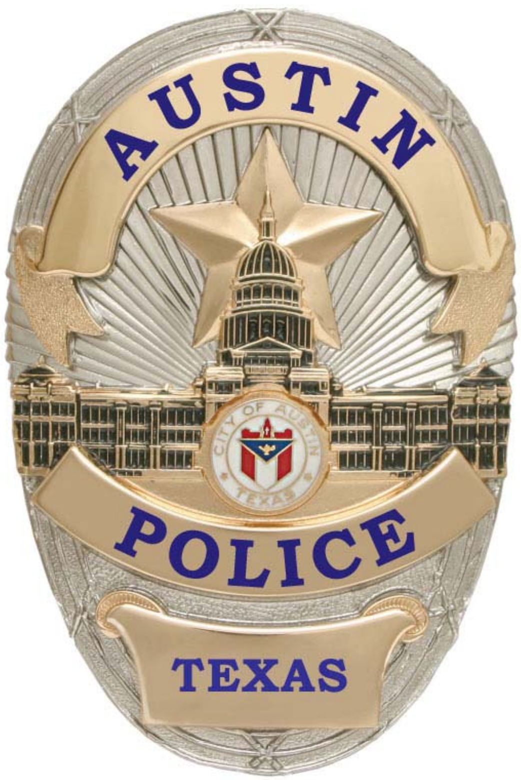
CITY OF AUSTIN
POLICE RETIREMENT SYSTEM
2007 ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007

AUSTIN POLICE RETIREMENT SYSTEM 2007 ANNUAL REPORT AND MEMBERS BENEFIT GUIDE



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PPCC

Public Pension Coordinating Council

Public Pension Standards

2007 Award

Presented to

City of Austin Police Retirement System

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Introductory Section

POLICE RETIREMENT SYSTEM BOARD OF TRUSTEES

PENSION OFFICE STAFF

Sampson (Sam) K. Jordan

Chief Executive Officer

Stephanie Schkade Willie

Assistant Pension Administrator

Gabriella Powers

Financial Manager

Michelle Waller

Benefit Services Specialist

Shalonda Brown

Administrative Secretary

CUSTODIAN BANK

The Northern Trust Company, Chicago, Illinois

INVESTMENT CONSULTANT & PERFORMANCE EVALUATOR

Consulting Services Group, Memphis, Tennessee

ACTUARY

Rudd & Wisdom, Inc., Austin, Texas

AUDITOR

Montemayor Hill & Company, P.C., Austin, Texas

LEGAL COUNSEL

Jackson Walker, L..L.P, Austin, Texas

Clark, Thomas & Winters, P.C., Austin, Texas

Strasburger & Pierce, L.L.P., Dallas, Texas

SECURITY LITIGATION COUNSEL

Berman, DeValerio, Pease, Tobacco, Burt & Pucillo, Boston, Massachusetts

Cohen, Milstein, Hausfeld & Toll P.L.L.C., Washington, D.C.

INVESTMENT MANAGERS

Equity

Aletheia Research & Management, Inc., Santa Monica, California

Brandes Investments Partnership, Inc., San Diego, California

CAZ Investments, Houston, Texas

Crescendo Fund II, Minneapolis, Minnesota

KBC Asset Management, Dublin, Ireland

Snow Capital Management, LP., Sewickley, Pennsylvania

Thornburg Investments, Santa Fe, New Mexico

Waddell & Reed Asset Mgmt. Group, Overland Park, Kansas

Wellington Management Company, Boston, Massachusetts

Fixed Income

Ashmore Investment Management, London, England

Capital Point Partners, Houston, Texas

Clinton Group, LLC, New York, New York

Pacific Investment Management Co. (PIMCO), Newport Beach, California

SMH Capital, Fort Worth, Texas

Real Estate

C B Richard Ellis Strategic Partners, Inc. , Los Angeles, California

Coventry Realty Advisors, Houston, Texas

Edison Investments, Inc., Wichita, Kansas

GE Asset Management, Inc., Stamford, Connecticut

INVESCO Realty Advisors, Dallas, Texas

JP Morgan Asset Management, New York, New York

Land Baron Investments, Las Vegas, Nevada

Main & Main Capital, LP, Grapevine, Texas

McAlister Real Estate, Houston, Texas

New Boston Fund, Inc., Boston, Massachusetts

Sentinel Real Estate, Inc., New York, New York

VEF Advisors, LLC, Atlanta, Georgia

Alternatives

Timber

Global Forest Partners, West Lebanon, New Hampshire

RMK Timberland Group, Atlanta, Georgia

Timberland Investment Resources, Atlanta, Georgia

Natural Resources

Huff Energy Fund, LP, Morristown, New Jersey

2007 ANNUAL REPORT

LETTER TO MEMBERS

Dear Members,

The Board of Trustees and staff of the Austin Police Retirement System are pleased to present the Annual Report for the fiscal year ended December 31, 2007.

This annual report is intended to provide complete and reliable information regarding the financial performance of the System as a means to measure the responsible stewardship of the System's assets.

This annual report is divided into the following sections;

- The Financial Section includes an investment overview provided by the System's consultants, the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to the basic financial statements and required supplemental information.
- The Actuarial Section contains the consulting actuary's Certification Letter and the full actuarial valuation report.
- The Historical Information & Benefit Section contains historical improvement highlights for the last 15 years, a comparative statement of membership for the last 2 years and the membership benefit guide.

There were three important benefit enhancements in 2007. Effective September 1, 2007, the System increased the death benefit to $10,000 from $7,500. The permissive service credit option was modified to allow for the deferral of the actual date of when retirement benefits begin in order to reduce the members cost. In December, the multiplier was increased to 3.2% from 3.0% and the retirees received a special ad hoc increase based on benefit multiplier 3.2% divided by benefit multiplier 3.0%, minus one, and multiplied by 100.

At our December 19, 2007 Regular Board Meeting, the Trustees approved a 1% cost of living adjustment for retirees and surviving beneficiaries effective January 1, 2008 and to pay a 5% interest rate on vested members accumulated contributions effective December 31, 2007.

On February 1, 2008, the PROP Monthly Annuity Deferral program was modified allowing retirees (under age 69) to defer a minimum of $500 per month into the PROP account. The amount deferred will accumulate with interest, in a PROP account, for later disbursement and taxation.

As of June 30, 2008 there were 1560 police officers and cadets who were members of the 'System.' There were 460 retired police officers and surviving beneficiaries of police officers receiving monthly benefits and 13 vested members entitled to future benefits but not yet receiving them.

The Board of Trustees and staff are dedicated to maintaining the System's excellent financial condition and believe that a strong Pension System benefits the City and its taxpayers, as well as the Members of the System.

As always, the Board of Trustee and staff welcome your comments and appreciate your support and the opportunity to serve you.

Sincerely,

Peter Morin

Chairman, Board of Trustees

Financial Section

CSG
Memphis, TN 38119

Investment Overview

For the calendar year ending December 31, 2007, the market value of the investment portfolio was approximately $512 million representing an increase over the previous year-end of approximately 11.5%, of which roughly 2% came from net contributions and the balance from investment gains. Investments in equity securities represented 37.4% of the assets with about a third of these in international securities. About 9% of the portfolio was in equity holdings of U.S. companies having a market capitalization of less than $10 Billion (usually referred to as Small to Mid-size companies) and the balance in large cap U.S. names. The Fixed Income Allocation represented 20% of the portfolio and consisted of 5% in high quality U.S. fixed income securities, since the Plan was experiencing positive cash flow and had little need for a large liquidity balance, and 10% in Emerging Market Debt, which offered a better return potential. Our Alternative Allocation represented almost 39% of the portfolio. This allocation provides solid diversification benefits versus the more market sensitive allocation to equity and fixed income strategies, while providing a steady and attractive income producing component to the portfolio.

For the year, the asset allocation strategy added value in several areas, primarily in the alternative asset classes. First, the Fund maintained a significant allocation to private real estate investments. The Alternative allocation returned 17.0% in 2007, and was one of the best performing asset classes. The Fund's 10% exposure to private timberland investments also added value, as the asset class returned over 18% in 2007. Public and private energy-related investments also witnessed stellar performance, as publicly traded energy stocks returned over 30% in 2007. In addition, the Fund's fixed income allocation returned 10.5%, or 3.5% better than its benchmark, the Lehman Brothers Aggregate Bond Index, mainly due to the actively managed emerging market debt investments outperforming the domestic fixed income investments. While the equity markets were positive, the Fund's combined active management outperformed the broad domestic equity index, by 1.1%.

One of the truest and time-tested methods of managing risk in an investment portfolio is through diversification. The Board of Trustees adheres to this belief and therefore follows a discipline of diversification in investing the assets in the portfolio. In addition to the diversification outlined above, the assets are spread among twenty-nine different professional money managers. We reviewed the performance of each manager with the Board on a monthly basis and provided a more detailed market and peer group comparison as needed. In addition, managers are asked to appear personally before the Board any time that their performance falters from expected norms or other issues of importance require a review.

Looking forward, the Board is aware of the importance of asset allocation in achieving a desired return within acceptable risk guidelines. To this end, the Board maintains a vigilant watch over its commitments to strategies and asset classes including those that are not as liquid as equity and fixed income.

Overall, the portfolio provided a respectable result this past year versus its actuarial target of 8% while managing the risk level within a prudent range. In our expert opinion, the portfolio is well positioned to produce the best results possible for the coming year.

Consulting Services Group, LLC; Investment Consultant to the Board

Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the City of Austin Police Retirement System

We have audited the accompanying statements of plan net assets of the City of Austin Police Retirement System (System) as of December 31, 2007 and 2006, and the related statements of changes in plan net assets for the years then ended These basic financial statements are the responsibility of the System's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System as of December 31, 2007 and 2006, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America

Management's discussion and analysis (MD&A) and the required supplementary information on pages 2 through 5 and 20 through 21 are not a required part of the basic financial statements of the System, but are supplementary information required by the accounting principles generally accepted in the United States of America We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information However, we did not audit the information and express no opinion on it

Montemayor Hill & Company, P.C.

August 15, 2008
Austin, Texas

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CITY OF AUSTIN POLICE RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Austin Police Retirement System's (the System) financial report presents our discussion and analysis of the System's financial performance during calendar years 2007 and 2006. We encourage readers to consider the information presented here in conjunction with our financial statements that follow.

Financial Highlights

- Plan net assets held in trust by the System increased by $53.8 million, or 11.7%, in 2007 and increased by $71.5 million, or 18.3%, in 2006. The increases are due to positive investment returns and contributions in excess of benefit payments.

