18, 2015, eliminate the opportunity to purchase permissive service in conjunction with utilizing the Forward or Retro-DROP.
- Effective February 18, 2015, permissive service credit factors shall be determined based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality.
- Effective April 1, 2015, eliminate Retro-DROP for members with less than 23 years of APRS service.
- Effective August 1, 2015, the Forward DROP interest rate will be set annually in the same manner as the PROP interest rate, except for those with 23 years of APRS service as of July 31, 2015 who will not be affected.
- New hires beginning February 1, 2016 will be required to pay the full actuarial cost for purchase of military service. All others will continue to pay 25% of the actuarial cost, which will be based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality.

2. Actuarial Assumptions/Methods

As approved by the Board of Trustees, there have been multiple changes to the actuarial assumptions since the prior valuation, as detailed below.

- The investment return assumption has been decreased from 8.00% to 7.90% per year compounded annually, net of all expenses.
- The expected increase in salary due to general wage increases has been lowered from 3.75% to 3.50% per year.
- For members that enter the system prior to age 33, the retirement rates have been increased by 25.0% above their current level. Additionally, some slight modifications have been made to the retirement rates due to anticipated future PRP usage (as described in our April 2015 analysis).
- The annual assumed interest rate credited to PROP accounts has been decreased from 4.00% to 2.25% per year.
- The disability rates have been reduced in half.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS
(Exclusive of Retiree Death Benefit Fund)

Valuation Date	New Benefits New Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2013</u>
A. Participant Data			
Actives	1,777	1,777	1,732
Service Retirees + DROP	645	645	606
Beneficiaries	48	48	46
QDRO	31	31	27
Disability Retirees	3	3	4
Terminated Vested	27	27	26
Total	<u>2,531</u>	<u>2,531</u>	<u>2,441</u>
Total Annual Payroll	152,544,227	152,544,227	147,138,718
Payroll Under Assumed Ret. Age	150,574,998	150,574,998	145,794,226
Annual Rate of Payments to:			
Service Retirees + DROP	40,547,932	40,547,932	38,015,613
Beneficiaries	2,058,727	2,058,727	1,963,282
QDRO	449,896	449,896	404,654
Disability Retirees	103,149	103,149	136,509
Terminated Vested	782,938	782,938	690,455
B. Assets			
Actuarial Value	653,192,335	653,192,335	604,841,897
Market Value	638,019,067	638,019,067	594,421,396
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	804,582,972	812,219,444	776,861,808
Vested Benefits	1,645,117	1,606,166	1,578,491
Death Benefits	13,523,313	14,850,305	14,450,551
Disability Benefits	8,236,813	16,322,160	15,854,778
Refund of Contributions	3,378,417	3,371,990	3,311,001
Service Retirees + DROP	439,930,718	437,792,799	409,602,939
Beneficiaries	17,361,902	17,244,030	16,565,761
QDRO	4,712,975	4,673,901	4,231,168
Disability Retirees	1,220,966	1,209,444	1,576,892
Terminated Vested	2,995,568	2,944,281	2,653,245
Total	<u>1,297,588,761</u>	<u>1,312,234,520</u>	<u>1,246,686,634</u>

Valuation Date	New Benefits New Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2013</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	1,577,429,601	1,632,681,332	1,607,918,167
Normal Cost (Entry Age Normal)			
Retirement Benefits	29,448,152	29,535,783	28,232,155
Vested Benefits	135,545	132,439	130,716
Death Benefits	633,188	678,294	658,332
Disability Benefits	515,418	1,023,102	981,039
Refund of Contributions	526,694	526,463	488,679
Total Normal Cost	<u>31,258,997</u>	<u>31,896,081</u>	<u>30,490,921</u>
Present Value of Future Normal Costs	329,248,367	345,433,470	335,642,480
Actuarial Accrued Liability			
Retirement Benefits	490,080,698	486,885,336	460,859,526
Vested Benefits	718,036	698,035	703,721
Death Benefits	7,076,942	7,783,355	7,459,487
Disability Benefits	3,439,673	6,774,770	6,588,624
Refund of Contributions	802,916	795,099	802,791
Inactives	466,222,129	463,864,455	434,630,005
Total Actuarial Accrued Liability	<u>968,340,394</u>	<u>966,801,050</u>	<u>911,044,154</u>
Unfunded Actuarial Accrued Liability (UAAL)	315,148,059	313,608,715	306,202,257
GASB 25 Funded Ratio (AVA/AL)	67.5%	67.6%	66.4%
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	466,222,129	463,864,455	434,630,005
Actives	154,379,620	140,538,308	136,872,536
Member Contributions	<u>150,805,515</u>	<u>150,805,515</u>	<u>139,714,509</u>
Total	771,407,264	755,208,278	711,217,050
Non-vested Accrued Benefits	30,759,692	36,020,895	26,535,280
Total Present Value Accrued Benefits	<u>802,166,956</u>	<u>791,229,173</u>	<u>737,752,330</u>

