CITY OF AUSTIN POLICE RETIREMENT SYSTEM

2011 Annual Report

For the year ended December 31, 2011

Table of Contents

INTRODUCTORY SECTION

City of Austin Police Retirement System
Board Of Trustees

Retired Police Member	Peter Morin Chairman
Police Member	Lt. Fred Fletcher Vice Chairperson
Police Member	Cmdr. Catherine Haggerty
Police Member	Cmdr. Michael Jung
Police Member	SPO. Tim Atkinson
Police Member	Crpl. Chris Perkins
Retired Police Member	Kendall Thomas
Citizen Member	Chesley Wood
City Member	Art Alfaro City Managers Office
City Member	Jeff Knodel Financial Services Office
City Member	Kathie Tovo City Council

Pension Office Staff

Chief Executive Officer

Sampson (Sam) K. Jordan

Deputy Director

Stephanie Schkade Willie

Benefit Services Manager

Michelle Ruland

Financial Manager

Vernon Webb

Administrative Secretary

Rosanna Frank

Professional Service Providers

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

Klausner, Jensen, Kaufman & Levinson, PA, Plantation, Florida

Security Litigation Counsel

Berman DeValerio, PC, Boston, Massachusetts

Bernstein Liebhard, LLP, New York, New York

Spector Roseman Kodroff & Willis, PC, Philadelphia, Pennsylvania

Investment Managers

Equity

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

Kleinworth, Benson Investors, Int'l LTD, Dublin-2, Ireland

Thornburg Investments, Santa Fe, New Mexico

Tradewinds Global Investor, Los Angeles, California

Wellington Management Company, Boston, Massachusetts

Fixed Income

Ashmore Investment Management, London, England

Clinton Group, LLC, New York, New York

Extreme Power, Inc., Austin, Texas

Sail Extreme Power, LP, Irvine, California

SMH Capital, Fort Worth, Texas

Real Estate

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

C B Richard Ellis Capital Partners, Inc., New York, New York

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

Rockspring Capital Land, Houston, Texas

New Boston Fund, Inc., Boston, Massachusetts

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

VEF Advisors, LLC, Atlanta, Georgia

Vision Capital, LP—Marietta, Georgia

World Class Capital Group, Austin, Texas

Investment Managers

Timber

Global Forest Partners, West Lebanon, New Hampshire

RMK Timberland Group, Atlanta, Georgia

Timberland Investment Resources, Atlanta, Georgia

Timbervest Crossover, LP, Atlanta, Georgia

Alternatives

Private Equity

CapitalSpring, LLC, New York, New York

Capital Point Partners, Houston, Texas

WR Huff Energy Fund, LP, Morristown, New Jersey

Sail Capital Partners, LLC, Irvine, California

Hedge Fund

Clinton Group, LLC, New York, New York

Double Eagle Capital Management, Irving, Texas

Excelsior Investors, LTD, Dallas, Texas

WM Blair Capital Management, LLC, Wilmington, Delaware

Intercontinental Capital Management, LLC, Boston, Massachusetts

August 16, 2012

2011 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, 2011.

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.

Montemayor & Hill & Associates, PC, the System's independent auditor, issued an unqualified opinion on the System's financial statements. This report indicates that the financial statements are in accordance with Governmental Accounting Standards Board rulings and that the System's financial condition and operations are fairly presented. It is the best type of report an independent auditor may issue.

The actuarial valuation was performed by Rudd & Wisdom, Inc. The Actuarial Valuation Report states that the overall funding of the System remains sound. The System achieved a funding ratio of 67.2% funded and a funding period of 30.7 years to fully fund.

The System's management staff is responsible for maintaining internal controls. These controls are designed to provide reasonable assurance that the assets are protected and that financial transactions are executed in accordance with Board policy and federal, state, and local laws and regulations. Additionally, the controls provide assurance regarding Management's responsibility to the System and facilitate the timely preparation of financial statements in accordance with generally accepted accounting principles.

As always, the Board of Trustees and staff welcome your comments. We appreciate your support and the opportunity to serve you. The Board of Trustees and the staff are dedicated to maintaining the System's financial strength through diversification and sound management of the Pension System. We believe that a strong Pension System benefits the City and its taxpayers, as well as the Members of the System.

Sincerely,

Peter Morin
Chairman, Board of Trustees

Sampson K. Jordan
Chief Executive Officer

FINANCIAL SECTION

Investment Overview

The year 2011 can be characterized as a market in the throes of an extreme deleveraging process. Changes in market sentiment were abundant. The S&P500 Index, a proxy for large U.S. stocks, started the year at a level of 1257.62 and ended the year at an almost identical spot, 1257.60. Yet this does not even come close to describing the environment that investors faced. The first 5 months of the year were optimistic with the S&P500 reaching a peak of 1370.58 or up 9%. The next 5 months witnessed a significant correction with the Index dropping to 1074.77 or 21.6% before then resuming an upward movement of 17% to close where it started. Contributing to this volatility were environmental issues such as the Tsunami and political issues surrounding the raising of the US Debt ceiling. But clearly the most significant event impacting the markets in 2011 and continuing today is the European Debt crisis. While the US equity market was eking out a paltry 2% positive return (mainly due to its dividend payout), International markets were experiencing a significant decline. Developed markets, as represented by the MSCI EAFE Index were down 12% and Emerging Markets (MSCI EME Index) were off 18%. Despite the relatively negative market environment, corporate earnings continued to improve. The unemployment statistics also showed modest improvement but remained high. The Housing market continued its decline but with no meaningful new starts, inventories were falling presenting some hope that the bottom in prices might not be far off.

Performance for the investment portfolio was disappointing. Net Assets held in Trust declined $8,456,588 to $484,088,631 despite a positive net contribution from non-investment related activities of $7,820,732. This decline represents an annual loss of approximately 2.88%. The Equity allocation (35%) was down over eight percent as the mix of investments was underweight the Healthcare and Consumer Staples sector, two of the better performing areas of the market up 12.7% and 14% respectively and its 10% weighting to Financials which were down 17% and Materials which were down 10%. It also was about equally weighted between US and International holdings which had been a positive contributor in prior years but not this one. Further contributing to the underperformance, was the negative return earned by its dedicated energy manager, down 7.5% against a Russell 3000 Energy Index which was positive 3.1%. This gap is expected to close substantially in 2012.

The Fixed Income allocation (15%) also detracted from performance as its more credit sensitive allocation was down 1.2% versus the Barclays Aggregate Index, a U.S. Investment Grade fixed income proxy which was up 7.8% for the year. Contributing to this underperformance was the poor result achieved by the Emerging Market manager who lost 1.25% on the year.

The Real Estate allocation (19%) which had been a detractor began to show signs of a rebound generating a positive 5.1% return for the year while the Private Equity allocation (9%) hurt by its Energy allocation was off 3.2%. The Hedge Fund allocation (9%) lost five percent for the year.

Despite the disappointing short term results, the Trustees remain committed to investing for the long haul using a well diversified mix of investments among various asset classes managed by professional money managers who have demonstrated their competence over time with a goal of generating a return that equals or exceeds the actuarial return assumption of 8%.

Prepared by: Consulting Services Group LLC; Investment Consultant to the Board

Montemayor Hill & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
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, 2011, and 2010 and the related statements of changes in plan net assets for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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, 2011, and 2010 and the change in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 15 through 19 and the required supplementary information on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

15 August 2012
Austin, Texas

Montemayor Hill + Company, P.C.

3001 SOUTH LAMAR BOULEVARD
SUITE 320
AUSTIN, TEXAS 78704
PHONE: 512.442.0380
FAX: 512.442.0817
www.montemayorhill.com

City of Austin Police Retirement System
Management 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 2011 and 2010. 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 decreased by ($8.5) million or negative (1.72%) in 2011 and increased by $60.58 million, or positive 14.0% in 2010. The asset decrease in 2011 is result of US security rating downgrade and Eurozone debt worries within the PIIGS (Portugal, Italy, Ireland, Greece and Spain) countries in 2011. The asset increase in 2010 is a direct result of global market equity recovery provided by economic stimulus packages, applied by the US Federal Reserve after the Great Global Recession December 2007- July 2009.

- Contributions increased by $3.6 million, or 8.88% in 2011 and increased by $1.63 million, or 4.25% in 2010. The increase in 2011 is due to increases in the City of Austin's required contributions to 20.63% effective October 1, 2011 from 19.63% , 3% general wage increase, and increase in number of participants. The increase in 2010 is due to increase in City of Austin's required contributions to 19.63% from 18.63% effective October 1, 2010, 3% general wage increase, and increase in number of participants.

- The amount of benefits paid to retired members, beneficiaries and refunded to terminating employees increased approximately $4.0 million, or 12.9% during 2011and $2.7 million, or 9.6% during 2010. The increase in 2011 is due to the increase in number of System retirees by 9.3% and increase in 2010 is due to the increase number of retirees by 7.0%.

- The System's rate of return on investments for the year ended December 31, 2011 was negative (2.7%) gross of fees and negative (3.1%) net of fees, on a market value basis, which was less than the return of 12.11% gross of fees and 10.86% net of fees for the year ended December 31, 2010.

- The funding objective of the System is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2011, the date of the most recent actuarial valuation, the System's funding ratio of actuarial assets as a percentage of actuarial liabilities is 67.2% which is down from the 70.5% level at December 31, 2010. This is primarily due to unfavorable investment experience. The actuarial assumed rate of return is 8.00%, net of fees and administrative expenses.

City of Austin Police Retirement System
Management 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.

Financial Analysis

Summary of Plan Net Assets

December 31, 2011, 2010 and 2009

Assets	**2011**	**2010**	**2009**
Cash, receivables and prepaids	$ 6,240,318	$ 2,490,384	$ 3,169,153
Investments, at fair value	477,832,263	489,900,855	428,570,639
Fixed assets, net	656,545	744,435	819,796
Total assets	484,729,126	493,135,674	432,559,588
Liabilities			
Total liabilities	640,495	590,455	532,034
Net assets held in trust for pension benefits	$484,088,631	$492,545,219	$432,027,554

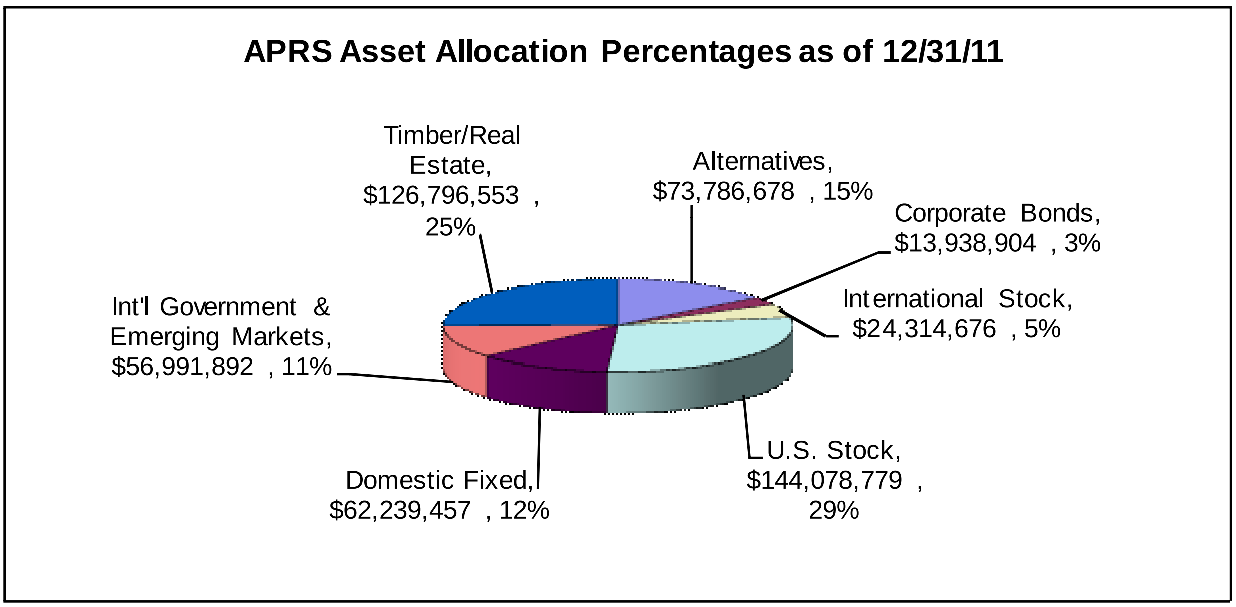
City of Austin Police Retirement System
Management Discussion and Analysis

Assets. The Systems' net assets held in trust for pension benefits decreased by ($8.5) million in 2011, increased by $60.5 million in 2010, and increased by $44.9 million in 2009. The 2011 decrease reflects the volatile global market brought on by Eurozone debt worries within the PIIGS (Portugal, Italy, Ireland, Greece and Spain) countries in 2011. The 2010 increase reflects the equity market rebound in the global economy brought on by stimulus packages provided in bailout monies and guarantees to the financial markets by the U.S. and other countries in order, to avert severe global recession.