- Contributions increased by $4.6 million, or 17.1% in 2007 and increased by $2.7 million, or 11.1% in 2006. The increase in 2007 is due to employee contributions increasing from 11% to 13% as of October 1, 2007, an increase of 5.5% in the number of participating members as well as an increase in officer general wages of 5.5%. The increase in 2006 is due to employee contributions increasing from 9% to 11% as of October 1, 2006, an increase of 2.0% in the number of participating members as well as an increase in officer general wages of 5.5%.

- The amount of benefits paid to retired members and beneficiaries and refunded to terminating employees increased approximately $1.1 million, or 5.2%, during 2007 and $2.1 million, or 11.3%, during 2006. The increase in 2007 and 2006 is due to the increase in the number of System retirees by 5.1% and 8.8%, respectively.

- The System's rate of return on investments for the year ended December 31, 2007 was 10.3% gross of fees and 9.8% net of fees, on a market value basis, which was less than the return of 17.5% gross of fees and 17.0% net of fees for the year ended December 31, 2006.

- The funding objective of the System is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2007, the date of the most recent actuarial valuation, the System's funding ratio of actuarial assets as a percentage of actuarial liabilities is 75.6%, which is up from the 72.4% level at December 31, 2006. This is primarily due to favorable investment experience. The actuarial assumed rate of return is 8.00%, net of fees and administrative expenses.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Systems' financial statements, which are comprised of the following:

- Statement of Plan Net Assets - presents the Systems' assets and liabilities and the resulting net assets, which are held in trust for pension benefits. This statement reflects a year-end snapshot of the Plan's investments at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

- Statement of Changes in Plan Net Assets - provides a view of current year additions to and deductions from the plan. These two statements report the System's net assets held in trust for pension benefits (net assets) – the difference between assets and liabilities – is one way to measure the Systems' financial position. Over time, increases and decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

- Notes to the Financial Statements - provide additional information that is essential to a full understanding of the data provided in the financial statements.

Collectively, this information presents the net assets held in trust for pension benefits as of the end of each year, and summarizes the changes in net assets held in trust for pension benefits for the year.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

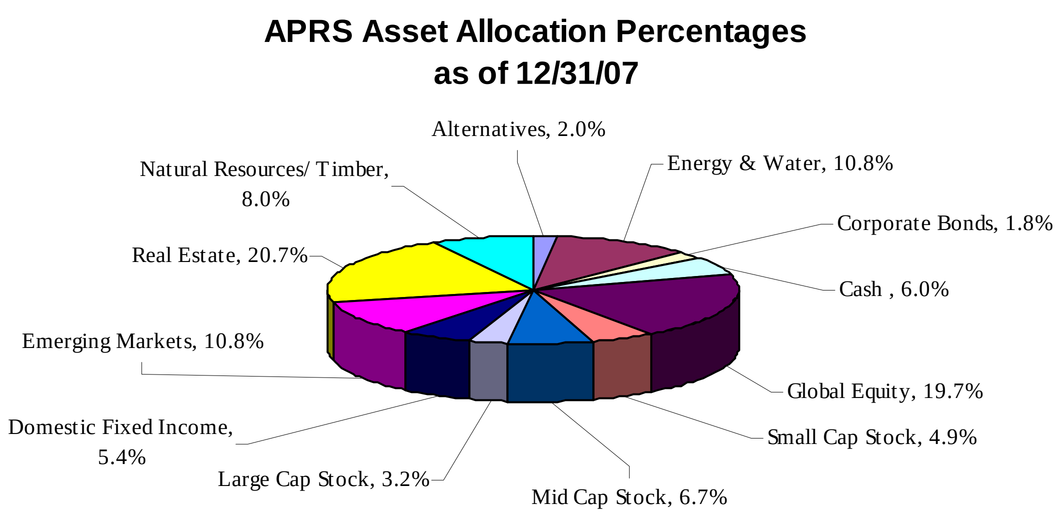
Summary of Plan Net Assets

December 31, 2007, 2006 and 2005

Assets	2007	2006	2005
Cash, receivables and prepaids	$1,831,107	$ 2,513,761	$ 4,619,073
Investments, at fair value	512,914,698	459,077,479	389,661,173
Fixed assets, net	961,989	405,217	435,166
Total assets	515,707,794	461,996,457	394,715,412
Liabilities			
Total liabilities	696,121	816,925	5,026,279
Net assets held in trust for pension benefits	$515,011,673	$461,179,532	$389,689,133

Assets. The Systems' net assets held in trust for pension benefits increased by $53.8 million in 2007 and $71.5 million in 2006. The 2007 and 2006 increases primarily reflect investment returns in the energy, emerging markets, real estate and timberland markets. The decrease in cash, receivables, and prepaids of approximately $683 thousand in 2007 is primarily due to a decrease in the amount of cash carried in the operating account at year end. The decrease in cash, receivables, and prepaids of approximately $2.1 million in 2006 is primarily due to a decrease in interest and dividends receivable at year end. Total investments were $512.9 million at the end of fiscal year 2007 and $459.1 million at the end of fiscal year 2006, which is an increase of $53.8 million, or 11.7%, for fiscal year 2007.

Below is a chart of the System's asset allocation for fiscal year ending December 31, 2007:



CITY OF AUSTIN POLICE RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liabilities. Liabilities decreased by $121 thousand in 2007 and decreased by $4.2 million in 2006. The decrease for 2007 is primarily due to less contribution refunds being due and payable at year end. The decrease for 2006 is primarily due to no investment commitments being due and payable at year end.

Summary of Changes in Plan Net Assets

Years Ended December 31, 2007, 2006 and 2005

	2007	2006	2005
Additions			
Contributions	$31,444,215	$ 26,857,508	$ 24,167,426
Investment income	47,531,830	68,078,881	37,353,206
Investment expenses	(2,378,789)	(1,915,119)	(1,492,473)
Net investment income	45,153,041	66,163,762	35,860,733
Other income	49,461	182,742	193,315
Total additions	76,646,717	93,204,012	60,221,474
Deductions			
Benefit payments & contributions refunded	21,971,475	20,888,547	18,767,339
General and administrative expenses	843,101	825,066	780,062
Total deductions	22,814,576	21,713,613	19,547,401
Net increase	53,832,141	71,490,399	40,674,073
Net assets held in trust for pension beginning of year	461,179,532	389,689,133	349,015,060
Net assets held in trust for pension end of year	$515,011,673	$461,179,532	$389,689,133

Additions. Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and City of Austin contributions for 2007 and 2006 totaled $31.4 million and $26.9 million, respectively. The 2007 contributions represent an increase of $4.6 million, or approximately 17.1% above the 2006 level and the 2006 contributions represent an increase of $2.7 million, or approximately 11.1% above the 2005 level. These increases are due to the number of participating members increasing by 5.5% in 2007 and 2.0% in 2006, an increase in officer general wages of 5.5% in both years and employee contributions being raised from 9% to 11% starting in October 2006 and then raised again from 11% to 13% starting in October 2007.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

The System incurred a positive return on the market value of its investments during 2007. Net investment gain of $45.2 million was due to performance of the portfolio assets, which decreased $21.0 million from 2006. Interest, dividends and net securities lending income generated 2007 income of $10.6 million, a slight decrease from the $11.3 million received in 2006. The total rate of return for the System's investment portfolio in 2007 was 9.8% (net of investment fees) as compared to 17.0% (net of investment fees) for 2006.

Deductions. The expenses paid by the System include benefit payments, refunds of member contributions, and administrative expenses. Benefits paid to retirees in 2007 were $21.6 million, an increase of $1.5 million from payments made in 2006, consistent with the increase in the number of retirees to 443 in 2007 from 421 in 2006. Refunds to terminating employees decreased by $376 thousand. Administrative expenses in 2007 were $843 thousand, slightly more than those incurred in 2006.

Benefits paid to retirees in 2006 were $20.1 million, an increase of $1.8 million from payments made in 2005, consistent with the increase in the number of retirees to 421 in 2006 from 386 in 2005. Refunds to terminating employees increased by $334 thousand. Administrative expenses in 2006 were $825 thousand, slightly more than those incurred in 2005.

Investment expenses increased by $464 thousand in 2007 and increased by $423 thousand in 2006. The increase in 2007 and 2006 is due to the growth of our investment assets under management and the increased investing in real estate, private equity and natural resources.

Overall Analysis

As of December 31, 2007, net assets increased by $53.8 million or 11.7% from the prior year, and over the five-year period ending December 31, 2007, net assets increased by 70.9%. The past five-year period growth reflects a solid market return above the 8% actuarial investment return.

Request for Information

This financial report is designed to provide a general overview of the finances of the City of Austin Police Retirement System for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to CEO, City of Austin Police Retirement System, P.O. Box 41089, Austin, Texas 78704-0019.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Investments, at fair value		
Real estate interests	$135,297,987	$136,499,681
Corporate stocks	154,274,645	149,039,163
Government bonds	24,958,404	34,917,124
International government securities	55,239,814	49,266,965
International stocks	57,347,043	56,518,146
Short-term investment funds	46,287,210	12,200,417
Partnership interests	19,820,460	11,382,743
Corporate bonds	9,261,735	0
Alternatives	10,170,242	9,064,000
Retiree death benefit fund	257,158	189,240
Total investments	512,914,698	459,077,479
Cash	113,277	1,158,384
Interest and dividends receivable	860,033	683,149
City of Austin retirement contributions receivable	492,793	387,301
City of Austin death benefit contributions receivable	2,725	1,751
Participant contributions receivable	357,874	251,363
Fixed assets, net	961,989	405,217
Other	4,405	31,813
	515,707,794	461,996,457
LIABILITIES		
Accounts payable and accrued liabilities	644,505	543,256
Refunds payable	51,616	273,669
	696,121	816,925
NET ASSETS HELD IN TRUST AVAILABLE FOR PENSION BENEFITS (See schedule of funding progress on page 40)	$515,011,673	$461,179,532

The accompanying notes are an integral part of this financial statement presentation.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2007 AND 2006

ADDITIONS TO PLAN NET ASSETS:	2007	2006
Contributions:		
City of Austin retirement contributions	$18,510,066	$16,945,167
City of Austin death benefit contributions	84,170	88,302
Participant contributions	12,849,979	9,824,039
	31,444,215	26,857,508
Investment income :		
Net increase in the fair value of investments	36,819,926	56,646,312
Interest and dividends	10,479,835	11,243,826
Securities lending	232,069	188,743
Rental and other income	49,461	182,742
Total investment gain before expenses	47,581,291	68,261,623
Investment expenses	(2,378,789)	(1,915,119)
Net gain from investments	45,202,502	66,346,504
Total additions to net assets available for benefits	76,646,717	93,204,012
DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS:		
Retirement benefit payments	21,544,800	20,108,420
Death benefit payments	30,000	7,500
Contributions refunded to terminating employees	396,675	772,627
General and administrative expenses	843,101	825,066
Total deductions from net assets available for benefits	22,814,576	21,713,613
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	53,832,141	71,490,399
Beginning net assets available for benefits	461,179,532	389,689,133
ENDING NET ASSETS AVAILABLE FOR BENEFITS	$515,011,673	$461,179,532

The accompanying notes are an integral part of this financial statement presentation.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION

The Board of Trustees (Board) of the City of Austin Police Retirement System (System) is the administrator of a single-employer defined benefit pension plan. The System is considered part of the City of Austin's (City) 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.