Valuation Date	New Benefits New Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2013</u>
E. Pension Cost			
Normal Cost (with interest) % of Payroll Under Assumed Ret. Age*	21.605	22.055	21.775
Expected Member Contributions % of Total Annual Payroll	13.000	13.000	13.000
City Normal Cost Rate % of Total Annual Payroll	8.605	9.055	8.775
Funding Period to Amortize UAAL **	28.6 years	31.1 years	28.9 years

F. PRB Preferred 20-Year Funding Cost

Normal Cost (with interest) % of Payroll Under Assumed Ret. Age*	21.605	22.055	21.775
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years % of Total Annual Payroll	15.497	15.545	15.735
Total 20-Year Funding Cost % of Total Annual Payroll	37.102	37.600	37.510

* Contributions developed above include 0.025% of payroll for assumed additional administrative expenses for participation in the Proportionate Retirement Program

** The period required to amortize the UAAL was calculated based on the City's currently scheduled annual contribution rate to the Fund of 21.63% of total payroll prior to October 1, 2015, and 21.313% on and after October 1, 2015 less the calculated contribution rate required to fund the Retiree Death Benefit Fund.

**COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS
(Retiree Death Benefit Fund)**

Valuation Date	New Benefits New Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2014</u>	Old Benefits Old Assums <u>12/31/2013</u>
Present Value of Benefits			
Active Members	1,259,665	1,215,447	1,108,914
Retired and Terminated Vested Members	2,075,482	2,050,586	1,900,139
Total	<u>3,335,147</u>	<u>3,266,033</u>	<u>3,009,053</u>
Present Value of Future Normal Costs	461,775	464,068	461,737
Normal Cost	61,011	58,208	43,669
Actuarial Accrued Liability	2,873,372	2,801,965	2,547,316
Asset Value of Fund	788,429	788,429	689,006
Unfunded Actuarial Accrued Liability (UAAL)	2,084,943	2,013,536	1,858,310
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 21 years (as of 12/31/2014)			
% of Total Annual Payroll	0.099	0.097	0.090
Normal Cost (with interest)			
% of Total Annual Payroll	0.042	0.040	0.031
Total Required City Contribution Rate Allocated to the Retiree Death Benefit Fund			
% of Total Annual Payroll	0.141	0.137	0.121

* The Retiree Death Benefit Fund was established effective September 1, 2003. The Fund operates as a separate account within the system that is used to advance fund and to pay the \$10,000 post-retirement lump sum death benefits for retirees.

GAIN/LOSS ANALYSIS
(Exclusive of Retiree Death Benefit Fund)

a. Total Gain/(Loss)

1. UAAL, Beginning of Year	306,202,257
2. Normal Cost Applicable for Year	30,490,921
3. Interest on (1) and (2)	26,935,454
4. Contributions During Year	53,885,237
5. Interest on (4)	2,113,944
6. Expected UAAL, End of Year: (1)+(2)+(3)-(4)-(5)	307,629,451
7. Actual UAAL, End of Year (Before Changes)	313,608,715

Total Actuarial Gain/(Loss) (5,979,264)

b. Gain/(Loss) on Assets

1. Actuarial Value of Assets (AVA), Beginning of Year	604,841,897
2. Contributions Less Benefit Payments	8,562,111
3. Expected Investment Earnings	48,723,248
4. Expected AVA, End of Year: (1)+(2)+(3)	662,127,256
5. Actual Actuarial Value of Assets, End of Year	653,192,335

Gain/(Loss) on Assets (8,934,921)

c. Gain/(Loss) on Liabilities

1. Expected Actuarial Accrued Liability: a(6)+b(4)	969,756,707
2. Actual Actuarial Accrued Liability (Before Changes)	966,801,050

Gain/(Loss) on Liabilities 2,955,657

ACTUARIAL ASSUMPTIONS AND METHODS
(Effective December 31, 2014)

<u>Mortality Rates – All Lives</u>	RP-2000 Combined Healthy without projection – Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
<u>Interest Rate</u>	7.90% per year, compounded annually, net of all expenses.
<u>Core Inflation</u>	3.25% per year.
<u>Payroll Growth</u>	3.50% per year for amortization of the Unfunded Actuarial Accrued Liability.
<u>Administrative Expenses (PRP)</u>	0.025% of payroll for assumed additional administrative expenses for participation in the Proportionate Retirement Program.
<u>DROP Election</u>	75% of those assumed to retire who are 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 following tables for allocation between RETRO and FORWARD.
<u>DROP Period Election</u>	Members elect the maximum period eligible (up to 36 months for RETRO and up to 60 months for FORWARD).
<u>PROP Investment Accounts</u>	75% retiring in DROP will elect to leave their lump sum in the System until age 60. Average annual rate credited to the PROP accounts will be 2.25%.
<u>Marital Status</u>	85% of actives are assumed to be married at time of benefit commencement. Females are assumed to be 3 years younger than Males.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method
<u>Actuarial Asset Method</u>	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. The asset value of the Retiree Death Benefit Fund is then subtracted to determine the Actuarial Value of Assets.
<u>Retirement Rates</u>	See following tables.
<u>Termination Rates</u>	See following tables.