The increase in cash, receivables and prepays of approximately $3.7 million in 2011 is primarily due to more interest, dividends receivables in global fixed income investment . The increase in cash, receivables and prepays of approximately $678 thousand in 2010 is primarily due to interest, dividends and contribution receivables at year end.

Total investments were $484.7 million at the end of fiscal year 2011, $493.1 million at the end of fiscal year 2010 and $432.6 million at the end of fiscal year 2009, which is a decrease of ($8.5) million, or negative (1.72%), for fiscal year 2011.

Below is a chart of the System's asset allocation for fiscal year ending December 31, 2011:



City of Austin Police Retirement System
Management Discussion and Analysis

Liabilities. Liabilities increased by $50 thousand in 2011 and increased by $58 thousand in 2010. The increase in 2011 is primarily due to more payables at year end. The increase in 2010 is primarily due to more contributions refunds being due and payable at year end.

Summary of Changes in Plan Net Assets

Years Ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Additions			
Contributions	$ 43,641,189	$ 40,081,162	$ 38,447,581
Investment income	(14,200,799)	54,287,435	37,460,898
Investment expenses	(2,179,850)	(2,143,930)	(2,007,344)
Net investment income	(16,380,649)	52,143,505	35,453,554
Other income	103,329	91,722	97,852
Total additions	27,363,869	92,316,389	73,998,987
Deductions			
Benefit payments & contributions refunded	34,862,987	30,875,847	28,173,153
General and administrative expenses	957,470	922,877	918,700
Total deductions	35,820,457	31,798,724	29,091,853
Net increase/decrease	(8,456,588)	60,517,665	44,907,134
Net assets held in trust for pension beginning of year	492,545,219	432,027,554	387,120,420
Net assets held in trust for pension end of year	$484,088,631	$492,545,219	$432,027,554

Additions. Funds to pay benefits are accumulated through contributions and returns on invested funds. Member and City of Austin contributions for 2011 and 2010 totaled $43.6 million and $40.0 million, respectively. The 2011 contributions represent an increase of $3.6 million, or approximately 8.88% above the 2010 level and the 2010 contributions represent an increase of $1.63 million, or approximately 4.25% above 2009 level. The increase in 2011 is due to City of Austin contributions increasing to 20.63% effective October 1, 2011 from 19.63%, 3% general wage increase and increase in members. The increase in 2010 is due to City of Austin contributions increasing to 19.63% from 18.63% effective October 1, 2010, 3% general wage increase.

City of Austin Police Retirement System
Management Discussion and Analysis

The System incurred a negative market to market value on its investments of negative (1.72%) during 2011 and positive return 14.01 % during 2010. The 2011 loss of $8.4 million was due to US and global market declines brought on by the debt worries and US security rating downgrade; 2010 gains of $60.5 million were due to recovery of the portfolio fund assets over previous year. Net investment income in 2009 of $44.9 million was due to massive economic stimulus provided by U.S. and other countries to prevent complete global financial collapse. Interest, dividend income generated in 2011 of $9.3 million was increase from the $5.7 million received in 2010. The total rate of return for the System's investment portfolio in 2011 was negative (3.1%) (net of investment fees) as compared to positive 10.6% (net of investment fees) for 2010.

Deductions. The expenses paid by the System include benefit payments, refunds of member contributions, and administrative expenses. Benefits paid to retirees, beneficiaries and alternate payees in 2011 were $34.3 million, an increase of $4.0 million over the $30.3 million paid in 2010. This is consistent with the increase in the number of retirees, beneficiaries and alternate payees to 585 in 2011 from 540 in 2010. Refunds to terminating employees in 2011 decreased by $28 thousand from 2010 refunds paid. Administrative expenses in 2011 were $957 thousand, approximately $34,500 more than those incurred in 2010.

Investment expenses paid by the System annually increased by $35.9 thousand in 2011 and increased by $136 thousand in 2010. The increase in 2011 is due to investment legal fees, and the increase in 2010 is due to market performance fee increases on investment assets.

Overall Analysis. As of December 31, 2011, net assets decreased by ($8.4) million or negative (1.72%) from prior year and over the five-year period ending December 31, 2011 the net assets were positive 2.15%. The past five-year period growth was dramatically impacted in 2008 by global market financial collapse at major banks, insurance, investment banks and brokerage firms, 2008 subprime liquidity crisis in the US mortgagee market, and 2011 sovereign debt crisis in U.S. and European countries.

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.

Statement of Plan Net Assets
December 31, 2011 and 2010

ASSETS

	2011	2010
Investments, at fair value		
Real estate interests	$126,796,553	$114,332,543
Corporate stocks	144,078,779	159,866,871
Government bonds	0	7,805,823
International government securities	32,677,216	53,346,493
International stocks	24,314,676	23,977,184
Short-term investment funds	14,285,087	10,647,971
Partnership interests	47,466,319	47,946,856
Corporate bonds	13,938,904	16,605,560
Alternatives	73,786,678	54,963,696
Retiree death benefit fund	488,051	407,858
Total investments	477,832,263	489,900,855
Cash	83,784	311,721
Interest and dividends receivable	4,422,524	801,965
City of Austin retirement contributions receivable	1,021,301	779,634
City of Austin death benefit contributions receivable	5,401	4,137
Deferred Revenue	0	(5,715)
Participant contributions receivable	667,356	565,892
Proportionate retirement program contributions receivable	32,341	27,197
Fixed assets, net	656,545	744,435
Other	7,611	5,553
	484,729,126	493,135,674
LIABILITIES		
Accounts payable and accrued liabilities	516,296	462,698
Refunds payable	124,199	127,757
	640,495	590,455
NET ASSETS HELD IN TRUST AVAILABLE FOR PENSION BENEFITS	$484,088,631	$492,545,219

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

Statement of Changes in Plan Net Assets
December 31, 2011 and 2010

	2011	2010
ADDITIONS TO PLAN NET ASSETS:		
Contributions:		
City of Austin retirement contributions	$25,948,297	$23,382,043
City of Austin death benefit contributions	140,482	119,860
Participant contributions	17,552,410	16,579,259
	43,641,189	40,081,162
Investment income:		
Net increase (decrease) in the fair value of investments	(23,588,309)	48,574,726
Interest and dividends	9,387,510	5,712,709
Securities lending	0	0
Rental and other income	103,329	91,722
Total investment gain (loss) before expenses	(14,097,470)	54,379,157
Investment expenses	(2,179,850)	(2,143,930)
Net gain (loss) from investments	(16,277,320)	52,235,227
Total additions (deletions) to net assets available for benefits	27,363,869	92,316,389
DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS:		
Retirement benefit payments	34,348,065	30,345,154
Death benefit payments	50,000	37,500
Contributions refunded to terminating employees	464,922	493,193
General and administrative expenses	957,470	922,877
Total deductions from net assets available for benefits	35,820,457	31,798,724
NET INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	(8,456,588)	60,517,665
Beginning net assets available for benefits	492,545,219	432,027,554
ENDING NET ASSETS AVAILABLE FOR BENEFITS	$484,088,631	$492,545,219

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

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 to plan members and their beneficiaries. 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, 2011, 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 retiree's 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.

Notes to Financial Statements

Note 1: Organization and System Description

Permissive Service Delayed Retirement is an option allowing a member, with at least 20 years of credited pension service at termination of employment with the APD, the option to a Delayed Retirement benefit. The Delayed benefit is payable upon completion of purchase of service credit for each year of credited pension service. The maximum service credit purchase is 5 years.

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, 2011 and 2010, the assets of the Retiree Death Benefit Fund were $488,051 and $407,858, respectively, which are included in the System's total market value of Net Assets Held in Trust Available for Pension Benefits of $484,088,631 and $492,545,219, 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.

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

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, 2011 and 2010:

	2011
Retirees and beneficiaries currently receiving benefits 585 and terminated employees entitled to future monthly benefits 20	605
Current participating members	1,690
2011 Total	2,295

Notes to Financial Statements

Note 1: Organization and System Description

	2010
Retirees and beneficiaries currently receiving benefits (543) and terminated employees entitled to future monthly benefits (21)	564
Current participating members	1,624
2010 Total	2,188

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, 2011 and 2010, 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.

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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events as of August 15, 2012 the date the financial statements were available to be issued.

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, 2011 consisted of:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets not being depreciated				
Land	$150,000	$	$	$150,000
Assets being depreciated				
Buildings and improvements	870,216			870,216
Furniture and equipment	478,954		(4,122)	474,832
Leasehold improvements	56,986			56,986
Accumulated depreciation	(811,721)	(87,890)	4,122	(895,489)
Net Fixed Assets	$744,435	($87,890)	$	$656,545

Notes to Financial Statements

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, April 2007 and July 2009.

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, 2011 and 2010 are presented, by type, as follows:

Investment Type	2011	2010
Real Estate Interests	$126,796,553	$114,332,543
Corporate Stocks	144,078,779	159,866,871
Government Bonds		7,805,823
International Government Securities	32,677,216	53,346,493
International Stocks	24,314,676	23,977,184
Partnership Interests	47,466,319	47,946,856
Corporate Bonds	13,938,905	16,605,560
Alternatives	73,786,678	54,963,696
Short-term Investment Funds	14,737,138	11,055,829
Total Investments	$477,832,263	$489,900,855

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 $250,000 coverage by FDIC are covered by pledged securities held as collateral. As of December 31, 2011 and 2010, the System's operating bank balance of $83,784 and $311,721, 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, 2011 and 2010, 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.

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, 2011 and 2010, there is no security issued by a single issuer that holds more than 5% of the System's fund. However, as of December 31, 2011 & 2010 there is one organization – Rockspring Capital Land– that holds more than 5% of the System's total fund. As of December 31, 2011 and 2010, Rockspring Capital Land holds approximately 5.41% and 5.33% respectively.

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%
U.S. Large Cap	0% - 55%	
U.S. Small Cap	0% - 30%	
International	0% - 35%	
Special Situations	0% - 30%	
Fixed Income	10% - 70%	20.00%
Investment Grade	0% - 50%	
High Yield	0% - 25%	
International	0% - 30%	
Private	0% - 25%	
Real Estate	0% - 40%	25.00%
Real Estate	0% - 30%	
Timber	0% - 15%	
Alternatives	0% - 30%	15.00%
Hedge Funds	0% - 30%	
Private Equity	0% - 20%	

Notes to Financial Statements

Note 5: Deposit and Investment Risk

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.

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 15% of the Fund's assets, to avoid undue manager concentration, unless that manager is assigned an investment grade core bond mandate, whereby it may be permitted to manage up to 25% of the fund's assets
- 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

Notes to Financial Statements

Note 5: Deposit and Investment Risk

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.

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, 2011, the System had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1 to 6 years	6 to 10 years	Over 10 years
Corporate Bonds	$13,468,534	$5,000,000	$6,834,830	$758,735	$874,969
International Securities	37,059,389	36,679,439	379,950		
Government Bonds					
Totals	$50,527,923	$41,679,439	$7,214,780	$758,735	$874,969

Notes to Financial Statements

Note 5: Deposit and Investment Risk

As of December 31, 2010, the System had the following investments and maturities:

Investment Type	Fair Value	Less than 1 year	1 to 6 years	6 to 10 years	Over 10 years
Corporate Bonds	$16,605,560	$66,567	$6,544,159	$6,681,119	$3,313,715
International Securities	36,386,291	35,962,985	423,306		
Government Bonds	7,805,823	47,071			7,758,752
Totals	$60,797,674	$36,076,623	$6,967,465	$6,681,119	$11,072,467

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.