The Retroactive Deferred Retirement Option Plan (RETRO 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 elects for the RETRO DROP benefit computation date. Effective April 1, 2007, the RETRO DROP was amended to include FORWARD DROP participation. Further, the RETRO DROP provisions may be changed in the future by Board rule with approval by the System's actuary, except, the age 62 minimum eligibility regardless of services may not be changed.

The Post Retirement Option Plan (PROP) is an option allowing retiring officers to leave their RETRO DROP lump sum in the System for a period of time. The participant can elect to receive partial payments from the RETRO DROP lump sum account and can also elect to delay payment of the entire RETRO DROP lump sum. Effective April 1, 2006, this option was amended whereby retirees have the ability to defer their monthly annuity payments to an interest bearing PROP account. Effective October 1, 2007 this option was amended to include a partial deferral of a retirees monthly annuity payment into an interest bearing PROP account. Interest credits will be paid on the participant's PROP account following the participant's retirement until the entire lump sum is paid. The interest credits will be granted based on an annual rate determined from time to time by Board Rule.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SYSTEM DESCRIPTION

A $10,000 post-retirement lump sum death benefit is payable from a separate Retiree Death Benefit Fund (account) administered by the System. As of December 31, 2007 and 2006, the assets of the Retiree Death Benefit Fund were $257,158 and $189,240, respectively, which are included in the System's total market value of Net Assets Held in Trust Available for Pension Benefits of $515,011,673 and $461,179,532, respectively.

Distributions to members or their beneficiaries are also available in the event of total and permanent disability, provided the member 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 member, their level of earnings and length of service. Payments to members 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.

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 and 2006:

	2007
Retirees and beneficiaries currently receiving benefits (443) and terminated employees entitled to future monthly benefits (11)	454
Current participating members	1,535
2007 Total	1,989

	2006
Retirees and beneficiaries currently receiving benefits (421) and terminated employees entitled to future monthly benefits (11)	432
Current participating members	1,455
2006 Total	1,887

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The System's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Contributions are recognized as revenues in the period in which the related employees' payroll is earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CONTRIBUTIONS RECEIVABLE

The final biweekly payroll contributions of employees for the years ended December 31, 2007 and 2006, and the City's related contributions were not deposited in the System by year end and are shown as contributions receivable in both years.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets held in trust available for pensions benefit during the reporting period. Actual results could differ from those estimates.

METHOD USED TO VALUE INVESTMENTS

The System's investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. The System's real estate investments are appraised periodically and the System receives audited financial statements from the real estate investment managers, which are used to estimate fair value. Investment income is recognized in the period earned, and purchases and sales of investments are recorded on a trade-date basis.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SYSTEM EXPENSES

All System administrative costs are the responsibility of the System and are financed through investment earnings.

NOTE 3: FIXED ASSETS

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the asset's estimated useful life of 30 years for the building and 5 to 7 years for furniture and equipment. Fixed asset activity for the year ended December 31, 2007 consisted of:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets not being depreciated				
Land	$150,000	$0	$0	$150,000
Assets being depreciated				
Buildings and improvements	457,955	412,261	0	870,216
Furniture and equipment	294,802	208,081	(4,339)	498,544
Leasehold improvements	15,187	0	0	15,187
Accumulated depreciation	(512,727)	(63,033)	3,802	(571,958)
Net Fixed Assets	$405,217	$557,309	($537)	$961,989

NOTE 4: FEDERAL INCOME TAXES

The System is a Public Employee Retirement System and is exempt from Federal income taxes. Favorable determination letters from the Internal Revenue Service were issued in September 1996 and in April 2007.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

The System is authorized as an independent, defined benefit plan as described in Article 6243n-1, Vernon's Annotated Texas Civil Statutes, that was signed into law on June 11, 1991. The Board is the trustee of System funds and has the power to invest and reinvest such funds in instruments or investments the Board considers prudent in accordance with the System's investment policy.

The Board has adopted an Investment Policy Statement (IPS) to set forth the factors involved in the management of investment assets for the System and the IPS is included with every investment manager's agreement. The fair values of the System's investments at December 31, 2007 and 2006 are presented, by type, as follows:

Investment Type	2007	2006
Real Estate Interests	$135,297,987	$136,499,681
Corporate Stocks	154,274,645	149,039,163
Government Bonds	24,958,404	34,917,124
International Government Securities	55,239,814	49,266,965
International Stocks	57,347,043	56,518,146
Partnership Interests	19,820,460	11,382,743
Corporate Bonds	9,261,735	0
Alternatives*	10,170,242	9,064,000
Short-term Investment Funds	46,544,368	12,389,657
Total Investments	$512,914,698	$459,077,479

* The 2007 and 2006 amount represents an offshore, multi-strategy, pooled investment.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. While the System has no formal policy regarding custodial credit risk, operating bank account deposits in excess of the $100,000 coverage by FDIC are covered by pledged securities held as collateral. As of December 31, 2007 and 2006, the System's operating bank balance of $113,277 and $1,158,384, respectively, was not exposed to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. As of December 31, 2007 and 2006, the System's investment securities are not exposed to custodial credit risk because all securities are held by the System's custodial bank in the System's name and securities on loan with brokers are fully insured for cash collateral.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of December 31, 2007 and 2006, there is no security issued by a single issuer that holds more than 5% of the System's fund. However, as of December 31, 2007 and 2006, there are 2 organizations – McAlister Real Estate and RMK Timberland Group - that hold more than 5% of the System's total fund. As of December 31, 2007, McAlister and RMK hold approximately 6.18% and 5.11%, respectively. As of December 31, 2006, McAlister and RMK held approximately 8.04% and 7.42%, respectively.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

The Board and Investment Policy Statement (IPS) adopts the philosophy that the most effective risk control procedure is to adequately diversify the investments of the Fund among different asset classes with differing risk profiles. Diversification is achieved through providing a wide variety of investment classes in which to invest the Systems funds. The IPS sets the following allowable ranges and target asset allocations for the Systems' funds:

Class	Allowable Range	Target Asset Allocation
Equity	20% - 65%	40.00%
Large Cap	10% - 55%	
Small Cap	0% - 30%	
International	10% - 35%	
Special Situations	0% - 20%	
Fixed Income	15% - 70%	20.00%
Investment Grade	5% - 50%	
High Yield	0% - 25%	
International	0% - 30%	
Private	0% - 25%	
Real Estate	0%- 30%	20.00%
Alternatives	0% - 30%	20.00%

The allowable range means the minimum and maximum percentage of each asset class allowed. The target asset allocation is the average allocation desired over time. The Board has the ability to make the decision to deviate from these ranges when it deems necessary based on the market conditions.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

Along with diversification, the Board and IPS set investment goals and guidelines as follows:

Return Objective

- To exceed the actuarial target rate of return
- To manage the asset mix and outside professional money managers in a manner that provides the maximum likelihood of achieving this objective each year within an acceptable level of market risk

Manager risk guidelines

- No manager will be allocated more than 25% of the Fund's assets, to avoid undue manager concentration
- APRS's allocation to any manager will not represent more than 20% of the assets that the manager is managing in the same strategy

Security concentration guidelines

- No single stock position or corporate debt instrument should represent more than 10% of a manager's portfolio at market
- No industry (as defined by each investment managers appropriate benchmark) should represent more than 2 times its weighting in the corresponding market index or 20%, whichever is greater

Volatility guidelines

- The primary concern for the Board is return but the Board does not want to assume excessive risk in its search for return
- One form of measurement of the risk inherent in the portfolio is the volatility or annualized standard deviation of the portfolio's returns as measured on a quarterly basis
- The Board will seek to achieve its return objective with no more than 75% of the volatility exhibited by the S&P 500 index

In conjunction with these goals and guidelines are responsibilities of the Investment committee, third party consultants, custodians and money managers. The IPS also outlines the review and control procedures that the Board will monitor for compliance.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2007, the System had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1 to 6 years	6 to 10 years
Corporate Bonds	$9,261,735	$0	$0	$9,261,735
International Securities	36,969,028	0	6,022,070	30,946,958
Government Bonds	24,958,404	0	24,958,404	0
Totals	$71,189,167	$0	$30,980,474	$40,208,693

As of December 31, 2006, the System had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1 to 6 years	6 to 10 years
International Securities	$33,464,308	$0	$5,320,053	$28,144,255
Government Bonds	34,917,124	0	22,955,559	11,961,565
Totals	$68,381,432	$0	$28,275,612	$40,105,820

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. While the System has no formal investment policy regarding credit quality rating guidelines, the IPS allows investment managers full discretion in adopting investment strategies to deal with these risks and the portfolios are monitored quarterly by the investment committee.

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at December 31, 2007, are as follows:

Quality Rating	Total Fair Value	Int'l Securities	Corporate Bonds	Government Bonds
A1/A+	$1,124,027	$1,124,027		
A2/A	807,283	807,283		
A3/A-	1,181,698	1,181,698		
Aa3/AA-	124,086	124,086		
B1/B+	5,693,604	4,471,055	$1,222,549	
B2/B	3,482,016	3,194,902	287,114	
B3/B-	6,855,207	4,595,344	2,259,863	
Ba1/BB+	1,779,141	1,779,141		
Ba2/BB	10,312,350	10,312,350		
Ba3/BB-	4,566,263	3,695,660	870,603	
Baa1/BBB+	2,054,557	2,054,557		
Baa2/BBB	5,392,633	5,392,633		
Baa3/BBB-	1,302,070	1,302,070		
Caa1/CCC+	1,806,038		1,806,038	
Caa2/CCC	1,261,423	1,827	1,259,596	
AA+*	7,441,400			$7,441,400
AA*	17,517,004			17,517,004
Not Rated	15,860,933	14,304,961	1,555,972	
Unrated	898,220	898,220		
Total	$89,459,953	$55,239,814	$9,261,735	$24,958,404

* Average Quality Rating – credit quality of the holdings in an open-end institutional mutual fund

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at December 31, 2006, are as follows:

Quality Rating	Total Fair Value	Int'l Securities	Government Bonds
A1/A+	$680,879	$680,879	
A3/A-	918,345	918,345	
B1/B+	2,612,686	2,612,686	
B2/B	4,420,259	4,420,259	
B3/B-	5,229,530	5,229,530	
Ba1/BB+	942,793	942,793	
Ba2/BB	11,686,430	11,686,430	
Ba3/BB-	3,250,871	3,250,871	
Baa1/BBB+	2,520,959	2,520,959	
Baa2/BBB	5,317,449	5,317,449	
Baa3/BBB-	1,470,328	1,470,328	
Caa1/CCC+	215,927	215,927	
AAA*	11,961,565		$11,961,565
AA+*	22,955,559		22,955,559
Not Rated	7,550,236	7,550,236	
Unrated	2,450,273	2,450,273	
Total	$84,184,089	$49,266,965	$34,917,124

*Average Quality Rating – credit quality of the holdings in an open-end institutional mutual fund

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the System does not have a formal investment policy governing foreign currency risk, the System does manage its exposure to fair value loss by requiring their international investment managers to maintain diversified portfolios to limit foreign currency risk.