Disability Rates

See following tables. 55% of disablements are assumed to be service related.

Salary Increases

See following tables.

Pre-Retirement Death Payment Form

Married: Joint and 100% to Survivor
Single: 15-Year Certain and Life Annuity

Retirement Rates

APRS Service	For Entry Ages Under 32 ¹			For Entry Ages 33 and Above ³			
	22 & Under	23-27	28-32	AGE	33-37	38-42	43 & Over
0-22	0.0625	0.125	0.125	33-37	0.05		
23	0.1875	0.1875	0.28125	38-42	0.05	0.10	
24	0.125	0.125	0.1875	43-47	0.05	0.10	0.10
25	0.125	0.125	0.1875	48	0.05	0.10	0.10
26	0.1875	0.1875	0.3125	49	0.05	0.10	0.10
27	0.1875	0.1875	0.3125	50	0.05	0.10	0.10
28	0.3125	0.3125	0.3125	51	0.05	0.10	0.10
29	0.3125	0.3125	0.375	52	0.20	0.10	0.10
30	0.375	0.375	0.50	53	0.35	0.10	0.10
31	0.375	0.375	0.625	54	0.75	0.10	0.10
32	0.375	0.375	1.00 ²	55	0.20	0.10	0.10
33	0.375	0.375		56	0.25	0.10	0.10
34	0.50	0.50		57	0.30	0.10	0.10
35	0.50	0.625		58	0.35	0.10	0.10
36	0.50	0.625		59	0.50	0.10	0.10
37	0.625	1.00 ²		60	1.00	0.50	0.10
38	0.625			61		0.35	0.10
39	0.625			62		0.35	0.80
40	0.625			63		0.35	0.40
41	0.625			64		0.35	0.40
42	1.00 ²			65		1.00	1.00

¹ Rates are based on APRS service only and apply after a Member is eligible for retirement with combined APRS and Proportionate Retirement Program (PRP) service. Entry ages are determined based on APRS service only.

² 100% retirement rate will be effective at age 60, if earlier.

³ Rates are based on age and apply after a Member is eligible for retirement with combined APRS and PRP service. Entry ages are determined based on APRS service only.

Termination Rates

<u>Combined Years of Service¹</u>	<u>Probability of Termination During Year</u>
0	0.05
1	0.02
2	0.02
3	0.02
4	0.02
5	0.02
6	0.02
7	0.02
8	0.02
9	0.02
10	0.01
11	0.01
12	0.005
13	0.005
14	0.005
15 & Above	0

¹ APRS service combined with Proportionate Retirement Program service.

Disability Rates

<u>Age</u>	<u>Probability of Disablement During Year</u>
20	0.00007
22	0.00008
24	0.00009
26	0.000105
28	0.000125
30	0.000155
32	0.000200
34	0.000245
36	0.000270
38	0.000310
40	0.000460
42	0.000660
44	0.000865
46	0.001275
48	0.001670
50	0.001895
52	0.002020
54	0.002280
56	0.002660
58	0.003300
60	0.004555
62 & Above	0

Salary Increases

<u>Years of Service</u>	<u>Increase in Salary¹</u>
0	18.0%
1	11.2
2	5.8
3	0.9
4	0.9
5	7.1
6	0.5
7	0.5
8	0.5
9	7.1
10	0.3
11	0.3
12	0.3
13	7.1
14	0.2
15	7.2
16	0.2
17	0.1
18	0.1
19	0.1
20	0.1
21	0.1
22	0.1
23	0.1
24	0.1
25 & Above	0.0

¹ Expected increases in salary as shown above are in addition to 3.50% increase per year due to general wage increases.

Retirement Option Election

(Members with 23+ years of APRS service on April 1, 2015)

<u>Service at Termination of Employment</u>	<u>No DROP Elected</u> ¹	<u>RETRO DROP Elected</u>	<u>FORWARD DROP Elected</u>
23 or less	100%	0%	0%
24	25	75	0
25	25	65	10
26	25	60	15
27	25	55	20
28	25	55	20
29	25	55	20
30	25	55	20
31	25	55	20
32	25	55	20
33	25	60	15
34	25	65	10
35	25	75	0
36	25	75	0
37	25	75	0
38	25	75	0
39	25	75	0
40	25	75	0
41	25	75	0
42	25	75	0

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

Retirement Option Election

(Members with less than 23 years of APRS service on April 1, 2015)

<u>Service at Termination of Employment</u>	<u>No DROP Elected ¹</u>	<u>FORWARD DROP Elected</u>
23 or less	100%	0%
24	25	75
25	25	75
26	25	75
27	25	75
28	25	75
29	25	75
30	25	75
31	25	75
32	25	75
33	25	75
34	25	75
35	25	75
36	25	75
37	25	75
38	25	75
39	25	75
40	25	75
41	25	75
42	25	75

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

VALUATION NOTES

Total Annual Payroll is the annual rate of pay as of the valuation date of all active participants.