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, 2011, are as follows:

Quality Rating	Total Fair Value	Int'l Securities	Corporate Bonds	Government Bonds
A1/A+	$903,930	$903,930		
A2/A	388,100	388,100		
A3/A-	461,790	461,790		
Aa2/AA	105,622	105,622		
Aaa	115,448	115,448		
B1/B+	3,132,651	2,239,816	892,835	
B2/B	746,403		746,403	
B3/B-	2,777,294		2,777,294	
Ba1/BB+	3,180,268	2,967,120	213,148	
Ba2/BB	3,755,853	3,755,853		
Ba3/BB-	3,843,174	1,732,969	2,110,205	
Baa1/BBB+	4,750,264	4,750,264		
Baa2/BBB	1,518,880	1,518,880		
Baa3/BBB-	4,887,878	4,887,878		
B2//B and below	9,769,802	9,711,556	58,246	
Caa1/ CCC+	438,898		438,898	
Caa2/CCC	418,170		418,170	
Not Rated	24,246,535	18,591,539	5,654,996	
US Gov't Guaranteed Cash & Equivalent	539,164	539,164		
Total	$65,980,124	$52,669,929	$13,310,195	$

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, 2010, are as follows:

Quality Rating	Total Fair Value	Int'l Securities	Corporate Bonds	Government Bonds
A1/A+	$1,304,355	$726,553	$577,802	
A2/A	2,177,132	322,150	1,854,982	
A3/A-	1,422,209	68,200	1,354,009	
Aa2/AA	4,750	4,750		
Aaa	4,119,062	52,550		$4,066,512
A3/A-	495,792	495,792		
B1/B+	4,845,096	3,924,856	920,240	
B2/B	40,320		40,320	
B3/B-	1,754,996		1,754,996	
Ba1/BB+	2,765,078	2,557,578	207,500	
Ba2/BB	3,552,016	3,354,766	197,250	
Ba3/BB-	3,786,882	2,908,512	878,370	
Baa1/BBB+	4,236,788	3,386,176	850,612	
Baa2/BBB	3,248,374	1,183,195	2,065,179	
Baa3/BBB-	4,979,643	3,889,328	1,090,315	
B2//B and below	8,403,643	8,403,643		
Caa1/ CCC+	2,047,918		2,047,918	
C/C	478,764		478,764	
Not Rated	24,191,645	22,235,686	1,955,959	
US Gov't Guaran-teed	3,692,240			3,692,240
Cash & Equivalent	970,626	592,211	331,344	47,071
Total	$78,517,329	$54,105,946	$16,605,560	$7,805,823

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, 2011, is as follows:

Currency	-Int'l Stocks	Int'l Gov't Securities	Corp Stocks (1)	Other (2)
Euro	($958,455)	$3,935		
Mexican Peso		719,846		
Indonesia Rupiahs		273,683		
Hong Kong Dollar	1,851,216	581,582		
Japanese Yen				
Turkish New Lira		332,504		
Norwegian Krone				
British Pound	126,954	454,267		
Philipines Pesos				
Brazilian Real	2,491,469	1,621,287		
Danish Krone				
Swiss Franc	2,732,503			
Australian Dollar	1,337,335			1,715,143
Colombian Peso		198,165		
Chilean Peso		2,456		
Russian Ruble		1,312		
South Korean Won				
Canadian Dollar	2,148,633			
India Rupees		638,471		3,594,632
Nigeria Nairas				
China Yuan Renminbi		501,230		
Thailand, Thai Baht				
United Arab Emirates Dirhams		865,979		
Other		825,203		
Totals	$9,729,655	$7,019,920	$	$5,309,775

(1) Represents a commingled pool in global equity investments
(2) Represents a commingled timberfund and a real estate partnership interest.

Notes to Financial Statements

Note 5: Deposit and Investment Risk

The System's exposure to foreign currency risk as of December 31, 2010, is as follows:

Currency	-Int'l Stocks	Int'l Gov't Securities	Corp Stocks (1)	Other (2)
Euro	$611,939	$14,427		
Mexican Peso		566,620		
Indonesia Rupiahs		615,594		
Hong Kong Dollar	1,053,918	125,662		
Japanese Yen	189,990			
Turkish New Lira				
Norwegian Krone		408,512		
British Pound	2,012,802	293,781		
Philipines Pesos		196,564		
Brazilian Real	1,805,955	2,387,615		
Danish Krone				
Swiss Franc	2,303,591			
Australian Dollar	1,335,408			$1,720,896
Swedish Krona				
Singapore Dollar				
Russian Ruble				
South Korean Won		192,957		
Canadian Dollar	1,755,893		$40,512	
India Rupees		618,959		3,243,821
Nigeria Nairas				
China Yuan Renminbi		279,874		
Thailand, Thai Baht		326,720		
United Arab Emirates Dirhams		718,028		
Other		1,313,151		
Totals	$11,069,486	$8,058,464	$40,512	$4,964,717

(1) Represents a commingled pool in global equity investments

(2) Represents a commingled timberfund and a real estate partnership interest.

Notes to Financial Statements

Note 6: 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, 2011, participants were required to contribute 13% of their basic compensation to the System, effective October 1, 2007.

The City's required contributions were equal to 18.25% of basic compensation effective January 1, 2009 and increased to 18.63% effective October 1, 2009 and to 18.63% effective October 1, 2009. The City's contribution rate increased to 19.63% on October 1, 2010 and to 20.63% effective October 1, 2011.

Since September 1, 2003, a portion of the City's total contribution has been allocated to the Retiree Death Benefit Fund. This portion, redetermined annually, was 0.091% for 2009 based on the December 31, 2007 actuarial valuation; was 0.092% for 2010 based on the December 31, 2008 actuarial valuation; was 0.098% for 2011 based on the December 31, 2009 actuarial valuation; is 0.102% for 2012 based on the December 31, 2010 actuarial valuation. This portion was redeterimed based on the December 31, 2011 valuation to be 0.103% for 2013.

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, and codified in to law in September 2011. 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, 2011 and the plan provisions recognized in that valuation, the normal cost was 23.242% of pay and the amortization period was 30.7 years.

Notes to Financial Statements

Note 7: Commitments and Contingencies

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, 2011 and 2010 of approximately $8.8 million and $23.9 million, respectively, pursuant to the terms of the respective interests.

At December 31, 2011 and 2010, the total accumulated lump sum benefit due to forward DROP participants was $2,545,058 and $1,856,241, respectively.

At December 31, 2011 and 2010, the total accumulated lump sum benefit due to PROP participants was $13,046,718 and $10,801,564, respectively.

Note 8: Funded Status and Funding Progress Pension Plans

The funded status of each plan as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
12/31/11	$553,701,976	$824,462,075	$270,760,099	67.2%	$135,264,530	200.2%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Notes to Financial Statements

Note 8: Funded Status and Funding Progress Pension Plans

Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2011
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, open
Remaining amortization period	30.7 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on the market
Actuarial assumptions:	
Investment rate of return, net of expenses	8.0%
Projected salary increases	4.0 % to 22.0% per year, averaging 6.8%
Inflation rate per year	3.75%
Postretirement cost-of-living adjustments	None

Note 9: Subsequent Events

As of June 18, 2012, the System was made aware the HR Huff Energy Fund investment was successfully sued in Zavala County, TX. The System's investment in the HR Huff Energy Fund is $14,855,384. The amount awarded by the jury is yet to be determined, but is expected to range from $10.5 million to $162.5 million for the HR Huff Energy Fund in total, with the System's share of the award expected to range from $2.1 million to $3.2 million.

As of June 18, 2012, the System was made aware Land Barron Real Estate investment partnership management was being terminated and CDK Real Estate and Cushman Real Estate hired to manage partnership investments of approximately $1.3 million.

Disclosures in Accordance with GASB Statement No. 50
Required Supplementary Information

I. Schedule of Funding Progress

1 The covered payroll is based on the annual rate of base pay and longevity pay used in the valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
12/31/06(3)	$417,283,844	$576,125,324	$158,841,480	72.4%	$100,090,151	158.7%
12/31/07(2)	482,303,290	637,559,674	155,256,384	75.6	111,809,091	138.9
12/31/08(2,4)	464,230,585	693,202,499	228,971,914	67.0	122,735,216	186.6
12/31/09(2)	518,111,923	733,634,660	215,522,737	70.6	122,928,285	175.3
12/31/2010 (2)	546,956,628	776,231,027	229,274,399	70.5	127,731,696	179.5
12/31/2011 (2)	553,701,976	824,462,075	270,760,099	67.2	135,264,530	200.2

1 The covered payroll is based on the annual rate of base pay and longevity pay assumed for the year following the valuation date.
2 Some of the actuarial assumptions were revised.
2 Reflects changes in plan benefit provisions effective September 1, 2007 and December 1, 2007.
3 Reflects changes in plan benefit provisions effective January 2009.

II. Schedule of Employer Contributions

Plan Year Ended December 31	Annual Contribution as a Fixed Percentage of Payroll	Actual Contribution Amount		Annual Required Contribution		Percent of ARC Contributed
			Date	AP	Rate	
2006	17.906%(2)	16,945,167(3)	12/31/2004	32.0	17.906%	100.0%
2007	17.919(2)	18,510,066(4)	12/31/2005	30.0	18.775	95.4
2008	17.900(2)	20,060,458(5)	12/31/2006	30.0	17.846	100.3
2009	18.254(6)	22,159,076(7)	12/31/2007	30.0	16.776	108.8
2010	18.788(8)	23,382,043(9)	12/31/2008	30.0	20.291	92.6
2011	19.782 (10)	25,888,511 (11)	12/31/09	30.0	19.360	102.2

1. The ARC is based on a one-year lag between the date of the actuarial valuation ("Date") and the beginning of the plan year. The ARC is expressed as a contribution rate ("Rate") that is a percent of covered payroll. An amortization period (AP) for the ARC of up to 40 years was compliant with GASB parameters through the 2006 plan year. After the 2006 plan year, an AP of up to 30 years is compliant.
2. A portion of the Employer's total 18% contribution is allocated to a Retiree Death Benefit Fund.
3. The employer's total contribution during 2006 including the Retiree Death Benefit Fund (RDBF) was $17,033,469.
4. The employer's total contribution during 2007 including the RDBF was $18,594,236.
5. The employer's total contribution during 2008 including the RDBF was $20,171,151.
6. The employer's total contribution rate was 18.25% January-September 2009 and 18.63% October-December 2009. The average contribution rate was 15.254% (18.345% total average—0.091% for the RDBF)
7. The employer's total contribution during 2009 including the RDBF was $22,272,667.
8. The employer's total contribution rate was 18.63% January-September 2010 and 19.63% October-December 2010. The average contribution rate was 18.788% (18.88% total average—0.092% for the RDBF)
9. The employer's total contribution during 2010 including the RDBF was $23,501,903.
10. The employer's total contribution rate was 19.63% January-September 2011 and 20.63% October-December 2011. The average contribution rate was 19.782% (19.88% total average—0.098% for the RDBF)
11. The employer's total contribution during 2010 including the RDBF was $26,028,992.

See independent auditor's report

ACTUARIAL SECTION

AUSTIN POLICE RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF
DECEMBER 31, 2010

AUGUST 11, 2011

Rudd and Wisdom, Inc.

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Steven T. Anderson, A.S.A.
Mitchell L. Bilbe, F.S.A.
Evan L. Dial, F.S.A.
Philip S. Dial, F.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Carl L. Frammolino, F.S.A.
Kenneth J. Herbold, A.S.A.
Christopher S. Johnson, F.S.A.
Robert M. May, F.S.A.
J. Christopher McCaul, F.S.A.
Edward A. Mire, F.S.A.
Rebecca B. Morris, A.S.A.
Michael J. Muth, F.S.A.
Khiem Ngo, F.S.A.
Coralie A. Taylor, A.S.A.
Ronald W. Tobleman, F.S.A.
Elizabeth A. Wiley, F.S.A.
David G. Wilkes, F.S.A.

July 17, 2012

Police Retirement Board
Austin Police Retirement System
Post Office Box 41089
Austin, Texas 78704

Re: Actuarial Valuation as of December 31, 2011

Members of the Board of Trustees:

At your request and in accordance with the requirements of the state law governing the Austin Police Retirement System (the System), we have prepared this report of the results of an actuarial valuation of the System as of December 31, 2011. This valuation was prepared to determine whether the System has an adequate contribution arrangement. We have relied on and based our valuation on the data for police officers, pensioners, and assets provided on behalf of the Board of Trustees by Sam Jordan, Chief Executive Officer of the System, and his staff. We have not audited the data provided but have reviewed it for reasonableness as well as for consistency relative to the data provided for the December 31, 2010 actuarial valuation.

The results of the December 31, 2011 actuarial valuation are described in the Summary section of the report. A comparison of the current valuation with the December 31, 2010 valuation is also discussed in that section. The summary of key valuation results is 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 an historical comparison of the actuarial accrued liability and the actuarial value of assets.

9500 Arboretum Blvd., Suite 200
Austin, Texas 78759
Phone: (512) 346-1590
Fax: (512) 345-7437
www.ruddwisdom.com
Post Office Box 204209
Austin, Texas 78720-4209

Police Retirement Board
July 17, 2012

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.

The disclosures required in accordance with Statement No. 25 of the Governmental Accounting Standards Board (GASB) for the System's financial statements are included in Exhibit 21. The disclosures required in accordance with GASB Statement No. 27 needed for the City of Austin's financial statements are included in Exhibit 22.

We certify that we are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

Respectfully submitted,

Mark R. Fenlaw

Mark R. Fenlaw
Fellow, Society of Actuaries
Member, American Academy of Actuaries
Enrolled Actuary

Rebecca B. Morris

Rebecca B. Morris
Associate, Society of Actuaries
Member, American Academy of Actuaries
Enrolled Actuary

MRF/RBM:bb
i:\clients\aprs\val-2011\val.doc

Table of Contents

Austin Police Retirement System
Actuarial Valuation as of December 31, 2011

Summary

Austin Police Retirement System
Results of December 31, 2011 Actuarial Valuation

This valuation reflects assumed total ultimate contributions of 34.63% of covered pay (contributions by the police officers of 13.00% and contributions by the City of Austin of 20.63% for January through September 2012 and 21.63% thereafter) will be contributed to the System. The City of Austin contribution rates as a percent of covered pay are specified in Article 6243n-1 of Texas state law. These rates can only be changed by action of the Texas Legislature amending the state law, except that the 0.63% rate component is to be reviewed every five years and adjusted up or down as considered necessary by the actuary to fund the additional liabilities from participating in the Proportionate Retirement Program. We are assuming that the legislature would not change the statutory contribution rates without the concurrence of the System's Board of Trustees, the City of Austin, and the Austin Police Association. This procedure for changing the City of Austin contribution rates has been followed since the plan provisions were put into state law in 1991.