The System holds investments in ADRs (American Depository Receipts) which are not included in the schedule below since they are denominated in US dollars and accounted for at fair market value.

The System's exposure to foreign currency risk as of December 31, 2007, is as follows:

Currency	Gov't Bonds (1)	Int'l Stocks	Int'l Gov't Securities	Corp Stocks (2)	Other (3)
Euro	$2,368,742	$24,545,092	$255,791	$3,651,880	
Mexican Peso			197,965		
Hong Kong Dollar			529,853	371,979	
Japanese Yen		15,065,775		1,384,148	
Turkish New Lira			359,625		
Norwegian Krone				1,042,622	
British Pound Sterling		7,363,317	102,316	3,056,430	
Brazilian Real			1,898,904		
Swiss Franc		743,612		672,178	
Australian Dollar				458,386	$5,678,384
Singapore Dollar			1,172,529	602,545	
South African Rand			624,262		
Polish Zloty			2,715,007		
Russian Rouble			1,985,701		
South Korean Won		2,004,190	168,091	753,615	
Canadian Dollar				4,664,095	
Other	1,024,678		9,348,890	609,553	531,631
Totals	$3,393,420	$49,721,986	$19,358,934	$17,267,431	$6,210,015

(1) Represents an open-end institutional mutual fund

(2) Represents a commingled pool in global equity investments

(3) Represents a commingled timberfund and a real estate partnership interest

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEPOSIT AND INVESTMENT RISK

The System's exposure to foreign currency risk as of December 31, 2006, is as follows:

Currency	Partnership Interest (1)	Int'l Stocks	Int'l Gov't Securities	Corp Stocks (2)	Gov't Bonds (3)
Euro		$25,776,175	$368,202	$371,415	$987,178
Mexican Peso			2,999,675		
Hong Kong Dollar			233,879	20,215	
Japanese Yen		8,826,168			803,002
Turkish New Lira			629,215		
Norwegian Krone				101,138	
British Pound Sterling		10,827,933		323,583	
Brazilian Real			2,770,341		
Swiss Franc		3,100,205	118,206		
Australian Dollar	$4,712,027			127,607	
Singapore Dollar			802,488		
South African Rand			1,224,863		
Polish Zloty			1,712,272		
Russian Rouble			1,576,170		
South Korean Won		99,000	453,244		
Canadian Dollar				5,381,708	399,831
Other			5,425,272		556,037
Totals	$4,712,027	$48,629,481	$18,313,827	$6,325,666	$2,746,048

(1) Represents a commingled timberfund

(2) Represents a commingled pool in global equity investments

(3) Represents an open-end institutional mutual fund

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 6: SECURITIES LENDING

The System participates in a securities lending program sponsored by its custodian, The Northern Trust Company under which, for an agreed-upon fee, System owned investments are lent to a borrowing financial institution. Under this agreement, the borrowed securities are ultimately returned to the System and the collateral is returned to the borrower. Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

The System is not exposed to credit risk at December 31, 2007 and 2006, respectively, as the collateral held exceeded the market value of the securities lent. All security loans can be terminated on demand by either the lender or the borrower. The average number of days that the System's securities were borrowed was approximately 109 days and 104 days as of December 31, 2007 and 2006, respectively.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. Cash collateral is invested in a short-term investment pool, the Core USA Collateral Section, which has an average weighted maturity less than the maturity of the loaned securities. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions and no borrower or lending agent default for fiscal years 2007 and 2006. There are no dividends or coupon payments owing to the securities lent. Securities lending earnings are credited to the System's account on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 6: SECURITIES LENDING

As of December 31, 2007 and 2006, respectively, the System owned the following investments that were in possession of a borrowing financial institution:

2007	Market Value of Loaned Securities Collateralized by Cash Collateral	Cash Collateral	Market Value of Loaned Securities Collateralized by Non-Cash Collateral	Non-Cash Collateral
Security Type:				
US Equities	$26,358,975	$27,046,686	$66,091	$67,705
Global Equities	487,534	513,315	147,373	146,959
Total	$26,846,509	$27,560,001	$213,464	$214,664

2006	Market Value of Loaned Securities Collateralized by Cash	Cash Collateral	Market Value of Loaned Securities Collateralized by Non-Cash	Non-Cash Collateral
Security Type:				
US Equities	$29,044,650	$29,864,558	$233,425	$239,921
Global Equities	1,422,153	1,470,009	0	0
Total	$30,466,803	$31,334,567	$233,425	$239,921

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 7: 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 that were in effect on December 31, 2007, participants were required to contribute 13% of their basic compensation to the System effective October 1, 2007.

The City is required to make contributions equal to 18% of basic compensation and could 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 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 .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 financing 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.

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

NOTE 8: COMMITMENTS

The System's investments in real estate and partnership interests are included in the table appearing in note 5. In connection with those investments, the System has remaining commitments as of December 31, 2007 and 2006 of approximately $63.1 million and $34.0 million, respectively, pursuant to the terms of the respective interests.

NOTE 9: SUBSEQUENT EVENTS

On January 4, 2008, the APRS's investment in Edisons, L.P., Bobcat Inns, was sold and a 15% General Partner fee was paid out of the proceeds.

CITY OF AUSTIN POLICE REITREMENT SYSTEM

DISCLOSURES IN ACCORDANCE WITH GASB STATEMENT NO. 25

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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.

See independent auditors' report.

CITY OF AUSTIN POLICE REITREMENT SYSTEM

DISCLOSURES IN ACCORDANCE WITH GASB STATEMENT NO. 25

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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.

See independent auditors' report.

CITY OF AUSTIN POLICE REITREMENT SYSTEM

DISCLOSURES IN ACCORDANCE WITH GASB STATEMENT NO. 25

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

See independent auditors' report.

Actuarial Section

AUSTIN POLICE RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF
DECEMBER 31, 2007

AUGUST 13, 2008

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

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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,

Robert M. May

Robert M. May
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Enrolled Actuary

Mark R. Fenlaw

Mark R. Fenlaw
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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]

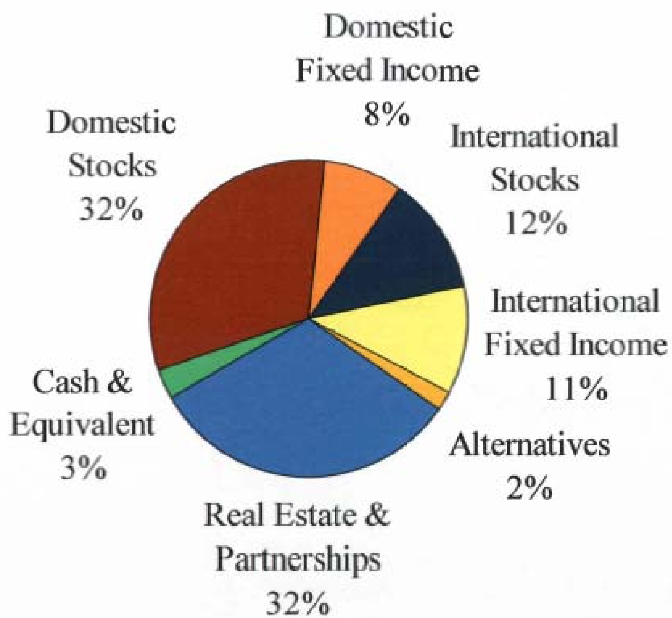
[1] Includes $189,240 for the Retiree Death Benefit Fund. The Net Market Value of Assets, excluding the Retiree Death Benefit Fund, is $460,990,292.

[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



December 31, 2007

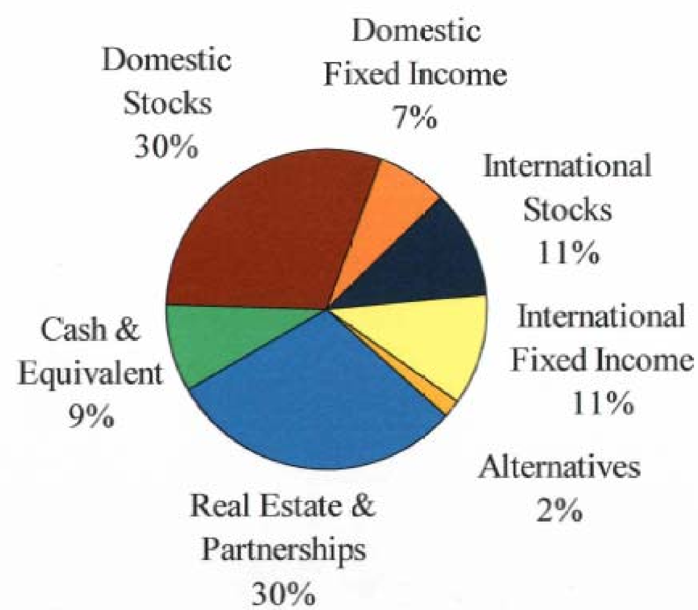


Exhibit 5
Austin Police Retirement System
Development of Actuarial Value of Assets