Payroll under Assumed Retirement Age is the annual rate of pay as of the valuation date of all active participants who are not subject to a 100% probability of retirement on the valuation date.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation. The funding span utilized in determination of the normal cost rate for each benefit is to the last age at which that benefit is payable.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age .

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	37,830,337.78	37,830,337.78
Checking Account	153,946.92	153,946.92
Prepaid Expenses	8,753.50	8,753.50
Total Cash and Equivalents	37,993,038.20	37,993,038.20
Receivables:		
Member Contributions	876,848.56	876,848.56
Member Buy-Back Contributions	193.40	193.40
City Contributions	1,458,941.18	1,458,941.18
Investment Income	3,632,401.31	3,632,401.31
Total Receivable	5,968,384.45	5,968,384.45
Investments:		
Partnership Interests	38,899,824.00	38,899,824.00
Corporate Bonds	32,788,000.75	32,788,000.75
Corporate Stocks	245,824,415.46	245,824,415.46
International Stocks	63,260,869.00	63,260,869.00
International Government Securities	34,202,073.64	34,202,073.64
Real Estate Interests	144,472,514.65	144,472,514.65
Alternatives	35,871,586.00	35,871,586.00
Retiree Death Benefit Fund	788,429.77	788,429.77
Total Investments	596,107,713.27	596,107,713.27
Net Fixed Assets	471,327.18	471,327.18
Total Assets	640,540,463.10	640,540,463.10
<u>LIABILITIES</u>		
Payables:		
Refunds of Member Contributions	123,514.01	123,514.01
Other	2,397,881.81	2,397,881.81
Total Liabilities	2,521,395.82	2,521,395.82
NET POSITION RESTRICTED FOR PENSIONS	638,019,067.28	638,019,067.28

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014
Market Value Basis

<u>ADDITIONS</u>		
Contributions:		
Member		19,457,407.16
Buy-Back		2,207,397.66
City		31,279,861.10
City for Proportionate Retirement Program		940,570.88
City for Retiree Death Benefit		179,308.32
Total Contributions		54,064,545.12
Investment Income:		
Miscellaneous Income	9,381,778.35	
Net Realized Gain (Loss)	30,414,503.77	
Unrealized Gain (Loss)	(9,066,319.27)	
Net Increase in Fair Value of Investments		30,729,962.85
Interest & Dividends		6,363,159.11
Less Investment Expense ¹		(1,518,804.85)
Net Investment Income		35,574,317.11
Total Additions		89,638,862.23
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments		39,129,106.98
Lump Sum DROP Distributions		1,928,952.08
Lump Sum PROP Distributions		3,766,347.40
Retiree Death Benefits		80,000.00
Refunds of Member Contributions		498,719.47
Total Distributions		45,403,125.93
Administrative Expense		1,327,071.04
Total Deductions		46,730,196.97
Net Increase in Net Position		42,908,665.26
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		595,110,402.02
End of the Year		638,019,067.28

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION

December 31, 2014

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/(Loss)	<u>Gains/(Losses) Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2015	2016	2017	2018	2019
12/31/2011	(56,982,781)	(11,396,556)	0	0	0	0
12/31/2012	8,502,880	3,401,152	1,700,576	0	0	0
12/31/2013	4,991,349	2,994,809	1,996,540	998,270	0	0
12/31/2014	(13,701,378)	(10,961,102)	(8,220,827)	(5,480,551)	(2,740,276)	0
Total		(15,961,697)	(4,523,711)	(4,482,281)	(2,740,276)	0

Development of Investment Gain/Loss

Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2013	595,110,402
Contributions Less Benefit Payments	8,661,419
Expected Investment Earnings*	47,948,624
Actual Net Investment Earnings	34,247,246
2015 Actuarial Investment Gain/(Loss)	<u>(13,701,378)</u>

*Expected Investment Earnings = $0.08 * 595,110,402 + [(1 + 0.08)^{0.5} - 1] * 8,661,419$

Development of Actuarial Value of Assets

(1) Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2014	638,019,067
(2) Gains/(Losses) Not Yet Recognized	<u>(15,961,697)</u>
(3) Actuarial Value of Assets, 12/31/2014, (1) - (2)	653,980,764

(A) 12/31/2013 Actuarial Assets, including Retiree Death Benefit Fund: 605,530,903

(I) Net Investment Income:

1. Interest, Dividends and Misc Income	7,897,046
2. Realized Gains (Losses)	30,414,504
3. Change in Actuarial Value	4,223,345
4. Investment and Administrative Expenses	<u>(2,845,876)</u>
Total	39,689,018

(B) 12/31/2014 Actuarial Assets, including Retiree Death Benefit Fund: 653,980,764