The assumed total contributions of 34.63% of pay are divided into three parts. The normal cost for the projected benefits for each police officer based on the current plan provisions is 23.242% of pay. A very small portion of the city's contributions is allocated each year to the Retiree Death Benefit Fund, an account within the System for funding the $10,000 post-retirement lump sum death benefits. In this valuation, the contribution rate for that fund is 0.103% of pay. The remainder of the contributions of 11.285% of pay (34.63% - 23.242% - 0.103%) is available to amortize the unfunded actuarial accrued liability (UAAL) of $270,760,099. Assuming that the total covered payroll increases at the rate of 4% per year in the future, **the UAAL will be amortized in 30.7 years**.

In order for the System to have an adequate contribution arrangement, contributions must be made that are sufficient to pay the System's normal cost and to amortize its UAAL over an acceptable period of time. Based on the Texas Pension Review Board guidelines, our professional judgment, and the actuarial assumptions and methods used in this valuation, we consider a period of 15 years to 25 years to be preferable and 40 years to be the maximum acceptable period.

The total contributions to the System are sufficient to pay the System's normal cost and to provide an additional amount that will result in amortization of the UAAL in 30.7 years. In addition, we believe that it is appropriate to assume that the police officers and the city will be able to maintain their Texas statutory commitment in future years to contribute 13% and 21.63%, respectively, of covered compensation into the System. Consequently, we are of the opinion that the System has an adequate contribution arrangement as of December 31, 2011 based on the levels of benefits and contributions reflected in this valuation. However, the System is not expected to have an adequate contribution arrangement in the December 31, 2012 actuarial valuation unless the net investment return for 2012 is 12% or more, as shown in the next section.

Projected Actuarial Valuation Results

In addition to completing this actuarial valuation, we made some projections to estimate the amortization periods for the next four annual actuarial valuations. We did these projections because the actuarial investment gains that the System experienced in 2009 and 2010 and the significant actuarial investment losses in 2008 and 2011 have been only partially recognized as of December 31, 2011. As shown in Exhibit 5, a smoothing method is used to determine the actuarial value of assets (AVA) for 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 2009 and 2010 and of the investment losses in 2008 and 2011. The AVA used in this valuation is $553,701,976. The market value of assets (MVA), excluding the Retiree Death Benefit Fund, is $483,600,580. The difference between this MVA and the AVA, $70,101,396, is the net of the deferred gains and losses over the past four years that will be recognized in the next four actuarial valuations.

For the purpose of projecting the amortization period in the future, we have used five scenarios of various assumed annual rates of investment return on the market value of assets, net of all expenses, over the 2012-2015 projection period. The projected amortization periods will not be the same as the actual amortization periods from completed future actuarial valuations but are the result of projected future actuarial valuation results based on the completed December 31, 2011 actuarial valuation, showing (1) 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, 2011 and (2) the effects over the next four years of investment returns different from the 8% assumption used in the valuation.

Projected Amortization Periods

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Assumed Investment Return					
for Calendar Year					
2012	8%	4%	6%	10%	12%
2013	8	4	6	10	12
2014	8	4	6	10	12
2015	8	4	6	10	12
2016 and later	8	8	8	8	8
Amortization Period					
as of December 31:					
2011 (actual)	31 years	31 years	31 years	31 years	31 years
2012 (projected)	41 years	43 years	42 years	41 years	40 years
2013 (projected)	43 years	48 years	46 years	41 years	39 years
2014 (projected)	45 years	57 years	51 years	41 years	37 years
2015 (projected)	48 years	80 years	60 years	40 years	34 years

The projected amortization periods in Scenario 1 isolate 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, 2011. The primary observation of Scenario 1 is that as the deferred portions of the investment gains for the years 2009 and 2010 are recognized, they will be outweighed by the systematic recognition of the deferred portion of the investment losses for 2008 and 2011. Therefore, without any significant investment gains in 2012 and 2013 as in Scenario 5, the System is projected to have an amortization period over 40 years in the December 31, 2012 actuarial valuation. This conclusion from Scenario 1 is not surprising since the amortization period in the December 31, 2011 actuarial valuation would be 53 years if we had used the market value of assets as the actuarial value of assets.

Scenarios 2, 3, 4, and 5 show the projected amortization periods in the next four actuarial valuations based on various levels of assumed investment experience less than or greater than 8%. We do not know what the investment experience will be for each of the next four calendar years. The future investment experience in each of the next four calendar years could be better or worse than the assumed rates shown. There is still some uncertainty in the national and global economies due to the slow pace of recovery of jobs and due to debt problems at home and abroad. In addition, variations in experience from the underlying assumptions other than investment return will cause the actual amortization periods to be different from the projected periods shown above.

In our opinion, in the context of these caveats, Scenarios 2 through 5 present a range of plausible scenarios for the next four actuarial valuations with no changes in benefits or contributions. Only Scenario 5 would avoid an amortization period exceeding 40 years in the next three annual actuarial valuations. **The primary observations from these scenarios are that (1) it would require a strong market performance in 2012 and 2013 at least as strong as Scenario 5 for the amortization period to avoid going over 40 years, and (2) a consistently subpar economy with a market performance at or below that of Scenario 2 could result in an amortization period in excess of 50 years by the December 31, 2014 actuarial valuation.**

Because of the recent increased attention by the media given to the funded ratio of public employee pension plans, the members of the board may be interested to know information about the funded ratio of the System. In this December 31, 2011 actuarial valuation, the funded ratio is 67%. In the projected Scenario 1, the funded ratio is expected to decrease in the next year to 63% as of December 31, 2012 before gradually increasing to 64% as of December 31, 2015. Only in Scenario 5 would the funded ratio as of December 31, 2015 be greater than it is now (69% after dropping to 64% as of December 31, 2012). However, we continue to believe that the amortization period is a much better indicator of the actuarial condition of the System than the funded ratio. The amortization period is forward looking and reflects the anticipated period over which future contributions will amortize the UAAL. In contrast, the funded ratio is historical and reflects only past contributions. Therefore, the amortization period for a fixed contribution rate system like APRS indicates whether the system has an adequate contribution arrangement, while the funded ratio gives no indication of whether the contribution arrangement is adequate.

Change in Amortization Period

The summary of key valuation results in Exhibit 1 compares the actuarial condition of the System on December 31, 2011 with the condition on December 31, 2010. Both valuations are based on the present plan benefit provisions, summarized in Exhibit 13. Between these two valuations, the period for amortizing the UAAL has increased by 7.5 years (from 23.2 years to 30.7 years). Since one year has passed since the prior valuation date, a one-year reduction in the amortization period to 22.2 years would be expected if the experience of the System had been exactly as anticipated (including an 8% rate of investment return on the actuarial value of assets). For the reasons described below, the System's amortization period is 8.5 years more than expected.

1. The rate of investment return, net of all expenses, on the market value of assets during 2011 was -3.5%. 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. The rate of investment return on the AVA, net of expenses, for 2011 was -0.4% compared to the assumed rate of return of 8%. This caused an **increase** in the amortization period of 9.8 years.

2. The covered payroll increased by 5.9% since the prior valuation instead of the assumed 4% increase, which **decreased** the amortization period by 1.3 years.

3. All of the experience in the aggregate other than the investment experience and the aggregate payroll experience (primarily retirement, mortality, termination, and disability experience) was slightly favorable, **decreasing** the amortization period by 1.0 year.

4. The changes in actuarial assumptions (related to DROP and PROP and summarized in Exhibit 15A) had the overall effect of **decreasing** the amortization period by 1.1 years. In a separate letter to the Board of Trustees dated July 12, 2012, we recommended the actuarial methods and assumptions for this valuation.

5. In this valuation, we made a needed refinement to reflect the timing of biweekly contributions in the determination of the normal cost as a percent of payroll rather than assuming an annual contribution. In addition, we found a change that needed to be made in the determination of the liability for vested terminated members. The combination of these two changes **increased** the amortization period by 2.1 years.

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:

- System 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 typically outside the scope of this actuarial valuation report. However, we provided projected amortization periods for the next four annual actuarial valuations under five scenarios and the amortization period for this valuation if it had been based on the market value of assets. Additional sensitivity analysis could be performed in a subsequent report if desired by the Board of Trustees.

Retiree Death Benefit Fund

The Retiree Death Benefit Fund was established effective September 1, 2003. This fund is a separate account within the System used to advance fund and to pay $10,000 post-retirement lump sum death benefits for retirees. The Retiree Death Benefit Fund is funded by a portion of the city's total contribution rate. As part of this December 31, 2011 actuarial valuation, the contribution rate for the Retiree Death Benefit Fund has been actuarially determined for 2013 to be 0.103%. We recommend that this new rate be effective January 1, 2013, replacing the rate of 0.102% effective for 2012 that was actuarially determined as a part of the December 31, 2010 actuarial valuation. The remainder of the city's contribution will be used for the System's liabilities excluding the $10,000 post-retirement lump sum death benefits.

The 0.103% 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 24 years as shown below. The amortization of this unfunded actuarial accrued liability is determined as a level percentage of payroll assuming that the payroll will increase 4% per year and using a closed 25-year amortization period that began with the December 31, 2010 determination.

Allocated City Contribution Effective January 1, 2013 for the Retiree Death Benefit Fund	
Normal cost	0.035%
Amortization of unfunded actuarial accrued liability over 24 years	0.068
Total city contribution rate allocated to the Retiree Death Benefit Fund as of January 1, 2013	0.103%

The 0.103% contribution rate was determined using the same funding method and actuarial assumptions used in this December 31, 2011 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 Combined Healthy Mortality Tables for males and females projected to 2014 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, 2011	
1. Actuarial present value of future benefits	
a. Current retired and vested terminated members	$1,291,124
b. Current active members	1,016,172
c. Total	$2,307,296
2. Actuarial present value of future normal cost contributions	$ 402,790
3. Actuarial accrued liability (Item 1c – Item 2)	$ 1,904,506
4. Assets of fund	$ 488,051
5. Unfunded actuarial accrued liability (Item 3 – Item 4)	$ 1,416,455
6. Funded ratio (Item 4 ÷ Item 3)	25.6%

Exhibit 1

Austin Police Retirement System
Summary of Key Valuation Results

	December 31, 2010[1]	December 31, 2011[1]
1. Actuarial present value of future benefits		
a. Those now receiving benefits or entitled to receive benefits	$ 330,335,365	
• Monthly benefits		$ 343,428,175
• PROP distributions		11,360,297
b. Police officers	764,784,942	805,890,384
c. Total	$1,095,120,307	$1,160,678,856
2. Actuarial present value of future normal cost contributions	$ 318,889,280	$ 336,216,781
3. Actuarial accrued liability (Item 1c-Item 2)	$ 776,231,027	$ 824,462,075
4. Actuarial value of assets	$ 546,956,628	$ 553,701,976
5. Unfunded actuarial accrued liability (UAAL) (Item 3-Item 4)	$ 229,274,399	$ 270,760,099
6. Total contributions (percent of payroll)	34.528%[2]	34.527%[2]
7. Normal cost (percent of payroll)	22.438%	23.242%
8. Percent of payroll available to amortize the UAAL	12.090%	11.285%
9. Annualized covered payroll	$ 127,731,696	$ 135,264,530
10. Present annual amount available to amortize the UAAL	$ 15,442,762	$ 15,264,602
11. Years to amortize the UAAL	23.2 years[3]	30.7 years[4]
12. GASB 27 funded ratio (Item 4 ÷ Item 3)	70.5%	67.2%

[1] Reflects the plan provisions effective September 1, 2011 and excludes the $10,000 post-retirement lump sum death benefit.

[2] The total contribution rate of 34.63% (13% by members and 21.63% by the city) is reduced by the calculated contribution rate for the separate Retiree Death Benefit Fund, determined to be 0.102% in the December 31, 2010 valuation and 0.103% in the December 31, 2011 valuation. The 21.63% city contribution rate is the ultimate rate beginning October 2012.

[3] The amortization period was calculated reflecting the city contribution rates of 19.63% for January through September of 2011, 20.63% for October 2011 through September 2012, and 21.63% thereafter.

[4] The amortization period was calculated reflecting the city contribution rates of 20.63% for January through September of 2012 and 21.63% thereafter.