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

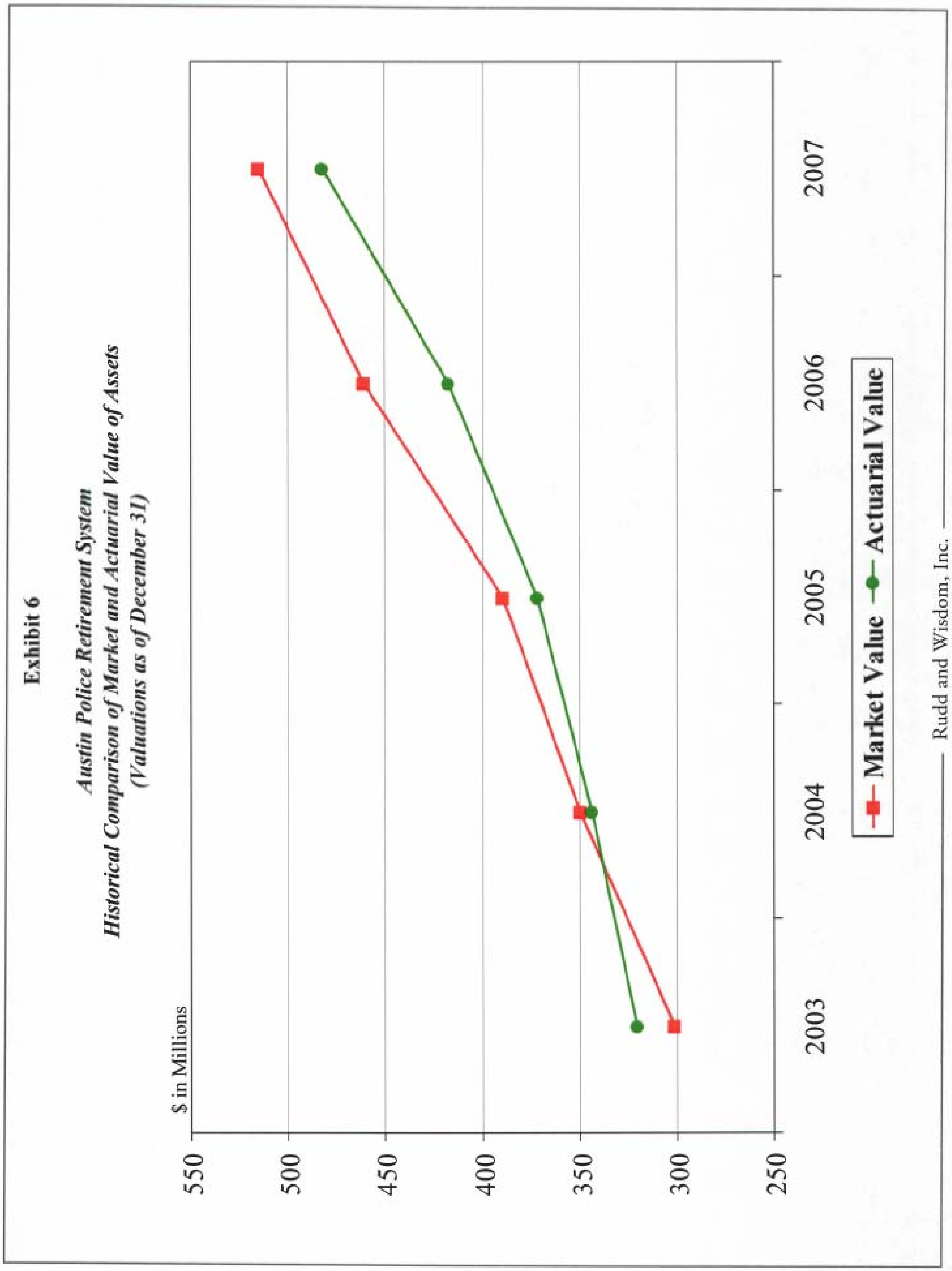


Exhibit 6
Austin Police Retirement System
Historical Comparison of Market and Actuarial Value of Assets
(Valuations as of December 31)
$ in Millions
550
500
450
400
350
300
250
2003
2004
2005
2006
2007
Market Value
Actuarial Value
Rudd and Wisdom, Inc.

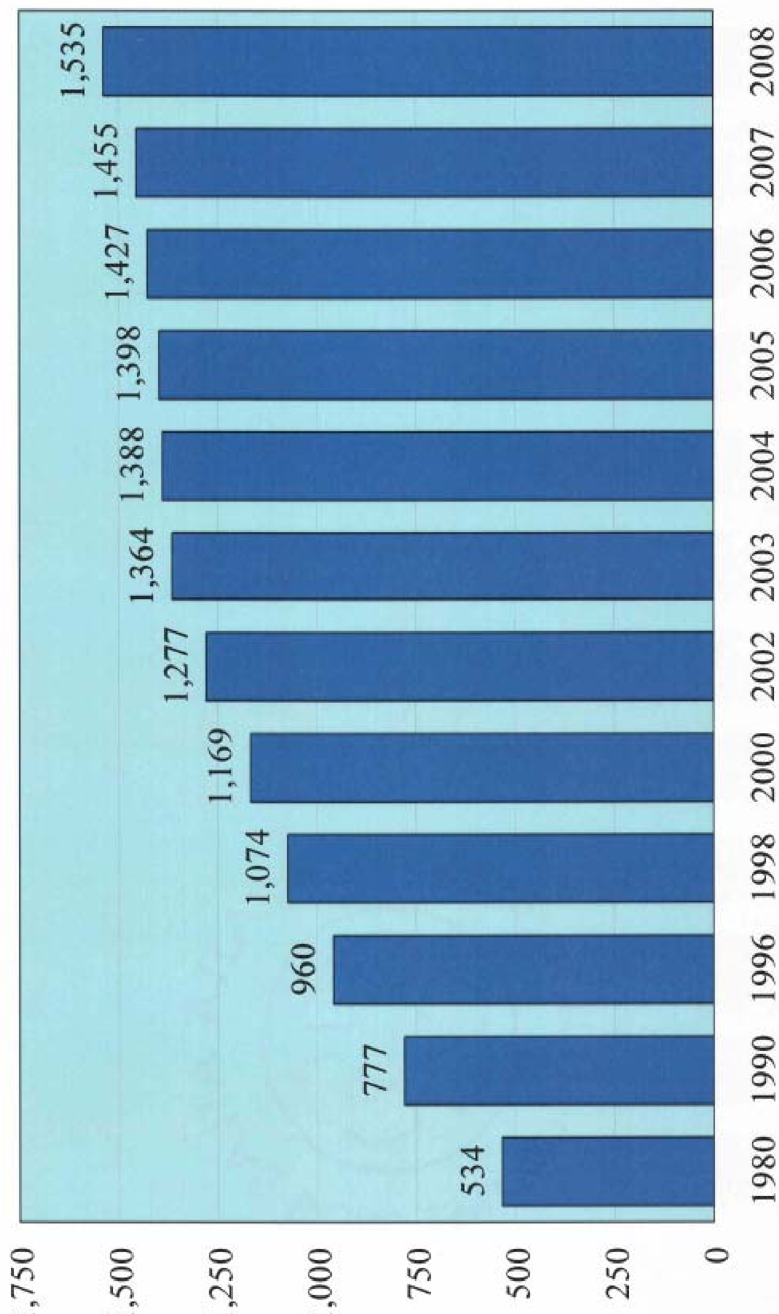
Exhibit 7

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: Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 or Over	Total	Average Annual Salary
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