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 6.51%

Market Value of Assets Rate of Return: 5.71%

12/31/2014 Limited Actuarial Assets, including Retiree Death Benefit Fund: 653,980,764

12/31/2014 Limited Net Actuarial Assets, excluding Retiree Death Benefit Fund: 653,192,335

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2014
Actuarial Asset Basis

REVENUES

Contributions:		
Member	19,457,407.16	
Buy-Back	2,207,397.66	
City	31,279,861.10	
City for Proportionate Retirement Program	940,570.88	
City for Retiree Death Benefit	179,308.32	
Total Contributions		54,064,545.12
Earnings from Investments:		
Interest & Dividends	6,363,159.11	
Miscellaneous Income	1,533,886.59	
Net Realized Gain (Loss)	30,414,503.77	
Change in Actuarial Value	4,223,344.56	
Total Earnings and Investment Gains		42,534,894.03

EXPENDITURES

Distributions to Members:		
Benefit Payments	39,129,106.98	
Lump Sum DROP Distributions	1,928,952.08	
Lump Sum PROP Distributions	3,766,347.40	
Retiree Death Benefits	80,000.00	
Refunds of Member Contributions	498,719.47	
Total Distributions		45,403,125.93
Expenses:		
Investment related ¹	1,518,804.85	
Administrative	1,327,071.04	
Total Expenses		2,845,875.89
Change in Net Assets for the Year		48,350,437.33
Net Assets Beginning of the Year		604,841,897.18
Net Assets End of the Year²		653,192,334.51

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration, and exclude the Retiree Death Benefit Fund of \$788,429.77.

VALUATION PARTICIPANT RECONCILIATION

I. Active lives

a. Number in prior valuation 12/31/2013	1732
b. Terminations	
i. Vested (partial or full) with deferred benefits	4
ii. Non-vested or full lump sum distribution received	17
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	37
f. DROP	5
g. Continuing participants	1669
h. New entrants	108
i. Total active life participants in valuation	1777

2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, DROP Participants</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Receiving QDRO Benefits</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	606	46	4	27	26	709
b. In	46	3	0	4	4	57
c. Out	7	1	1	0	3	12
d. Number current valuation	645	48	3	31	27	754

STATISTICAL DATA

	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Actives	1,709	1,732	1,777
Average Current Age	39.6	39.9	40.0
Average Age at Employment	28.1	28.3	28.3
Average Past Service	11.5	11.6	11.7
Average Annual Salary	\$82,079	\$84,221	\$84,896

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	15	2	0	0	0	0	0	0	0	0	0	17
25 - 29	31	24	35	32	2	16	0	0	0	0	0	140
30 - 34	33	30	33	42	17	171	15	1	0	0	0	342
35 - 39	12	9	17	14	8	117	125	30	0	0	0	332
40 - 44	11	6	3	7	7	71	130	161	16	0	0	412
45 - 49	2	0	2	2	1	42	61	113	90	6	0	319
50 - 54	0	0	0	0	0	18	20	34	59	29	0	160
55 - 59	0	0	0	0	0	7	3	8	19	8	2	47
60 - 64	0	0	0	0	0	5	0	1	0	1	1	8
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	104	71	90	97	35	447	354	348	184	44	3	1,777

AUSTIN POLICE RETIREMENT SYSTEM
SUMMARY OF BENEFIT PROVISIONS

<u>Creditable Service</u>	Total years and completed months (excluding a month in which service amount to fewer than 15 days) during which a Member makes contributions to the System.
<u>Earnings</u>	Base pay, plus longevity pay.
<u>Average Final Compensation</u>	Average Earnings for the highest 36 months over the last 120 months of service.
<u>Member Contributions</u>	13.0% of Earnings.
<u>City Contributions</u>	21.63%, effective October 1, 2012. 21.313%, effective October 1, 2015.
<u>Normal Retirement</u>	
Date	Earlier of age 62, age 55 and 20 years of Creditable Service, or 23 years of Creditable Service, regardless of age (excluding military service).
Benefit	3.20% of Average Final Compensation <u>times</u> Creditable Service.
Form of Benefit	Modified Cash Refund (options available).
<u>Vesting</u>	
Schedule	100% after 10 years of Creditable Service.
Benefit Amount	Member will receive his (her) accrued benefit payable at the Normal Retirement Date based upon actual Creditable Service prior to termination. Non-vested members receive a refund of accumulated contributions.
<u>Disability</u>	
Eligibility	Total and permanent as determined by the Board. Members must have 10 years of Creditable Service if the disability was non-service related.
Benefit	Accrued benefit at date of disability, but not less than 64% of Average Final Compensation for service related disablements.
Form of Benefit	Modified Cash Refund (options available).

Death Benefits

Before Retirement Eligibility

Twice the amount of the Member's accumulated contributions, subject to a minimum of \$10,000.

After Retirement Eligibility

Member's accrued benefit as of the date of death, payable based on optional annuity selected either by Member or beneficiary. Additionally, a lump sum death benefit is payable in the amount of \$10,000.