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*	*Total Benefit Payments*	*Market Value of Fund at End of Year*	*Ratio of Fund to Payments*
2007	$ 461,179,532	$ 31,444,215	$ 44,359,401	$ 21,971,475	$ 515,011,673	23.44
2008	515,011,673	34,942,710	-136,715,791	26,118,172	387,120,420	14.82
2009	387,120,420	38,447,581	34,632,706	28,173,153	432,027,554	15.33
2010	432,027,554	40,081,161	51,312,351	30,875,847	492,545,219	15.95
2011	492,545,219	43,641,189	-17,234,790	34,862,987	484,088,631	13.89
2012	484,088,631	45,827,623	38,864,010	42,404,635	526,375,629	12.41
2013	526,375,629	48,715,791	42,369,098	42,239,591	575,220,927	13.62
2014	575,220,927	50,664,423	46,225,841	45,460,250	626,650,941	13.78
2015	626,650,941	52,691,000	50,204,577	50,878,446	678,668,072	13.34
2016	678,668,072	54,798,640	54,407,004	51,959,694	735,914,022	14.16
2017	735,914,022	56,990,586	58,884,470	56,706,878	795,082,200	14.02
2018	795,082,200	59,270,209	63,581,263	59,903,026	858,030,646	14.32
2019	858,030,646	61,641,017	68,565,576	63,562,919	924,674,320	14.55
2020	924,674,320	64,106,658	73,760,227	69,449,611	993,091,594	14.30
2021	993,091,594	66,670,924	79,060,637	76,338,186	1,062,484,969	13.92
2022	1,062,484,969	69,337,761	84,559,797	80,312,766	1,136,069,761	14.15
2023	1,136,069,761	72,111,271	90,349,505	85,513,173	1,213,017,364	14.19
2024	1,213,017,364	74,995,722	96,295,160	93,651,462	1,290,656,784	13.78
2025	1,290,656,784	77,995,551	102,498,547	96,845,439	1,374,305,443	14.19
2026	1,374,305,443	81,115,373	109,023,043	104,150,184	1,460,293,675	14.02
2027	1,460,293,675	84,359,988	115,932,204	106,642,239	1,553,943,628	14.57
2028	1,553,943,628	87,734,388	123,125,711	117,478,876	1,647,324,851	14.02
2029	1,647,324,851	91,243,764	130,525,147	122,764,791	1,746,328,971	14.22
2030	1,746,328,971	94,893,515	138,337,118	129,123,515	1,850,436,089	14.33
2031	1,850,436,089	98,689,256	146,483,025	137,485,813	1,958,122,557	14.24
2032	1,958,122,557	102,636,826	155,238,881	137,909,921	2,078,088,343	15.07
2033	2,078,088,343	106,742,299	164,685,046	145,792,838	2,203,722,850	15.12
2034	2,203,722,850	111,011,991	174,672,163	151,653,605	2,337,753,399	15.42
2035	2,337,753,399	115,452,471	185,275,077	159,082,335	2,479,398,612	15.59
2036	2,479,398,612	120,070,570	196,767,914	159,669,954	2,636,567,142	16.51

A. Data for years 2007 through 2011 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 2012 through 2036:

1. Benefits will be paid in accordance with the demographic and economic assumptions used in this December 31, 2011 actuarial valuation and include benefit payments from the Retiree Death Benefit Fund (account).
2. Contributions are made by both the police officers and the city. Contributions are 13% of pay by the police officers. The city will contribute 20.63% through September 2012 and then the rate will increase to 21.63% on October 1, 2012.
3. Annual payroll for 2012 will be $135,264,530. 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, 2012 or thereafter.

Exhibit 3

Austin Police Retirement System
Net Market Value of Assets as of December 31, 2010 and 2011
Including the Retiree Death Benefit Fund

	December 31, 2010	December 31, 2011
Assets		
Investments		
Real Estate Interests	$ 114,332,543	$ 126,796,553
Corporate Stocks	159,866,871	144,078,778
U.S. Government Bonds	7,805,823	0
International Government Securities	53,346,493	48,287,751
International Stocks	23,977,184	24,314,676
Short-Term Investment Funds	10,647,971	14,285,087
Partnership Interests	47,946,856	47,466,319
Corporate Bonds	16,605,560	13,938,905
Alternatives	54,963,696	58,176,143
Retiree Death Benefit Fund	407,858	488,051
Total Investments	$ 489,900,855	$ 477,832,263
Other Assets		
Interest and Dividends Receivable	$ 801,965	$ 4,422,524
Cash	311,721	83,784
Fixed Assets	744,435	656,545
Contributions Receivable	1,376,860	1,726,399
Other Assets	(162)	7,611
Total	$ 3,234,819	$ 6,896,863
Total Assets	$ 493,135,674	$ 484,729,126
Liabilities		
Refunds Payable	$ 127,757	$ 124,199
Other Payables	462,698	516,296
Total Payables	$ 590,455	$ 640,495
Net Market Value of Assets (Assets Minus Liabilities)	$ 492,545,219[1]	$ 484,088,631[2]

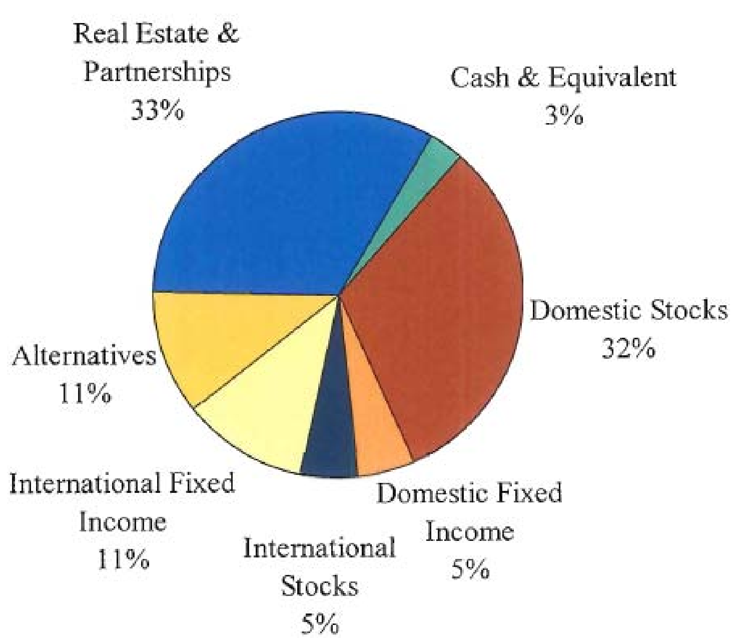
[1] Includes $407,858 for the Retiree Death Benefit Fund. The Net Market Value of Assets, excluding the Retiree Death Benefit Fund, is $492,137,361.

[2] Includes $488,051 for the Retiree Death Benefit Fund. The Net Market Value of Assets, excluding the Retiree Death Benefit Fund, is $483,600,580.

Exhibit 4

Austin Police Retirement System
Comparison of Market Value Asset Allocation as of the Prior and Current Actuarial Valuation Dates

December 31, 2010



December 31, 2011

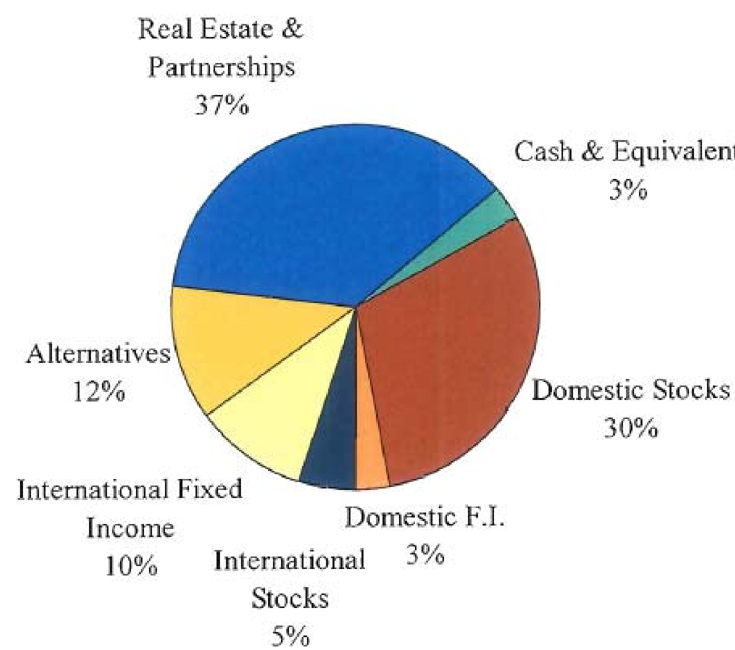


Exhibit 5

Austin Police Retirement System

Development of Actuarial Value of Assets

Calculation of Actuarial Investment Gain/(Loss) Based on Total Market Value for Plan Years	2011	2010	2009	2008
1. Market Value of Assets as of beginning of year	$ 492,545,219	$ 432,027,554	$ 387,120,420	$ 515,011,673
2. City of Austin Contributions	26,028,992	23,501,902	22,272,667	20,171,151
3. Police Officer Contributions	17,612,197	16,579,259	16,174,914	14,771,559
4. Benefit Payments and Contribution Refunds	(34,862,987)	(30,875,847)	(28,173,153)	(26,118,172)
5. Expected Investment Return*	39,747,991	34,923,333	31,372,704	41,547,125
6. Expected Market Value of Assets as of end of year	$ 541,071,412	$ 476,156,201	$ 428,767,552	$ 565,383,336
7. Actual Market Value of Assets as of end of year	484,088,631	492,545,219	432,027,554	387,120,420
8. Actuarial Investment Gain/(Loss)	$(56,982,781)	$ 16,389,018	$ 3,260,002	$(178,262,916)
9. Market Value Rate of Return Net of Expenses	(3.5)%	11.8%	8.8%	(26.3)%
10. Rate of Actuarial Investment Gain/(Loss)	(11.5)%	3.8%	0.8%	(34.3)%

* 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) as of December 31, 2011
2011	$ (56,982,781)	80%	$ (45,586,225)
2010	16,389,018	60%	9,833,411
2009	3,260,002	40%	1,304,001
2008	(178,262,916)	20%	(35,652,583)
Total			$ (70,101,396)

Actuarial Value of Assets as of December 31, 2011

11.	Market Value of Assets as of December 31, 2011	$ 484,088,631
12.	Deferred Gain/(Loss) to be recognized in future	(70,101,396)
13.	Preliminary Value (Item 11 – Item 12)	$ 554,190,027
14.	Corridor for Actuarial Value of Assets	
	a. 80% of Market Value as of December 31, 2011 (minimum)	387,270,905
	b. 120% of Market Value as of December 31, 2011 (maximum)	580,906,357
15.	Total Actuarial Value as of December 31, 2011	554,190,027
16.	Retiree Death Benefit Fund as of December 31, 2011	488,051
17.	Net Actuarial Value as of December 31, 2011 (Item 15-Item 16)	$ 553,701,976
18.	Adjustment to market value of assets (Item 15 – Item 11)	$ 70,101,396

Exhibit 6

Austin Police Retirement System
Historical Comparison of Market and Actuarial Value of Assets
(Valuations as of December 31)