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

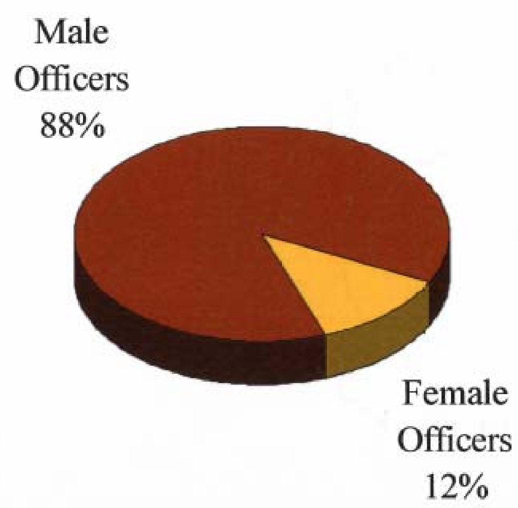


Exhibit 10

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

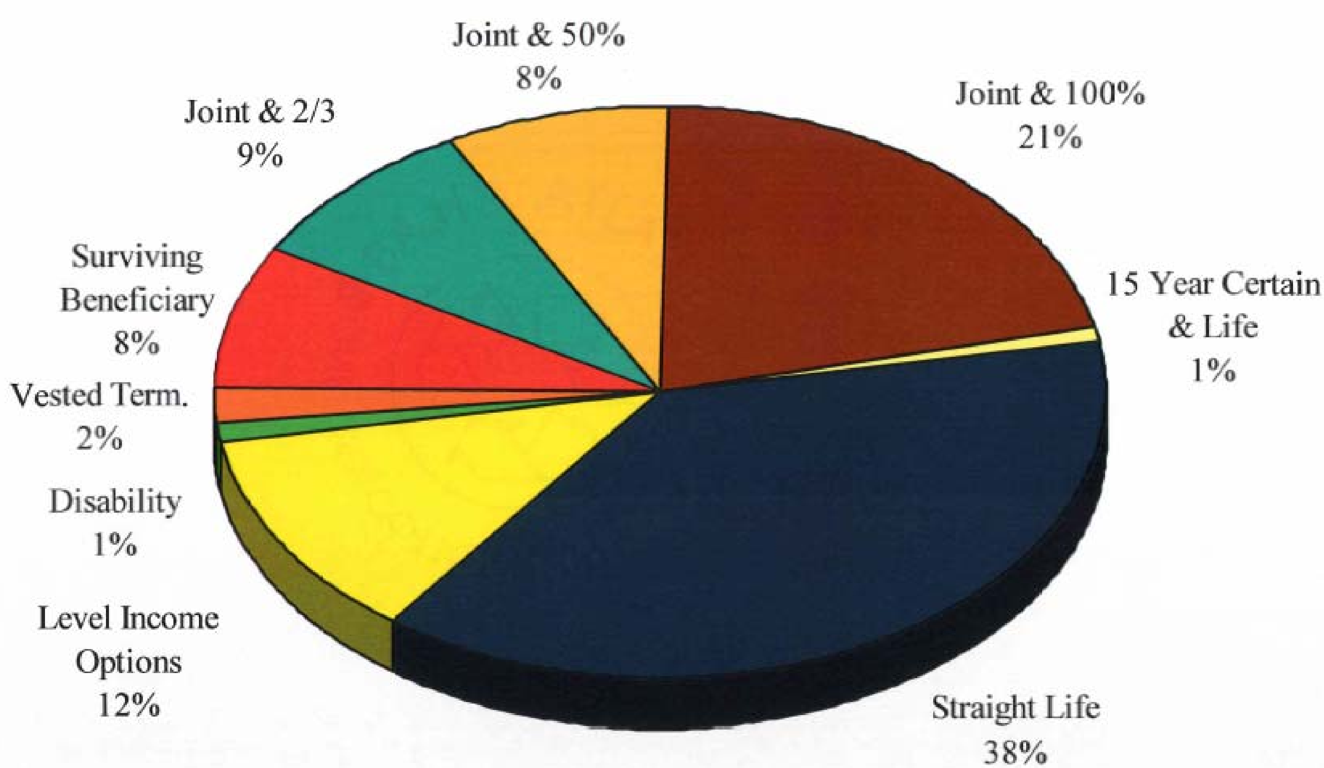


Exhibit 11

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

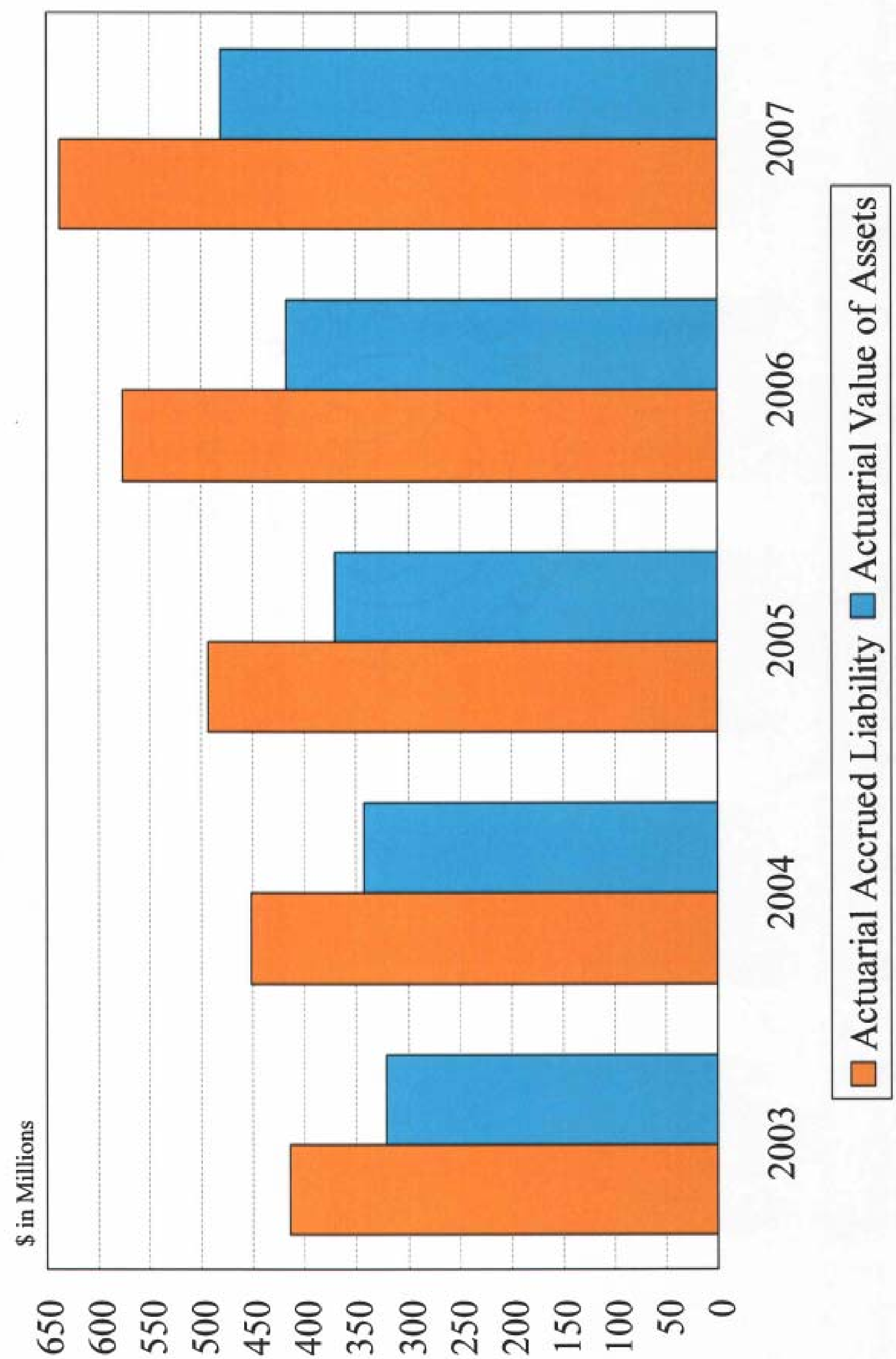
[1] Includes 12 alternate payees of QDROs.
[2] Includes 14 alternate payees of QDROs.

Exhibit 12

Austin Police Retirement System

Historical Comparison of Actuarial Accrued Liability and Actuarial Value of Assets

(Valuations as of December 31)



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 Incrcasc Duc to Gcncral 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 for Pensioners	None
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

Year of Service t	Salary Increases Due to 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 Begins Column A	Plan Year in Which the Accounting Year Ends Column B	Accounting Year Total 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.

Historical Information Section

IMPROVEMENTS TO SYSTEM

(Last 15 Years)

NOVEMBER 1992

A full time Pension Administrator was hired.

AUGUST 1993

Purchased building at 2520 South IH-35 to permanently house the Pension Office.

OCTOBER 1993

Member contribution rate was increased from 6% to 9%.

OCTOBER 1994

The City's contribution rate was increased from 12% to 14%.

SEPTEMBER 1995

Provision added for retirement eligibility with unreduced benefits to include members who have 25 years of creditable service.

Benefit formula multiplier was increased from 2.3% to 2.8%.

Special increase granted to retirees based on benefit formula multiplier in use at date of Retirement.

The retiree death benefit is increased to $5,000 from $2,000.

OCTOBER 1995

The City's contribution rate was increased from 14% to 16%.

OCTOBER 1996

The City's contribution rate was increased from 16% to 18%.

SEPTEMBER 1997

Benefit formula multiplier was increased from 2.8% to 2.88%.

Special Ad hoc increase granted to retirees based on benefit multiplier 2.88% divided by benefit multiplier 2.8%, minus one, and multiplied by 100.

The retiree death benefit is increased to $7,500 from $5,000.

Retroactive Deferred Retirement Option Plan (RETRO DROP) provision added for retirement lump sum distribution with a reduced benefit.

APRIL 1998

Officers who had non-membership time after they were enrolled in Cadet class are now able to buy back that non-membership time as retirement service credit.

Cadets are now members of the retirement system at enrollment date and upon contributing 9% of their biweekly payroll.

SEPTEMBER 1999

Board Membership changed to allow for greater membership participation by adding one active officer and one retired officer position to the Board of Trustees.

JULY 2000

Benefit formula multiplier was increased from 2.88% to 3.0%

Special Ad hoc increase granted to retirees based on benefit multiplier 3.0% divided by benefit multiplier 2.88%, minus one, and multiplied by 100.

SEPTEMBER 2001

Provision added for retirement eligibility with unreduced benefits to include members who have 23 years of creditable service excluding pre-membership military service.

Post Retirement Option Plan (PROP) provision added for members who select the Retroactive Deferred Retirement Option Plan (DROP) and instead of receiving a single lump-sum payment, elect to receive partial payments from the member's DROP account for each calendar year, in an amount elected by the member.

SEPTEMBER 2003

IRS code adopted to allow the retiree death benefit amount of $7,500 to be distributed to beneficiary of retired member as a Tax Free lump sum amount.

Permissive Service Credit provision added, which allows members to purchase at 20 years of service, additional time, minimum of three years service credit needed to retire at normal retirement eligibility (23 years) at actuarially neutral cost to the 'System'.

APRIL 2006

The PROP Monthly Annuity Deferral Option was added for retiree members.

OCTOBER 2006

Member contribution rate was increased from 9% to 11%.

APRIL 2007

Forward Deferred Retirement Option Plan (FORWARD DROP) provision added for a one-time benefit whereby active police officers can choose to retire, continue working for and drawing a paycheck from APD, while their retirement annuity is deferred into a DROP account on their behalf at the retirement system.

SEPTEMBER 2007

Permissive service credit was changed to (1) allow the purchase by a deceased member's designated beneficiary if there is no surviving spouse and (2) allow the purchase to be based on deferring the actual date when retirement benefits would begin in order to reduce the member's cost (Deferred Permissive Service)

The retiree death benefit is increased to $10,000 from $7,500

OCTOBER 2007

Member contribution rate was increased from 11% to 13%.

DECEMBER 2007

Benefit formula multiplier was increased from 3.0% to 3.2%.

Special Ad hoc increase granted to retirees based on benefit multiplier 3.2% divided by benefit multiplier 3.0%, minus one, and multiplied by 100.

INTEREST PAID ON MEMBER CONTRIBUTIONS

(15 Year History)

Year	Interest Paid
2007	5.0%
2006	0.0%
2005	0.0%
2004	2.0%
2003	2.0%
2002	2.0%
2001	4.0%
2000	5.0%
1999	5.0%
1998	5.0%
1997	5.0%
1996	5.0%
1995	5.0%
1994	5.0%
1993	4.5%

*Beginning in 2007, interest is only paid on vested members accounts

HOW IS THE AMOUNT OF INTEREST PAID ON RETIREMENT CONTRIBUTIONS DETERMINED?

The Board of Trustees annually determines the amount of interest paid on vested members' accumulated deposits, taking into consideration the performance of the Fund's investments and the actuary's recommendations. The actuary considers what funds are necessary to pay all the benefits that retirees and their surviving beneficiaries are entitled to, as well as the expected liability for current officers who will someday retire.

Retirement interest is paid only to vested members' (10 yrs. Of service) accounts at the end of the calendar year based on the amount that each officer had in the system on the first day of that calendar year. For instance, if you had $50,000 on January 1, and on December 31, you had $60,000, your interest for that year would be based on the $50,000 you had in the system on January 1. In order to obtain that interest, your money must have remained on deposit for the entire calendar year.

Cost of Living (Ad Hoc) Adjustments

(15 Year History)

Year	COLA Paid
2007	1.0%
2006	0.0%
2005	0.0%
2004	1.75%
2003	3.0%
2002	1.5%
2001	3.0%
2000	3.0%
1999	3.0%
1998	4.0%
1997	2.0%
1996	3.0%
1995	2.0%
1994	0.0%
1993	5.0%

HOW IS THE AMOUNT OF COST OF LIVING ADJUSTMENT FOR RETIREES DETERMINED?

The Board of Trustees annually determines the amount of cost of living adjustment (Ad Hoc) to pay retirees, taking into consideration the performance of the Fund's investments, consumer price index (CPI) and the actuary's recommendations. The actuary considers what funds are necessary to pay all the benefits that retirees and their surviving beneficiaries are entitled to, as well as the expected liability for current officers who will someday retire, making sure the liabilities can be amortized within acceptable accounting and governmental guidelines.

Cost of living adjustments are paid at the beginning of the calendar year, of the year proceeding the year approved. A member who retires between January 1, and December 31, in the year the cost of living adjustment is approved, will see their amount paid prorated for the number of months the retiree was actually retired.