Retiree Death Benefit Fund

Effective September 1, 2003, a separate fund (funded as a portion of the City's contribution rate) was established to pay post-retirement lump sum death benefits. Effective September 1, 2007, the amount of these benefits was increased to \$10,000.

Cost of Living Adjustment

Eligibility

Normal Retirement.

Amount

Determined by the actuary if providing a COLA (not to exceed 6.0% per year) will not impair financial stability of the System. Post-Retirement benefit increases will automatically be provided when the System's benefit accrual rate is increased.

Proportionate Retirement Program

Effective September 1, 2009, the System and the City began participating in the statewide Proportionate Retirement Program (PRP). Service in other participating public employee retirement systems can be combined with service in the System to satisfy the System's requirements for service retirement eligibility and for eligibility for vested benefits of a terminated Member. The participating systems, in addition to the System, are the six statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

Forward DROP

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Not to exceed 60 months.
Rate of Return	Effective August 1, 2015, equal to the PROP interest rate (currently 2.25%), except for those with 23 years of APRS service as of July 31, 2015 who will receive 5.00% interest credit per year.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

Retro DROP

Eligibility	Completion of 23 years of Creditable Service, excluding military service, as of April 1, 2015. Members with less than 23 years as of this date will not be eligible to participate in Retro DROP.
Participation Period	Upon election to retroactively enter DROP, the Retro DROP period will not exceed 36 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

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STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	37,830,338
Checking Account	153,947
Prepaid Expenses	8,753
Total Cash and Equivalents	37,993,038
Receivables:	
Member Contributions	876,849
Member Buy-Back Contributions	193
City Contributions	1,458,941
Investment Income	3,632,401
Total Receivable	5,968,384
Investments:	
Partnership Interests	38,899,824
Corporate Bonds	32,788,001
Corporate Stocks	245,824,415
International Stocks	63,260,869
International Government Securities	34,202,074
Real Estate Interests	144,472,515
Alternatives	35,871,586
Retiree Death Benefit Fund	788,430
Total Investments	596,107,714
Net Fixed Assets	471,327
Total Assets	640,540,463
<u>LIABILITIES</u>	
Payables:	
Refunds of Member Contributions	123,514
Other	2,397,882
Total Liabilities	2,521,396
NET POSITION RESTRICTED FOR PENSIONS	638,019,067

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014
Market Value Basis

ADDITIONS

Contributions:

Member	19,457,407
Buy-Back	2,207,398
City	31,279,861
City for Proportionate Retirement Program	940,571
City for Retiree Death Benefit	179,308

Total Contributions	54,064,545
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Investment Income:

Net Increase in Fair Value of Investments	30,729,963
Interest & Dividends	6,363,159
Less Investment Expense ¹	(1,518,805)

Net Investment Income	35,574,317
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Total Additions	89,638,862
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DEDUCTIONS

Distributions to Members:

Benefit Payments	39,129,107
Lump Sum DROP Distributions	1,928,952
Lump Sum PROP Distributions	3,766,348
Retiree Death Benefits	80,000
Refunds of Member Contributions	498,719

Total Distributions	45,403,126
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Administrative Expense	1,327,071
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Total Deductions	46,730,197
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Net Increase in Net Position	42,908,665
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	595,110,402
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End of the Year	638,019,067
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

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NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended December 31, 2014)

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. One council member designated by the city council;
- b. The city manager or the city manager's designee;
- c. The director of finance or the director's designee;
- d. Five police officer members elected by the police officer members of the system, each of whom serves for a term of four years;
- e. One legally qualified voter of the city, resident for the preceding five years, to be appointed by the police retirement board to serve for a term of four years and until the member's successor is duly selected and qualified.
- f. Two retired members to be elected by the retired members to serve for a term of four years, with the term of one member expiring each odd-numbered year.

Plan Membership as of December 31, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	683
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	26
Active Plan Members	1,732
	2,441

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of age 62, age 55 and 20 years of Creditable Service, or 23 years of Creditable Service, regardless of age (excluding military service).

Benefit: 3.20% of Average Final Compensation times Creditable Service.

Vesting:

Schedule: 100% after 10 years of Creditable Service.

Benefit Amount: Member will receive his (her) accrued benefit payable at the Normal Retirement Date based upon actual Creditable Service prior to termination.

Non-vested members receive a refund of accumulated contributions.

Disability:

Eligibility: Total and permanent as determined by the Board. Members must have 10 years of Creditable Service if the disability was non-service related.

Benefit accrued to date of disability but not less than 64% of Average Final Compensation for service related disabilities.

Death Benefits:

Before Retirement Eligibility: Twice the amount of the Member's accumulated contributions, subject to a minimum of \$10,000.

After Retirement Eligibility: Member's accrued benefit as of the date of death, payable based on optional annuity selected either by Member or beneficiary. Additionally, a lump sum death benefit is payable in the amount of \$10,000.