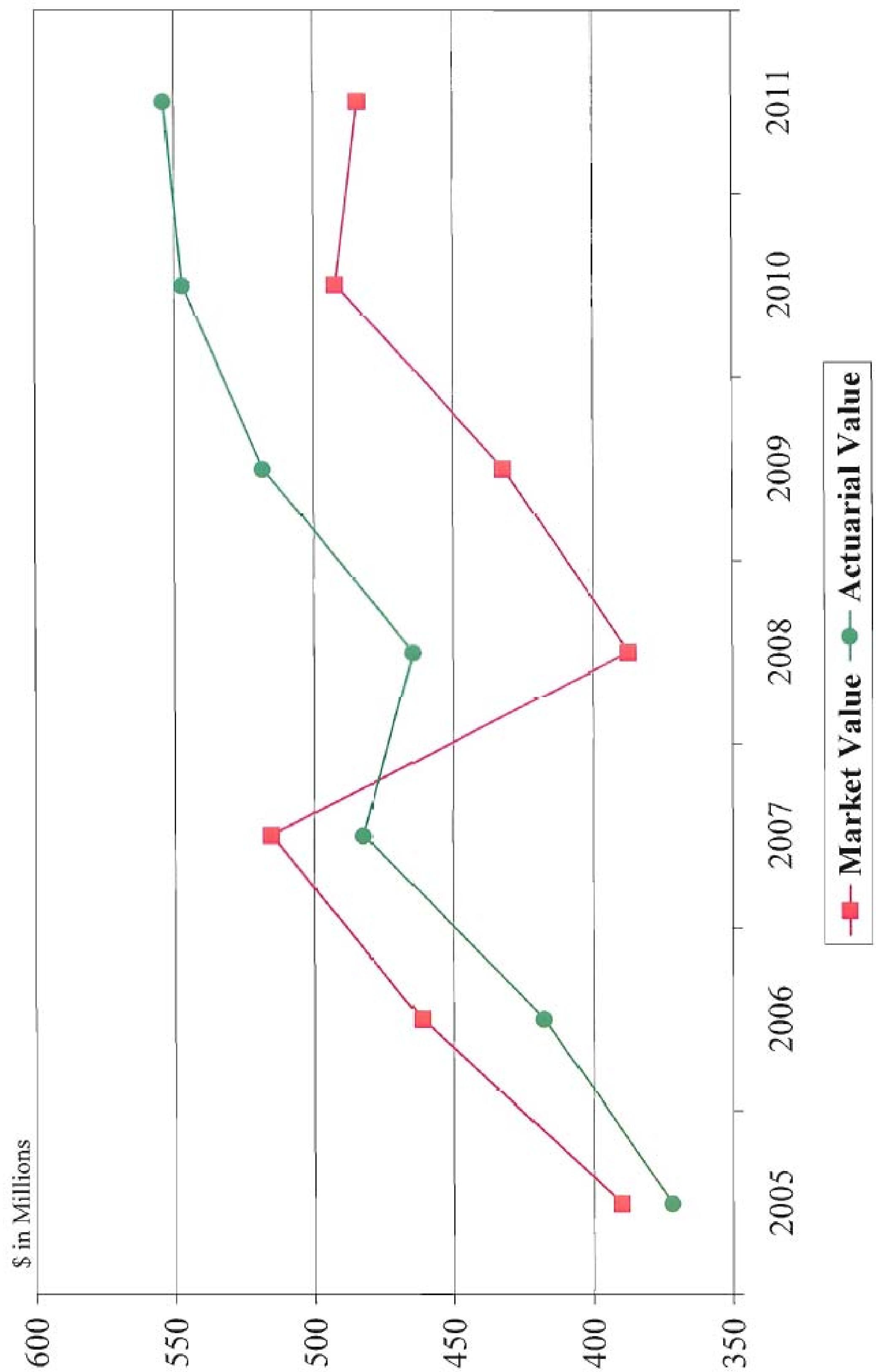


Exhibit 7

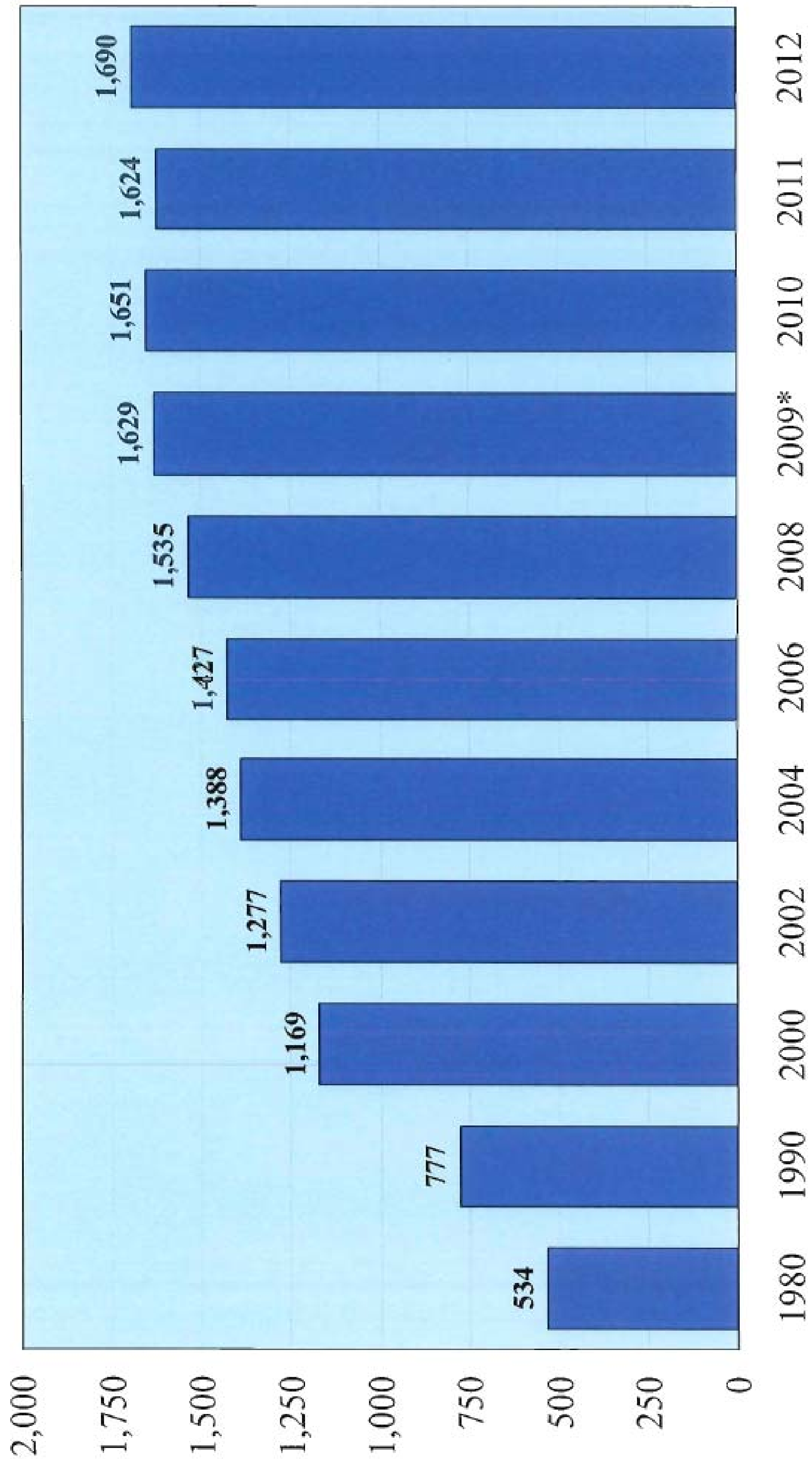
Austin Police Retirement System
Distribution of Police Officers by Age and Service as of December 31, 2011 with Average Annual Salary

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	29	12	4	1	0	0	0	0	53	$32,056
1	5	34	30	13	3	1	0	0	0	86	57,331
2	0	34	28	9	4	0	0	0	0	75	60,957
3**	0	1	8	16	22	17	11	8	2	85	72,053
4	0	31	35	19	5	2	0	0	0	92	67,306
5	0	44	59	22	16	5	2	0	0	148	67,458
6	0	4	27	16	6	4	0	0	0	57	67,678
7	0	0	24	12	14	2	0	0	0	52	72,073
8	0	0	15	26	24	7	0	0	0	72	73,330
9	0	0	11	23	5	5	0	0	0	44	73,592
10	0	0	22	39	26	6	4	0	0	97	74,663
11	0	0	14	43	23	9	4	0	0	93	79,237
12	0	0	2	18	15	2	2	0	0	39	81,661
13	0	0	1	33	32	18	3	0	0	87	83,676
14	0	0	0	34	37	14	2	2	0	89	84,385
15	0	0	0	25	28	6	1	0	0	60	90,283
16	0	0	1	7	34	12	0	1	0	55	91,863
17	0	0	0	6	29	23	5	1	0	64	100,352
18	0	0	0	0	27	13	6	0	0	46	103,546
19	0	0	0	0	16	24	13	4	0	57	102,904
20-24	0	0	0	0	21	61	25	11	0	118	106,286
25-29	0	0	0	0	0	21	54	16	1	92	108,969
30-34	0	0	0	0	0	0	8	15	3	26	101,461
35-39	0	0	0	0	0	0	0	1	1	2	102,651
40-44	0	0	0	0	0	0	0	0	1	1	122,630
Totals	12	177	289	365	388	252	140	59	8	1,690	$80,038
Average Annual Salary	$41,302	$58,045	$66,521	$76,572	$85,220	$94,067	$99,682	$98,101	$100,981	$80,038	

* Service with APRS only.
** Includes most of the PSEM transfers in January 2009.

Exhibit 8

Austin Police Retirement System
Historical Summary of Growth in Number of Contributing Members
as of January 1



Average annual increase over:

12-year period 2000-2012: 3.1%
22-year period 1990-2012: 3.6%
32-year period 1980-2012: 3.7%

* Includes the PSEM transfers in January 2009.

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, 2011 Valuation

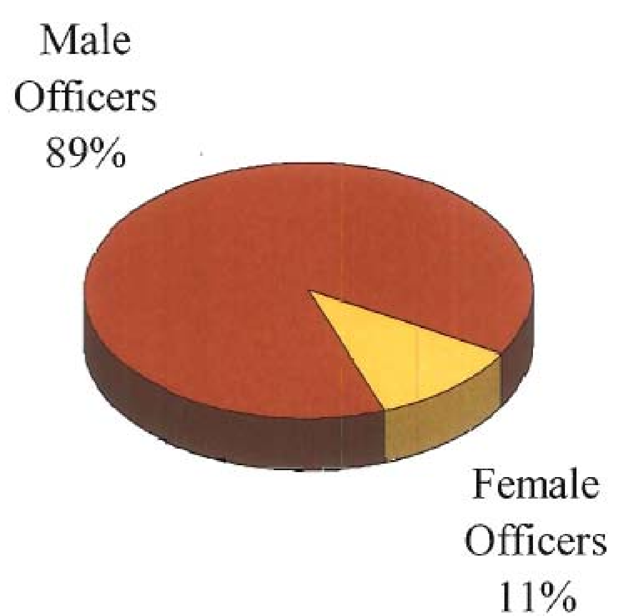


Exhibit 10

Austin Police Retirement System
Breakdown of Pensioners by Type and Annuity Option
as of the December 31, 2011 Valuation

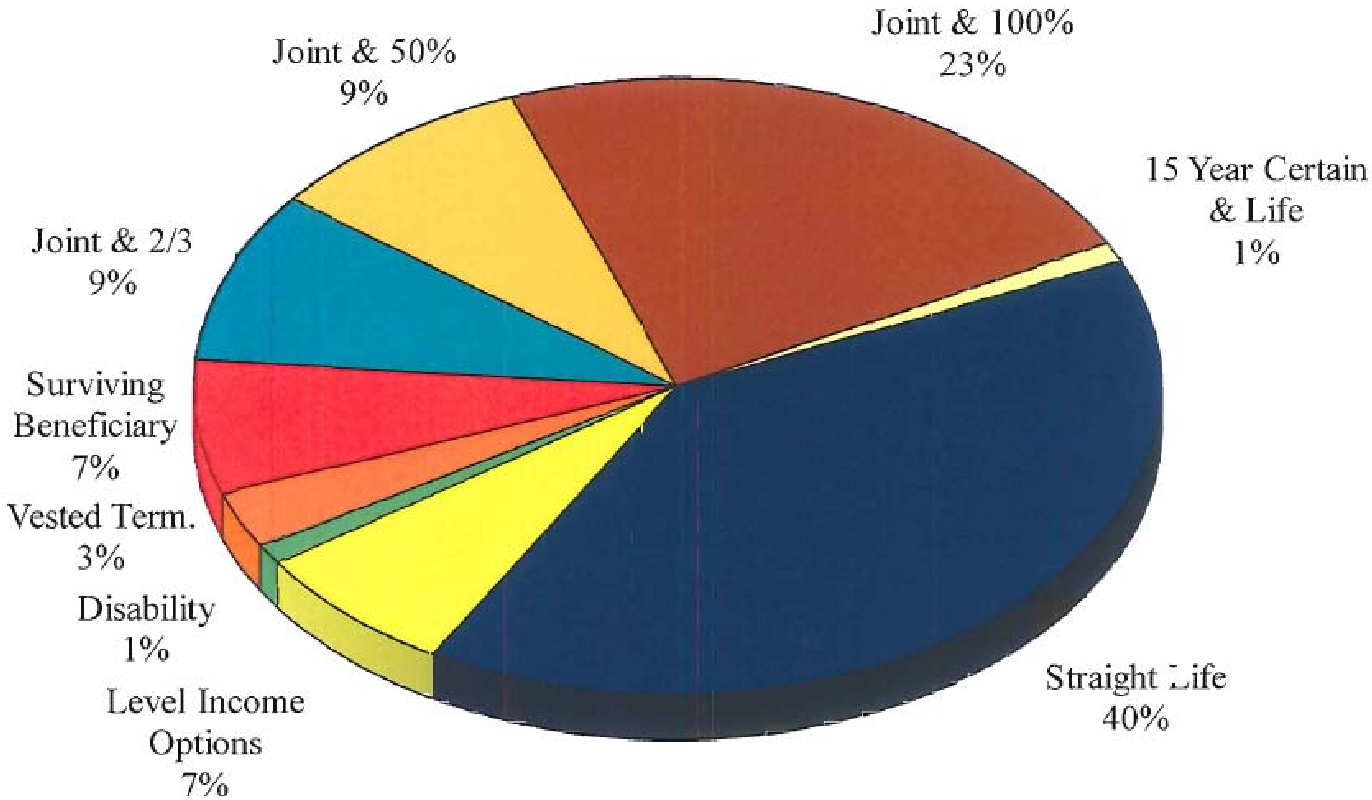


Exhibit 12

Austin Police Retirement System
Historical Comparison of Actuarial Accrued Liability and Actuarial Value of Assets
(Valuations as of December 31)