COMPARATIVE STATEMENT OF MEMBERSHIP
RETIREMENT SYSTEM

		2006	2007
Total Number of Members, January 1		1433	1462
Add:	New Members	115	150
Deduct:	Members Terminated	(39)	(44)
Members Transferred to Retiree System		(36)	(22)
Total Membership, December 31		1473	1546
Deduct:	Inactive Vested Members	(11)	(11)
*TOTAL ACTIVE MEMBERS, DECEMBER 31		1462	1535

RETIREE SYSTEM

		2006	2007
Total Number of Retired Members, January 1		386	421
Add:	Retired Members Transferred to System	36	22
Deduct:	Retired Members Deceased	(1)	(0)
*TOTAL RETIRED MEMBERS, DECEMBER 31		421	443

Benefit Guide Section

INTRODUCTION

While this information below sets forth most of the facts about the plan, it does not attempt to describe all provisions or limitations as they apply in individual situations. In case of any conflict between the guide and the statute, Article 6243n-1, Vernon's Texas Civil Statutes, as amended will prevail.

RETIREMENT SYSTEM MEMBERSHIP AND CONTRIBUTIONS

MEMBERSHIP REQUIREMENTS

All cadets upon enrollment in the Austin Police Academy, and commissioned law enforcement officers employed by the City of Austin Police Department, as well as full time employees of the City of Austin Police Retirement System (after serving a 6 month probationary period); become members of the Police Retirement System at date of employment.

CONTRIBUTIONS

Each member of the system contributes 13% of base pay bi-weekly and annual longevity pay through payroll deduction. Overtime or special pay is not included. Contributions continue unless a member is on leave of absence, withdraws by terminating and/or retiring.

The City of Austin contributes 18% of every police member's base pay bi-weekly and 18% of member's longevity pay annually. Once it becomes a part of the retirement fund, the City's contribution is invested for the benefit of all active employees and made available to pay benefits at retirement. Most retirees receive benefits equal to all their own contributions and interest, through their monthly annuity payments, within two or three years after retirement. Because of the contributions made by the City and the interest earned on the Fund's investments, money is available to continue paying each retiree monthly benefits according to their selected option as long as they live, long after their own contributions have been received. These contributions and interest earned thereof, also help in paying lifetime benefits to the surviving beneficiaries of deceased retirees according to their selected option and pay periodic (Ad-Hoc) cost of living adjustments (COLA's).

RETIREMENT FUND INVESTING

The COA-Police Retirement System's Fund monies are invested according to requirements prescribed by the system's statutory plan and further defined in the Board's Investment Policy Statement. The investments provide returns that help fund the monthly retirement allowances and make benefit improvements to the system on behalf of active members, retired members and surviving beneficiaries.

SERVICE
RETIREMENT BENEFITS

RETIREMENT ELIGIBILITY

Normal, unreduced retirement:

Members are eligible for normal, unreduced retirement when they meet one of the following age and service requirements:

* Any age and 23 years creditable service. (excluding Pre-membership Military Service)

* Age 55 and 20-years creditable service. (excluding Pre-membership Military Service)

* Age 62 and any number of creditable service years.

CREDITABLE SERVICE

Creditable service is service that is used in computing retirement benefits. There are seven types of creditable service:

1. Membership Service - Eligible service during employment period where a member makes payroll contributions to the fund.

2. Probationary Service - Eligible service purchased using an interest rate of 8% from commission date to retirement system start date in the event it has not been credited.

3. Military Service - Eligible service purchased for up to two years previous active federal duty military service, prior to employment based on actuarial factors, age, highest 36-month salary average and creditable service. A member is not eligible to use this type of military service credit when it has been used as creditable service in another federal or statutory public retirement system in Texas.

4. Uniformed Leave of Absence Service - Eligible service for military leave of absence granted from City employment and purchased within five years of reemployment with the City.

5. Reinstated Forfeited Service - Eligible service for prior Austin Police Retirement System membership service that was forfeited by withdrawal of accumulated deposits, and repurchased after 24 consecutive months of membership service after police reemployment using an 8% interest factor.

6. Cadet Service - Eligible service purchased using an 8% interest factor from date of cadet class enrollment to commission date in the event it has not been credited.

7. Permissive Service - Eligible service of up to 60 months at 20 years of service credit or more for immediate retirement, excluding pre-membership military service, at full actuarial present value cost.

8. Deferred Retirement Permissive Service - Eligible service of up to 60 months at 20 years of service credit or more with a delayed monthly annuity, excluding pre-membership military service, at full actuarial present value cost.

RETIREMENT BENEFIT LIFE ANNUITY CALCULATED

Basic retirement benefit Life Annuity is calculated using the following formula as in the example below. Monthly annuity checks would begin at the date the member would have been eligible for normal retirement.

$6,250

Average monthly salary for highest 36 months of last 10 years

of contributing service

23	x 3.2% =	$4,600
Total years of membership service		Basic monthly benefit amount

*3.2% (effective 12/1/2007) multiplied by years of membership service times averaged monthly salary for the highest 36 months of the last ten years of contributing service by payroll deduction.

RETIREMENT OPTIONS

The Police Retirement System provides several options under which monthly benefits may be paid. The options below require verifiable information to be submitted to the Pension Office for calculation. Please note: A member may not change their chosen option after they have already retired.

Life Annuity

Monthly retirement annuity payable only to the member for life with no survivor benefits.

Option I - 100% Joint and Survivor Annuity.

This is a retirement annuity payable monthly as long as you live.

At your death, your surviving designated beneficiary will receive the same annuity amount.

Option II - 50% Joint and Survivor Annuity.

This is a retirement annuity payable monthly as long as you live.

At your death, your surviving designated beneficiary will receive one-half the annuity amount.

Option III - 66 2/3% Joint and Survivor Annuity.

This is a retirement annuity payable monthly as long as you live.

At your death, your surviving designated beneficiary will receive two-thirds the annuity amount.

Option IV - Joint and 66 2/3% Last Survivor Annuity.

This is a retirement annuity payable monthly as long as you live. At either your death or the death of your designated beneficiary, the last survivor of the two will receive two-thirds of the annuity amount.

Option V - Fifteen year Certain and Life Annuity

This is a retirement annuity payable monthly as long as you live. If your death occurs before you have received 180 payments, your surviving designated beneficiary or estate will receive the remaining monthly payments. If you are still living after receiving the 180 payments, payments will continue until your death.

The options that include benefits to a survivor are figured according to the ages of both member and surviving beneficiary included in the plan.

A member's benefit is permanently reduced if an option is chosen that provide survivor benefits to a beneficiary. This reduction is applied to the member's basic benefit relative to the option the member chooses.

The reduction of member benefits is necessary to pay for the continued benefits the surviving beneficiary is expected to receive.

RETROACTIVE DEFERRED RETIREMENT OPTION PLAN

The retroactive deferred retirement option plan, referred to as RETRO DROP, is a one-time benefit paid at retirement with a reduced monthly retirement benefit at retirement date. To be eligible a member must qualify with a normal service retirement of 23 years at any age, excluding pre-membership military service credit. The maximum amount of service to be used in computation of the RETRO DROP after normal service retirement of 23 years, excluding pre-membership service credit is 36 months.

On the election of RETRO DROP and the selection of the RETRO DROP benefit computation date, the member’s monthly retirement option is computed as if the member had retired on the RETRO DROP benefit computation date. The RETRO DROP benefit balance will include the accumulated monthly benefits after 23 years with retiree COLA’S, multiplier increases, member contributions and a 5% simple interest calculation on December 31st for balances on deposit as of January 1st of the same calendar year.

Certain selections of options and beneficiary designations other than a surviving spouse may have adverse consequences under the Internal Revenue Code of 1986, which may cause a reduction in the amount of benefit payable. You are urged to consult your attorney or tax advisor prior to a final selection of an option.

RETRO DROP BALANCE OPTION PLAN or (PROP) Post Retirement Option Plan

Instead of a single lump-sum payment, a member may elect to receive partial payments from the member's RETRO-DROP account for each calendar year, in an amount elected by the member. The board may establish procedures concerning partial payments, including limitations on timing and frequency of those payments. A member who elects partial payments may, at any time, elect to receive the member's entire remaining RETRO DROP account balance in a single lump-sum payment, with the payment to be made under rules adopted by the board.

If a member elects partial payments, the member's RETRO DROP account shall be credited with earnings or losses of the system while funds remain in the account. These earnings or losses will be determined at an annual rate established under a rule adopted by the board, which can be amended by board rule.

FORWARD DEFERRED RETIREMENT OPTION PLAN (Forward DROP)

The Forward DROP option is a one-time benefit whereby active police officers can choose to retire, continue working for and drawing a paycheck from APD, while their retirement annuity is deferred into a DROP account on their behalf at the retirement system. To be eligible a member must qualify with a normal service retirement of 23 years at any age, excluding pre-membership military service credit and permissive service credit, as of the date of his or her election to participate in the Forward DROP. The maximum amount of service to be used in computation of the Forward DROP after normal service retirement of 23 years, excluding pre-membership service credit and permissive service credit is sixty (60) months.

A member's election to participate in the Forward DROP is irrevocable. During the period that a member participates in Forward DROP, retirement contributions shall be made to the member's Forward DROP account. The Forward DROP benefit balance will include the accumulated monthly benefits during Forward DROP participation with retiree COLA'S, multiplier increases, member contributions and a 5% simple interest calculation on December 31st for balances on deposit as of January 1st of the same calendar year. A member who elects Forward DROP receives a one-time lump sum benefit with a reduced monthly retirement benefit at termination of employment date.

If a member electing to participate in Forward DROP decides to continue employment covered by the Act governing the System after her or she has participated in Forward

DROP for sixty (60) months, no further annuity deferrals or member contributions shall be deposited to the members Forward DROP account after that sixty month period. In that event, the member shall continue making all contributions required under the Act governing the System, however, these contributions will not be used in the pension benefit calculation and the member will not receive any further service credit for time worked.

Certain selections of options and beneficiary designations other than a surviving spouse may have adverse consequences under the Internal Revenue Code of 1986, which may cause a reduction in the amount of benefit payable. You are urged to consult your attorney or tax advisor prior to a final selection of an option.

PROP MONTHLY ANNUITY DEFERRAL

The PROP Monthly Annuity Deferral plan allows retiring or retired members to defer receipt of their monthly annuity in order to defer the taxation of the deferred payments and to have the monthly benefits accumulate for later disbursement and later taxation in a Post Retirement Option Plan account. Special rules provide for a one-time period of deferral that would cease at the earliest of: (1) the date payment on the monthly benefit is requested, or (2) the date any portion of the PROP account is paid, or (3) the IRS required age of 70 ½ is reached.

Making an election to defer a member's monthly annuity into PROP or revoking that election can have adverse tax consequences in some situations, especially if the member terminated active service before the year in which he or she attained age 55. Therefore, the election should not be made until the member has discussed the matter with a professional financial planner or tax advisor who is knowledgeable about the tax treatment of distributions from qualified tax plans.