Retiree Death Benefit Fund:

Effective September 1, 2003, a separate fund (funded as a portion of the City's contribution rate) was established to pay post-retirement lump sum death benefits. Effective September 1, 2007, the amount of these benefits was increased to \$10,000.

Cost of Living Adjustment:

Eligibility: Normal Retirement.

Amount: Determined by the actuary if providing a COLA (not to exceed 6.0% per year) will not impair financial stability of the System. Post-Retirement benefit increases will automatically be provided when the System's benefit accrual rate is increased.

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Proportionate Retirement Program:

Effective September 1, 2009, the System and the City began participating in the statewide Proportionate Retirement Program (PRP). Service in other participating public employee retirement systems can be combined with service in the System to satisfy the System's requirements for service retirement eligibility and for eligibility for vested benefits of a terminated Member. The participating systems, in addition to the System, are the six statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

Contributions

The Sponsor contribution is a fixed rate of 21.63% of total payroll.

InvestmentsInvestment Policy:

The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	43.50%
International Equity	21.00%
Domestic Bonds	9.00%
International Bonds	6.50%
Real Estate	20.00%
<u>Total</u>	<u>100.00%</u>

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended December 31, 2014, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 5.71 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option ProgramForward DROP:

Eligibility: Members with completion of 23 years of Creditable Service as of July 31, 2015, excluding military service.

Participation period not to exceed 60 months. Rate of Return: 5.00%, compounded annually. After July 31, the Rate of Return is: 2.25% compounded annually.

Form of Distribution: Cash lump sum (or rollover to PROP account) at termination of employment.

Effective February 18, 2015, the opportunity to purchase permissive service is no longer available.

Retro DROP:

Eligibility: Completion of 23 years of Creditable Service, excluding military service. Participation period upon election to retroactively enter DROP, the Retro DROP period will not exceed 36 months. Rate of Return 5.00%, compounded annually.

Effective February 18, 2015, the opportunity to purchase permissive service is no longer available.

Effective April 1, 2015, no Retro DROP will be available for Members with less than 23 years of APRS service.

Form of Distribution: Cash lump sum (or rollover to PROP account) at termination of employment.

The PROP balance as December 31, 2014 is \$21,768,360.

The DROP balance as December 31, 2014 is \$0.

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NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on December 31, 2014 were as follows:

Total Pension Liability	\$ 971,622,936
Plan Fiduciary Net Position	\$ (638,019,067)
Sponsor's Net Pension Liability	<u>\$ 333,603,869</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	65.67%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of December 31, 2013 updated to December 31, 2014 using the following actuarial assumptions:

Inflation	3.25%
Salary Increases	Service Based
Discount Rate	7.90%
Investment Rate of Return	7.90%

Mortality rates (all lives) were based on the RP-2000 Combined Healthy without projection - Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period 2012-2013.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.50%
International Equity	8.50%
Domestic Bonds	2.50%
International Bonds	3.50%
Real Estate	4.50%

Discount Rate:

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of 13.00% of compensation and that sponsor contributions will be made at the current contribution rate of 21.63% of total payroll. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease	Current Discount Rate	1% Increase
	6.90%	7.90%	8.90%
Sponsor's Net Pension Liability	\$ 446,103,498	\$ 333,603,869	\$ 238,081,968

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	12/31/2014	12/31/2013
Total Pension Liability		
Service Cost	30,253,628	28,769,060
Interest	72,442,934	68,919,471
Changes of benefit terms	(11,015,618)	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	14,137,496	-
Contributions - Buy Back	2,207,398	-
Benefit Payments, including Refunds of Employee Contributions	(45,403,126)	(42,825,265)
Net Change in Total Pension Liability	62,622,712	54,863,266
Total Pension Liability - Beginning	909,000,224	854,136,958
Total Pension Liability - Ending (a)	<u>971,622,936</u>	<u>\$909,000,224</u>
Plan Fiduciary Net Position		
Contributions - Employer	32,399,740	31,160,764
Contributions - Employee	19,457,407	19,467,960
Contributions - Buy Back	2,207,398	-
Net Investment Income	35,574,317	49,524,150
Benefit Payments, including Refunds of Employee Contributions	(45,403,126)	(42,825,265)
Administrative Expense	(1,327,071)	(1,114,856)
Other	-	-
Net Change in Plan Fiduciary Net Position	42,908,665	56,212,753
Plan Fiduciary Net Position - Beginning	595,110,402	538,897,649
Plan Fiduciary Net Position - Ending (b)	<u>\$638,019,067</u>	<u>\$595,110,402</u>
Net Pension Liability - Ending (a) - (b)	<u>\$333,603,869</u>	<u>\$313,889,822</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	65.67%	65.47%
Covered Employee Payroll	\$149,790,754	\$144,089,468
Net Pension Liability as a percentage of Covered Employee Payroll	222.71%	217.84%