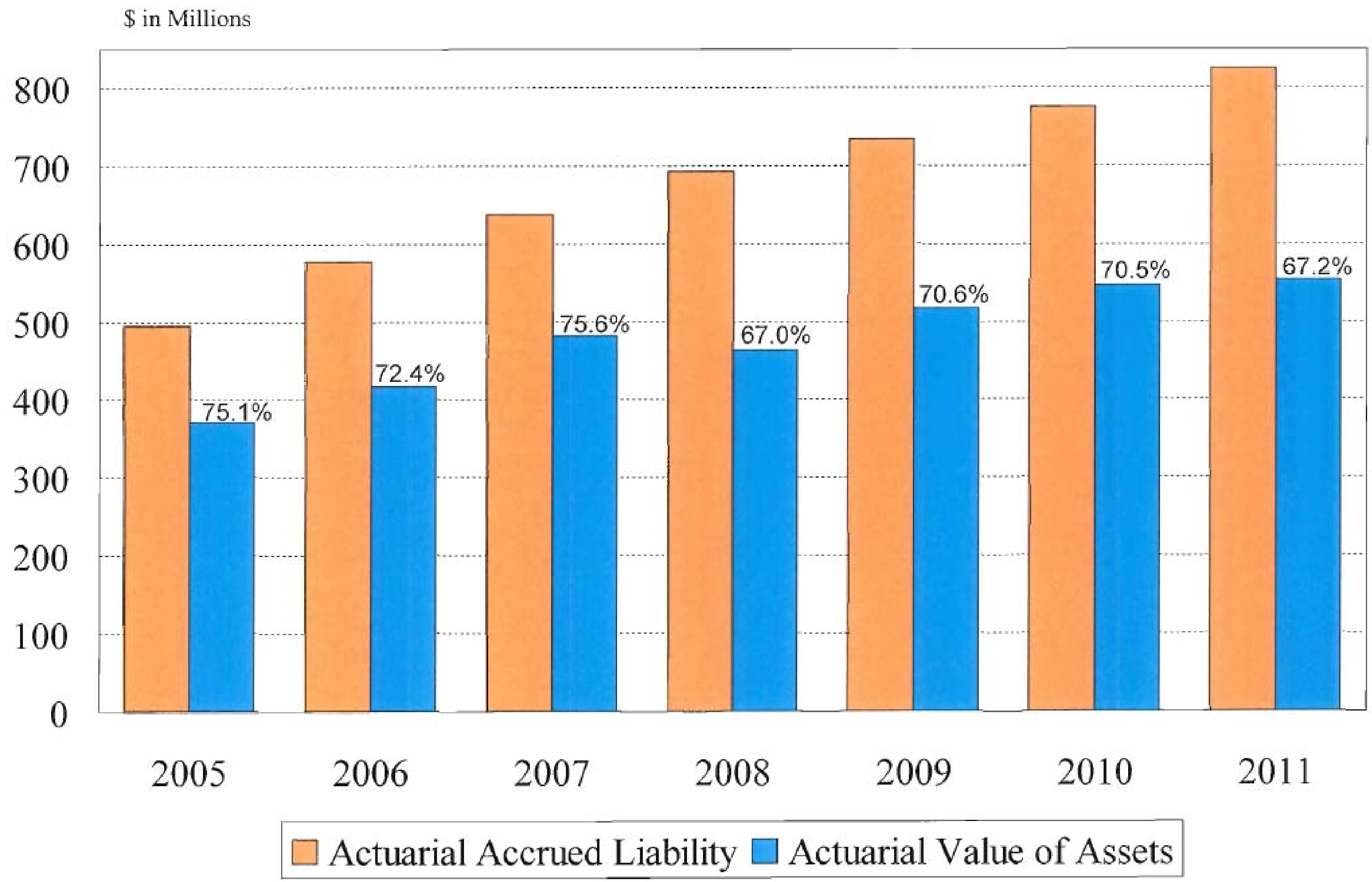


Exhibit 11

Austin Police Retirement System
Summary Data of Police Officers and Pensioners
as of the December 31, 2011 Valuation

Active Police Officers	Male	Female	Total
Total Contributing Police Officers	1,505	185	1,690
Annualized Reported Payroll	$120,350,115	$14,914,415	$135,264,530
Average Annual Rate of Pay	$79,967	$80,618	$80,038

Pensioners and Vested Terminated Officers	Number	Monthly Payment	Actuarial Present Value of Benefits
Service Retirements by Type of Annuity			
Straight Life	235	$1,210,740	$151,434,581
Joint and 100%	133	618,827	83,009,878
Joint and 50%	51	268,020	33,874,471
Joint and Two-Thirds	50	253,309	32,609,343
Level Income Straight Life	15	69,041	5,976,638
Level Income Joint and Two-Thirds	21	90,050	8,510,384
Level Income Joint and 100%	8	36,939	4,350,170
Fifteen Year Certain and Life	3	12,154	1,369,562
Total Service Retirements	516	2,559,080	321,135,027
PROP Distributions			11,360,297
Disability Retirements	4	10,033	1,413,812
Surviving Beneficiaries	43	158,118	16,299,601
Vested Terminated Officers	20	35,547	1,253,304
Alternate Payees	22	26,091	3,326,431
Total	605	$2,788,869	$354,788,472

Exhibit 11 (continued)

Austin Police Retirement System
Police Officers and Pensioners Reconciliation

	Police Officers	Current Payment Status	Vested Terminated Police Officers	Total
1. As of December 31, 2010	1,624	543[1]	21	2,188
2. Change of status				
a. retirement	(40)	43	(3)	0
b. disability	0	0	0	0
c. death	0	(4)	0	(4)
d. withdrawal	(11)	0	0	(11)
e. vested termination (VT)	(2)	0	2	0
f. new VT from PRP	0	0	0	0
g. new QDRO	0	3	0	3
h. completion of payment	0	0	0	0
i. new retirement from PRP	0	0	0	0
j. net changes	(53)	42	(1)	(12)
3. New police officers	119	0	0	119
4. As of December 31, 2011	1,690	585[2]	20	2,295

[1] Includes 20 alternate payees of QDROs.
[2] Includes 22 alternate payees of QDROs.

Exhibit 13

Austin Police Retirement System
Summary Plan Description

Date System Began: January 1, 1980

Plan Effective Date: September 1, 2011

Administration: The System 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 through December 31, 2008. Beginning in January 2009, the contribution rate increased to 18.25% and increased to 18.63% effective October 1, 2009, both as a result of implementing the Proportionate Retirement Program. The city contribution rate increased to 19.63% effective October 1, 2010, and it will increase further to 20.63% effective October 1, 2011 and to 21.63% effective October 1, 2012. 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.

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. No COLAs were given January 1, 2009-2012. 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.

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

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. Actuarial Value of Assets Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial gains or losses (as measured by actual market value investment return vs. expected market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value nor greater than 120% of market value. As a last step, the amount in the Retiree Death Benefit Fund according to the audited financial statements is subtracted.
3. Investment Return (Interest Rate)	8% per year, net of all expenses
4. Inflation	3.75% per year
5. Salary Increase Due to General Wage Increases	4% per year
6. Salary Increases Due to Promotion, Step, and Longevity Increases	2.8% per year average over 25-year career. See Exhibit 16 for the promotion, step, 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	0% per year for first ten years; 5% per year after the first ten years

Exhibit 14 (continued)

Austin Police Retirement System
Summary of Actuarial Methods and Assumptions

9. Mortality	
a. Active and Retired	RP-2000 Combined Healthy Mortality Tables for males and females projected to 2014
b. Disabled	RP-2000 Combined Healthy Mortality Tables for males and females projected to 2014
10. Retirement Rates	See Exhibit 17 for service and age-related rates.
11. Withdrawal Rates	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 with Military Service Information in Database Who 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	75% of those assumed to retire who are eligible for at least a 12-month DROP lump sum will make such an election (RETRO) or will have made such an election (FORWARD). See 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 b. Single Members	 Joint and 100% to Survivor 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 in the database will purchase the respective service.
23. DROP Lump Sums Left with the System for Investment after Retirement (PROP)	• 75% 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 4%.
24. Payment Form for Retirement Benefits Due to Service Retirement, Disability Retirement, or Vested Termination	• Life annuity (modified cash refund) To the extent optional forms of payment are elected and conversions are determined under an actuarial basis which differs from the basis used in the valuation, actuarial gains or losses will occur. These gains or losses are expected to be very small and will be recognized through the valuation process for those new retirees making an optional election since the prior valuation.

Exhibit 14 (continued)

Austin Police Retirement System
Summary of Actuarial Methods and Assumptions

25. Future Vested Terminated Members with Earlier Retirement Date Due to the Proportionate Retirement Program	• One termination per year for next 18 years • Termination at age 45 with 18 years of service • Retirement at age 50 instead of age 62 • Final average monthly salary of $8,094 for the 2012 termination, with 4.1% per year increase for subsequent terminations
26. Additional Administrative Expenses for Participation in the Proportionate Retirement Program	An increase in the normal cost contribution rate of 0.025% of payroll
27. Contributions (% of Covered Pay)	
a. City	
i. January 2012-Sept. 2012	20.63%
ii. October 2012 and thereafter	21.63%
b. Police Officers	13.00%
28. Assumed Compensation	For the plan year first following the valuation date, the assumed compensation for each active participant is the sum of the current base rate of pay plus the current longevity rate of pay converted to an annual amount.
29. Annualized Covered Payroll	For the plan year first following the valuation date, the annualized covered payroll is the sum of the assumed compensation for all active participants.

Exhibit 15A

Austin Police Retirement System
Changes in Actuarial Methods and Assumptions

	December 31, 2010 Actuarial Assumption	December 31, 2011 Actuarial Assumption
• Price Inflation	4%	3.75%
• DROP Election – Percentage of those assumed to retire who are eligible for at least a 12-month DROP lump sum will make such an election (RETRO) or will have made such an election (FORWARD)	70% (also Exhibit 15B)	75% (also Exhibit 17)
• DROP Lump Sums Left with the System for Investment after Retirement (PROP)	70%	75%
• Average Annual Rate Credited to the PROP Accounts	5%	4%

Exhibit 15B

Austin Police Retirement System
Assumed Distribution of Retirements by Options Elected
for December 31, 2010 Actuarial Valuation

Service at Employment Termination	No DROP Elected[1]	RETRO DROP Elected	FORWARD DROP Elected	Total
23 or less	100%	0%	0%	100%
24	30	60	10	100
25	30	50	20	100
26	30	40	30	100
27	30	35	35	100
28	30	35	35	100
29	30	35	35	100
30	30	35	35	100
31	30	35	35	100
32	30	35	35	100
33	30	40	30	100
34	30	50	20	100
35	30	60	10	100
36	30	70	0	100
37	30	70	0	100
38	30	70	0	100
39	30	70	0	100
40	30	70	0	100
41	30	70	0	100
42	30	70	0	100

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

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, Step, and Longevity Increases	Salary Increases Due to: 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
9	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[1]				For Entry Ages 33 and Above[3]			
APRS Service	22 & Under	23-27	28-32	Age	33-37	38-42	43 & Over
0-22	**50**	**50**	**50**	33-37	**100**		
23	150	150	225	38-42	**100**	**100**	
24	100	100	150	43-47	**100**	**100**	**100**
25	100	100	150	48	**100**	**100**	**100**
26	150	150	250	49	**100**	**100**	**100**
27	150	150	250	50	**100**	**100**	**100**
28	250	250	250	51	**100**	**100**	**100**
29	250	250	300	52	**100**	**100**	**100**
30	300	300	400	53	**100**	**100**	**100**
31	300	300	500	54	**100**	**100**	**100**
32	300	300	1000[2]	55	200	**100**	**100**
33	300	300		56	250	**100**	**100**
34	400	400		57	300	**100**	**100**
35	400	500		58	350	**100**	**100**
36	400	500		59	500	**100**	**100**
37	500	1000[2]		60	1000	500	**100**
38	500			61		350	**100**
39	500			62		350	800
40	500			63		350	400
41	500			64		350	400
42	1000[2]			65		1000	1000

[1] Rates are based on only APRS service and apply after an officer is eligible for retirement with combined APRS and Proportionate Retirement Program (PRP) service. Entry ages are determined based on only APRS service. **An officer would need to have some PRP service in order for the bold rates to be applicable.**

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

[3] Rates are based on age and apply after an officer is eligible for retirement with combined APRS and PRP service. Entry ages are determined based on only APRS service. **An officer would need to have some PRP service in order for the bold rates to be applicable.**

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	25	75	0	100
25	25	65	10	100
26	25	60	15	100
27	25	55	20	100
28	25	55	20	100
29	25	55	20	100
30	25	55	20	100
31	25	55	20	100
32	25	55	20	100
33	25	60	15	100
34	25	65	10	100
35	25	75	0	100
36	25	75	0	100
37	25	75	0	100
38	25	75	0	100
39	25	75	0	100
40	25	75	0	100
41	25	75	0	100
42	25	75	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

Combined Years of Service[1]	Withdrawal Rates
0	50
1	20
2	20
3	20
4	20
5	20
6	20
7	20
8	20
9	20
10	10
11	10
12	5
13	5
14	5
15	0
16	0
17	0
18	0
19	0

[1] APRS service combined with Proportionate Retirement Program service.