RETIREMENT OPTION'S AFFECT ON BENEFICIARY

If a member selects the Life Annuity, the monthly benefit stops at the death of the member. At that time an amount equal to the excess, if any, of the member's accumulated deposits over the amount of payments made to the member will be paid in a lump sum to the member's designated beneficiaries or estate.

If the member chooses an option providing benefits to a survivor, then at the member's death the benefit specified in the option will be paid to the designated beneficiary for life. If the designee does not survive the member, monthly benefits cease. The amount equal to the excess, if any, of the members accumulated deposits over the amount of payments which have been made to both the member and the beneficiary combined will be paid in a lump sum to other designated beneficiaries, or to the estate of the deceased member.

DISABILITY

RETIREMENT BENEFITS

DISABILITY ELIGIBLITY

To be eligible for disability retirement, the applicant must be unable to perform employment duties due to medical or emotional restriction's and/or diagnosis. The disability must be considered a permanent job performance disability. The disability must also be subsequent to the member's effective date of membership AND,

1) if a member with less than 10 years of creditable service has, become mentally or physically incapacitated for the performance of the employment duties the member had immediately before incapacitation as a direct result of injuries sustained subsequent to the member's effective date of membership in the Police Retirement System, the member may apply for disability retirement. Such application made for or on behalf of the injured member, shall show that the injury sustained was as a direct or proximate result of the performance of the member's employment duties with the City or with the system; that it is likely to result in the member's inability to perform the duties of a position offered to the member in the system, the police department, or any other department in the City; that pays as much or more than the current pay of the position the member was holding on the date of the member's disability.

2) if a member with more than 10 years of creditable service has become mentally or physically incapacitated for the performance of the employment duties the member had immediately before incapacitation, the member may apply for disability retirement. Such application made for or on behalf of the injured member, shall show that the incapacity is likely to result in the member's inability to perform the duties of a position offered to such member in the system, the police department, or any other department in the City; that pays as much or more than the current pay of the position the member was holding on the date of the member's disability.

Disability applications are presented to the Disability Committee, whose recommendations are reported to the Retirement Board. The Board has the final authority in granting disability retirement benefits.

COMPUTATION OF DISABILITY BENEFIT

Once disability retirement benefits have been approved by the Board, the member shall receive a disability retirement computed in the same manner that a service retirement benefit would be computed at the member's normal retirement date, based on average final compensation and creditable service at date of disability retirement without reduction for early retirement. If the disability is a direct or proximate result of the performance of the member's employment duties with the system or the city, then the disability retirement benefit will be subject to a minimum benefit based on average final compensation at date of disability retirement and 20 years of service.

A member approved for a disability retirement benefit will have the option to select an unreduced basic Life Annuity; 100% Joint and Survivor Annuity; 50% Joint and Survivor Annuity; 66 2/3% Joint and Survivor Annuity; Joint and 66 2/3% Last Survivor Annuity; and Fifteen Year Certain and Life Annuity.

Disability retirees are required annually to provide proof of continued disability and financial need to the Retirement Board.

DISABLILTY BENEFIT LIFE ANNUITY CALCULATED

Disability retirement benefit Life Annuity is calculated using the formula in the example below:

__$6,250__

Average monthly salary for highest 36 months of last 10 years

of contributing service

_____20__________________________X 3.2% =__________$4,000________

Total years of membership Basic monthly benefit amount service

*3.2% (effective 12/1/2007) multiplied by years of membership service times averaged monthly salary for the highest 36 months of the last ten years of contributing service by payroll deduction.

DEATH & SURVIVOR BENEFITS

FOR RETIREE OR ELIGIBLE RETIREE'S BENEFICIARY

At the death of a retiree, a tax free death benefit of $10,000 is paid to the designated beneficiary(ies) or estate.

At the death of an active member eligible to retire, a taxable death benefit of $10,000 is paid to the designated beneficiary(ies) or estate.

FOR ACTIVE & VESTED MEMBER'S BENEFICIARY

At the death (whether on or off the job) of an active member:

Who is not eligible for retirement, the designated beneficiary(ies) is entitled to a lump sum payment consisting of a return of the member's accumulated deposits (contributions and interest) and a death benefit from the Fund of an amount equal to the deposits. The lump sum payment may not be less than $10,000. When the $10,000 minimum is payable, the amount payable from the Fund is $10,000 minus the accumulated deposits standing to the member's credit.

At the death of a vest member:

Who has terminated employment, but left their contributions in the Fund waiting to become eligible for retirement. If such a vested member dies before the annuity payments begin, their beneficiary would receive in a lump sum amount twice the deceased vested members' accumulated deposits.

If a member has met the requirements of retirement eligibility prior to death:

The surviving designated beneficiary will be entitled to receive monthly payments under a retirement option in lieu of the return of the member's accumulated deposits and lump sum death benefit.

In the event a member who is eligible for service retirement dies without making a written option selection, and the member leaves a surviving spouse, then the surviving spouse may select a retirement option in the same manner as the member would have made or may select a lump sum payment equal to twice the member's accumulated deposits.

If there is no surviving spouse, the deceased member's designated beneficiary may elect to receive payment under Option VII, a Fifteen Year Certain and Life Annuity, which will pay monthly benefits for a period of fifteen years, or a lump sum payment equal to twice the members accumulated deposits.

When monthly benefits are payable in lieu of a lump sum, a $10,000 taxable death benefit will be paid to the surviving designated beneficiary(ies).

SELECTION OF RETIREMENT OPTIONS AND DESIGNATING A BENEFICIARY

Within one year prior to the date on which a member becomes eligible for service retirement, the member may file with the board the member's written statement either selecting a retirement option or designation of beneficiary. The member will retain the right to make a final selection of retirement option or designation of surviving beneficiary until the date of retirement.

HEALTH INSURANCE

Basic medical and dental insurance coverage is available through the City of Austin Human Resources Benefits Division.

Retirees have several choices of insurance carriers and coverage options. Any questions about carriers and plan coverage choices should be directed to the City of Austin Benefits Office at One Texas Center, 505 Barton Springs Rd., Ste. 600, Austin, Texas 78704 or P.O. Box 1088, Austin, Texas 78767 or by phone at (512) 974-3284.

LEAVING THE SYSTEM

DEFINITION OF A VESTED MEMBER

When you have attained ten years of creditable service, you become a vested member of the retirement system.

This means that you have a right to receive a monthly annuity when you reach retirement eligibility. Even if you leave the City Police employment before reaching eligibility, if you are vested, you can decide to leave your contributions in the system and begin drawing your annuity when you reach age 62, or when you meet other age and service requirements for retirement eligibility.

It is important to note that, although retirement contributions for inactive members draw interest and the member’s multiplier can increase during the years between the member's termination and retirement, there will be no cost of living increases applied.

RETIREMENT BENEFITS RETURNED TO MEMBER

When you leave the City as a cadet or a commissioned officer, you will fill out a refund form telling the Pension Office which option you wish, when you want to receive your retirement contributions and where you want them to be sent. Your choices will be:

1. Have your contributions refunded as soon as you terminate employment. Your retirement contribution refund check will be issued two weeks after you receive your final check. It will be mailed to the address on the refund form. (Federal Income Tax will be withheld on all untaxed contributions and interest at 20% of the total taxable amount.)

2. You may decide to leave your contributions in the retirement system through the end of the calendar year. By doing this, you will receive interest on your contributions. Once the year has ended, your refund check will be issued to you in January. (Federal Income Tax will be withheld on all untaxed contributions and interest at 20% of the total taxable amount).

3. You may have your contributions transferred to an I.R.S. qualified retirement plan through a direct rollover by leaving a letter of transfer with the Pension Office. (Federal

Income Tax will not be withheld but the monies will be made payable and moved to the qualified retirement plan on your behalf).

4. If you have ten or more credit service years, you can choose to take advantage of your vested right to an annuity when you reach retirement eligibility. If you indicate that you want to vest your benefits, your contributions will remain in the retirement system until you reach retirement eligibility and request that your monthly annuity begin. Your contributions will continue to earn interest until your monthly annuity begins. One thing to remember should you choose vesting is when you reach eligibility, your benefits will be based on the eligibility in effect at the time you terminated employment. You will receive the current multiplier but no cost of living increases will be applied to your benefits after you leave City Police employment and before the date your annuity payments begin.

RETIREMENT REFUND CHECKS ISSUED AFTER WITHDRAWING CONTRIBUTIONS

With your final paycheck, one final contribution will be made to the retirement fund. After that check is issued, the exact amount of your total refund can be determined. Retirement refund checks are issued every two weeks, at the same time regular payroll checks are issued. Therefore, a member's retirement refund check will be issued the payday following the issuance of that member's final paycheck. NOTE: Your final time sheet must be properly coded before your retirement refund check can be issued. If you have ten or more years of service at termination, contact the Pension Office regarding your option to receive a vested accrued retirement benefit.

LEAVING THE CITY AND WITHDRAWING ACCUMULATED DEPOSITS

Every payday the City contributes an amount to the retirement fund that is 18% of the total of all members payroll. This money becomes a part of the retirement fund. Whereas each member's own contributions are individually accounted for, the amount paid in by the City belongs to all the members of the retirement system and is not specifically assigned to individual members.

When you leave police employment before becoming eligible for retirement, all of your own contributions and interest are returned, however no City contributions, or interest earned, will be paid to you.

FUND INFORMATION

RETIREMENT FUND LOANS AND WITHDRAWALS

The Austin Police Retirement System is an approved I.R.S. qualified 414h defined benefit plan designed to provide income to members who retire from the City. Because of this, APRS members are not allowed, by Federal law, to borrow or withdraw funds as long as they are still employed.

DETERMINING INTEREST ON YOUR CONTRIBUTIONS

The Board of Trustees annually determines the amount of interest paid on vested members' (10 yrs. of service) accumulated deposits, taking into consideration the performance of the fund's investments and the actuary's recommendations. The actuary considers what funds are necessary to pay all the benefits that retirees and their surviving beneficiaries are entitled to, as well as the expected liability for current members who will someday retire.

Retirement interest is paid on December 31st, based on the amount each vested member has in the Police Retirement System on January 1st of the same calendar year.

DETERMINING YOUR COA-POLICE RETIREMENT SYSTEM'S DEPOSIT AMOUNT

Members receive an 'Annual Statement' from the Austin Police Retirement System in January each year which provides information on total accumulated deposits and interest along with total creditable service.

WHO SHOULD I CONTACT FOR MEMBER SERVICES

A Pension Office has been established to serve the membership. Group and individual counseling is provided to members by this office. Prior to your retirement, the Benefit Services Specialist will prepare a schedule of your benefits under each of the options and assist you in your preparation to retire.

The Pension Office personnel can be reached at (512) 416-7672 and their address is 2520 South I.H. 35, Suite 100, Austin, Texas 78704.

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