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SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	12/31/2014	12/31/2013
Actuarially Determined Contribution	N/A	N/A
Contributions in relation to the Actuarially		
Determined Contributions	N/A	N/A
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$149,790,754	\$144,089,468
Contributions as a percentage of Covered		
Employee Payroll	21.63%	21.63%

Notes to Schedule

Valuation Date: 12/31/2012

Methods and assumptions used to determine liabilities:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years.
Actuarial Asset Method:	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. The asset value of the Retiree Death Benefit Fund is then subtracted to determine the Actuarial Value of Assets.
	3.50% (previously 4.00%) per year for amortization of the Unfunded Actuarial Accrued Liability.
Payroll Growth:	
Interest Rate:	8.00% per year, compounded annually, net of investment related expenses.
Retirement Rates:	See table on next page.
Termination Rates:	See table on next page.
Disability Rates:	See table on next page. 55% of disablements are assumed to be service related.
Salary Increases:	See table on next page.
Mortality Rates- All lives:	RP-2000 Combined Healthy without projection - Sex Distinct.
PROP Investment Accounts:	75% retiring in DROP will elect to leave their lump sum in the System until age 60. Average annual rate credited to the PROP accounts will be 4.0%.
Marital Status:	85% of actives are assumed to be married at time of benefit commencement Females are assumed to be 3 years younger than Males.

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Retirement Rates Table:

APRS Service	For Entry Ages Under 32 ¹			For Entry Ages 33 and Above ³			
	22 & Under	23-27	28-32	Age	33-37	38-42	43 & Over
0-22	0.05	0.05	0.05	33-37	0.10		
23	0.15	0.15	0.225	38-42	0.10	0.10	0.10
24	0.10	0.10	0.15	43-47	0.10	0.10	0.10
25	0.10	0.10	0.15	48	0.10	0.10	0.10
26	0.15	0.15	0.25	49	0.10	0.10	0.10
27	0.15	0.15	0.25	50	0.10	0.10	0.10
28	0.25	0.25	0.25	51	0.10	0.10	0.10
29	0.25	0.25	0.3	52	0.10	0.10	0.10
30	0.30	0.30	0.4	53	0.10	0.10	0.10
31	0.30	0.30	0.5	54	0.10	0.10	0.10
32	0.30	0.30	1.00 ²	55	0.20	0.10	0.10
33	0.30	0.30		56	0.25	0.10	0.10
34	0.40	0.40		57	0.30	0.10	0.10
35	0.40	0.50		58	0.35	0.10	0.10
36	0.40	0.50		59	0.50	0.10	0.10
37	0.50	1.00 ²		60	1.00	0.50	0.10
38	0.50			61		0.35	0.10
39	0.50			62		0.35	0.80
40	0.50			63		0.35	0.40
41	0.50			64		0.35	0.40
42	1.00 ²			65		1.00	1.00

¹ Rates are based on APRS service only and apply after a Member is eligible for retirement with combined APRS and Proportionate Retirement Program (PRP) service.

² 100% retirement rate will be effective at age 60, if earlier.

³ Rates are based on age and apply after a Member is eligible for retirement with combined APRS and PRP service. Entry ages are determined based on APRS service only.

Termination Rates Table:

<u>Combined Years of Service¹</u>	<u>Probability of Termination During Year</u>
0	0.05
1	0.02
2	0.02
3	0.02
4	0.02
5	0.02
6	0.02
7	0.02
8	0.02
9	0.02
10	0.01
11	0.01
12	0.05
13	0.05
14	0.05
15 & Above	0.00

¹ APRS service combined with Proportionate Retirement Program service.

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Disability Rates Table:	<u>Age</u>	<u>Probability of Disablement During Year</u>
	20	0.00014
	22	0.00016
	24	0.00018
	26	0.00021
	28	0.00025
	30	0.00031
	32	0.00040
	34	0.00049
	36	0.00054
	38	0.00062
	40	0.00092
	42	0.00132
	44	0.00173
	46	0.00255
	48	0.00334
	50	0.00379
	52	0.00404
	54	0.00456
	56	0.00532
	58	0.00660
	60	0.00911
	62 & Above	0.00000

Salary Increase Table:	<u>Years of Service</u>	<u>Increase in Salary¹</u>
	0	18.0%
	1	11.2%
	2	5.8%
	3	0.9%
	4	0.9%
	5	7.1%
	6	0.5%
	7	0.5%
	8	0.5%
	9	7.1%
	10	0.3%
	11	0.3%
	12	0.3%
	13	7.1%
	14	0.2%
	15	7.2%
	16	0.2%
	17	0.1%
	18	0.1%
	19	0.1%
	20	0.1%
	21	0.1%
	22	0.1%
	23	0.1%
	24	0.1%
	25 & Above	0.0%

¹ Expected increases in salary as shown above are in addition to 4.0% increase per year due to general wage increases.

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SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>12/31/2014</u>	<u>12/31/2013</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	5.71%	8.90%