Exhibit 19

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

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

[1] 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 for the System's Financial Statements for Fiscal Year Ending December 31, 2011

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)
12/31/06[3]	$417,283,844	$576,125,324	$158,841,480	72.4%	$100,090,151	158.7%
12/31/07[2]	482,303,290	637,559,674	155,256,384	75.6	111,809,091	138.9
12/31/08[2,4]	464,230,585	693,202,499	228,971,914	67.0	122,735,216	186.6
12/31/09[2]	518,111,923	733,634,660	215,522,737	70.6	122,928,285	175.3
12/31/10[2]	546,956,628	776,231,027	229,274,399	70.5	127,731,696	179.5
12/31/11[2]	553,701,976	824,462,075	270,760,099	67.2	135,264,530	200.2

[1] The covered payroll is based on the annual rate of base pay and longevity pay assumed for the year following the valuation date.
[2] Some of the actuarial assumptions were revised.
[3] Reflects changes in plan benefit provisions effective September 1, 2007 and December 1, 2007.
[4] Reflects changes in plan benefit provisions effective January 2009.

II. Schedule of Employer Contributions

Plan Year Ended 12/31	Actual Contribution As a Percent of Covered Payroll	Actual Contribution Amount	Annual Required Contribution (ARC)[1]			Percent of ARC Contri-buted
			Date	AP	Rate	
2006	17.906%[2]	$16,945,167[3]	12/31/04	32.0	17.906%	100.0%
2007	17.919[2]	18,510,066[4]	12/31/05	30.0	18.775	95.4
2008	17.900[2]	20,060,458[5]	12/31/06	30.0	17.846	100.3
2009	18.254[6]	22,159,076[7]	12/31/07	30.0	16.776	108.8
2010	18.788[8]	23,382,043[9]	12/31/08	30.0	20.291	92.6
2011	19.782[10]	25,888,511[11]	12/31/09	30.0	19.360	102.2

[1] The ARC is based on a one-year lag between the date of the actuarial valuation ("Date") and the beginning of the plan year. The ARC is expressed as a contribution rate ("Rate") that is a percent of covered payroll. An amortization period (AP) for the ARC of up to 40 years was compliant with GASB parameters through the 2006 plan year. After the 2006 plan year, an AP of up to 30 years is compliant.
[2] A portion of the Employer's total 18% contribution is allocated to a Retiree Death Benefit Fund.
[3] The employer's total contribution during 2006 including the Retiree Death Benefit Fund (RDBF) was $17,033,469.
[4] The employer's total contribution during 2007 including the RDBF was $18,594,236.
[5] The employer's total contribution during 2008 including the RDBF was $20,171,151.
[6] The employer's total contribution rate was 18.25% January-September 2009 and 18.63% October-December 2009. The average contribution rate was 18.254% (18.345% total average – 0.091% for the RDBF).
[7] The employer's total contribution during 2009 including the RDBF was $22,272,667.
[8] The employer's total contribution rate was 18.63% January-September 2010 and 19.63% October-December 2010. The average contribution rate was 18.788% (18.88% total average – 0.092% for the RDBF).
[9] The employer's total contribution during 2010 including the RDBF was $23,501,903.
[10] The employer's total contribution rate was 19.63% January-September 2011 and 20.63% October-December 2011. The average contribution rate was 19.782% (19.88% total average – 0.098% for RDBF).
[11] The employer's total contribution during 2011 including the RDBF was $26,028,992.

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
for the System's Financial Statements for Fiscal Year
Ending December 31, 2011

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, 2011
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll, open
Amortization period	30.7 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 for promotion, step, and longevity	4.0% to 22.0% per year, averaging 6.8%
- Inflation rate per year	3.75%
- 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 was originally established in 1979 by a City Council ordinance. Since August 1991, the System has been governed by state law, with plan amendments made by the Texas Legislature. 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). 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 DROP benefit computation date or elects to

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
for the System's Financial Statements for Fiscal Year
Ending December 31, 2011

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.

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

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, 2011:

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
for the System's Financial Statements for Fiscal Year
Ending December 31, 2011

Retirees and beneficiaries currently receiving benefits (585) and terminated employees entitled to future monthly benefits (20)	605
Current participating members	1,690
Total	2,295

B. FUNDING POLICY

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 plan year ending December 31, 2010, participants are required to contribute 13% of their basic compensation to the System. The City's required contributions were equal to 19.63% of basic compensation for the first nine months of 2011. The City contribution rate increased to 20.63% on October 1, 2011 and will further increase to 21.63% on October 1, 2012.

Since September 1, 2003, a portion of the City's contribution has been allocated to the Retiree Death Benefit Fund. This portion, determined annually, was 0.098% for 2011 based on the December 31, 2009 actuarial valuation and is 0.102% for 2012 based on the December 31, 2010 actuarial valuation. This portion was determined based on the December 31, 2011 actuarial valuation to be 0.103% for 2013.

The City contribution rate is required by the state law governing the System and may be changed by amendment made by the Texas Legislature. The participant contribution rate may be changed by amendment made by the Texas Legislature or by appropriate actions of the Board and the participating members in accordance with the state law governing the System. The participant contribution rate 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. During the regular 2011 session of the Texas Legislature, they set the minimum participant contribution rate at 13%.

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.

Exhibit 21 (continued)

Austin Police Retirement System
Disclosures in Accordance with GASB Statement No. 25
for the System's Financial Statements for Fiscal Year
Ending December 31, 2011

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, 2011 and the plan provisions reflected in that valuation, the normal cost was 23.242% of pay and the amortization period was 30.7 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, 2012

I. Annual Pension Cost

For the fiscal year ending September 30, 2012, the City's Annual Pension Cost (APC) for the Austin Police Retirement System is $__________ as described below in footnote 4 of Trend Information. The total contributions by the City are a fixed percentage of basic compensation, consisting of base pay and longevity pay, of the members of the System. Effective October 1, 2011, the city contribution rate increased from 19.63 to 20.63% and will further increase to 21.63% on October 1, 2012.

A portion of the city's contribution is allocated to a separate Retiree Death Benefit Fund (account). This portion, determined annually, was 0.098% for 2011 based on the December 31, 2009 actuarial valuation and is 0.102% for 2012 based on the December 31, 2010 actuarial valuation. Therefore, the contributions for the fiscal year ending September 30, 2012 were equal to 20.532% of payroll for the period October 1, 2011 through December 31, 2011, and 20.528% of payroll for the period January 1, 2012 through September 30, 2012.

The annual required contribution (ARC) by the city for the fiscal year ending September 30, 2012 was based on the actuarial valuations as of December 31, 2009 (for the 2011 plan year) and as of December 31, 2010 (for the 2012 plan year) using the entry age actuarial cost method and determined in compliance with the GASB Statement No. 27 parameters, including the amortization periods for the ARC indicated below. The actuarial methods and assumptions used for the three most recent valuations are shown below:

Valuation date	12/31/2009	12/31/2010	12/31/2011
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	30 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, step, and longevity	4.0% plus promotion, step, and longevity	4.00% plus promotion, step, and longevity
• Inflation	4.0%	4.0%	3.75%
• Cost-of-living increases	0.0%	0.0%	0.00%
• Payroll increases	4.0%	4.0%	4.00%
ARC as a percent of payroll for the plan year	19.360% 2011	19.698% 2012	21.625% 2013

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, 2012

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

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percent of Covered Payroll	Percentage of APC Contributed	Net Pension Obligation
09/30/2010	$______[1]	18.538/18.539%	______[2]	______[1]
09/30/2011	______[3]	19.538/19.532	______[2]	______[3]
09/30/2012	______[4]	20.532/20.528	______[2]	______[4]

[1] As determined using worksheet on page 44 of the December 31, 2009 actuarial valuation report.
[2] 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.
[3] As determined using worksheet on page 47 of the December 31, 2010 actuarial valuation report.
[4] 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)
12/31/06[3]	$417,283,844	$576,125,324	$158,841,480	72.4%	$100,090,151	158.7%
12/31/07[2]	482,303,290	637,559,674	155,256,384	75.6	111,809,091	138.9
12/31/08[2,4]	464,230,585	693,202,499	228,971,914	67.0	122,735,216	186.6
12/31/09[2]	518,111,923	733,634,660	215,522,737	70.6	122,928,285	175.3
12/31/10[2]	546,956,628	776,231,027	229,274,399	70.5	127,731,696	179.5
12/31/11[2]	553,701,976	824,462,075	270,760,099	67.2	135,264,530	200.2

[1] The covered payroll is based on the annual rate of base pay and longevity pay assumed for the year following the valuation date.
[2] Some of the actuarial assumptions were revised.
[3] Reflects changes in plan benefit provisions effective September 1, 2007 and December 1, 2007.
[4] Reflects changes in plan benefit provisions effective January 2009.

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, 2012

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 issues a stand-alone report that is available from the Retirement Board.

The System was originally established in 1979 by a City Council ordinance. Since 1991, the System has been governed by state law, with plan amendments made by the Texas Legislature. 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). 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.

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,

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, 2012

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.

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

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. FUNDING POLICY

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, 2011, participants are required to contribute 13% of their basic compensation to the System. The City's required contributions were equal to 20.63% of basic compensation from October 1, 2011 to September 30, 2012. The City contribution rate increased to 21.63% on October 1, 2012.

Since September 1, 2003, a portion of the City's contribution has been allocated to the Retiree Death Benefit Fund. This portion, determined annually, was 0.098% for 2011 based on the December 31, 2009 actuarial valuation and is 0.102% for 2012 based on the December 31, 2010 actuarial valuation. This portion was determined based on the December 31, 2011 actuarial valuation to be 0.103% for 2013.

The total City contribution rate of 20.63% during fiscal year 2011-2012 and the subsequent increase as described above are required by the state law governing the System and may be changed by amendment made by the Texas Legislature. The participant contribution rate may be changed by amendment made by the Texas Legislature or by appropriate actions of the Board and the participating members in accordance with the state law governing the System. The participant contribution rate

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, 2012

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. During the regular 2011 session of the Texas Legislature, they set the minimum participant contribution rate at 13%.

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, 2011 and the plan provisions reflected in that valuation, the normal cost was 23.242 % of pay and the amortization period was 30.7 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, 2012

		Plan Year in Which the Accounting Year Begins	Plan Year in Which the Accounting Year Ends	Accounting Year Total
		Column A	Column B	Column C
1.	Plan year	2011	2012	
2.	Valuation date that is the basis for plan year ARC	12/31/2009	12/31/2010	
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 = 19.360% of actual covered payroll for October – December 2011.
[2] ARC = 19.698% of actual covered payroll for January – September 2012.
[3] The NPO as of October 1, 2011 should have been determined according to the prior year worksheet.
[4] Contributions in excess of the portion of contributions for the Retiree Death Benefit Fund

HISTORICAL INFORMATION SECTION

Improvements to the System
(Last 15 Years)

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.

Improvements to the System
(Last 15 Years)

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.

Improvements to the System
(Last 15 Years)

January 2009

The City's contribution rate was increased from 18% to 18.25% to fund APRS participation in Texas Proportionate Retirement System.

March 2009

APRS joined the Texas Proportionate Retirement System. This allowed members with service credit in more than one participating retirement system to be eligible to combine their service credits in order to satisfy the length of service requirements used to determine eligibility for service retirement.

September 2009

The City's contribution rate was increased from 18.25% to 18.63% to fund APRS participation in Texas Proportionate Retirement Program.

October 2010

The City's contribution rate was increased from 18.63% to 19.63% .

October 2011

The City's contribution rate was increased from 19.63% to 20.63% .

Interest Paid On Member Contributions
(15 year History)

Year	Interest Paid
2011	0.0%
2010	0.0%
2009	0.0%
2008	0.0%
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%

*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

Cost of Living (Ad Hoc) Adjustments
(15 Year History)

Year	COLA Paid
2011	0.0%
2010	0.0%
2009	0.0%
2008	0.0%
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%

How is the amount of cost of living adjustments 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

		2011	2010
ACTIVE MEMBERS			
Total Number of Members, January 1		1624	1,651
Add:	New Members	119	23
Deduct:	Members Terminated	(13)	(20)
	Deceased Members	0	(0)
	Members Transferred to Retiree System	(40)	(30)
TOTAL ACTIVE MEMBERS, DECEMBER 31		1,690	1624
VESTED TERMINATED			
TOTAL VESTED TERMINATED MEMBERS, DECEMBER 31		20	21
RETIREE MEMBERS			
Total Number of Members, January 1		543 (2)	514
Add: Retired Members Transferred to System		43	30
Deduct: Retired Members Deceased		(4)	(3)
TOTAL RETIRED MEMBERS, DECEMBER 31		585(1)	543(2)
TOTAL APRS MEMBERS DECEMBER 31		**2,295**	**2,188**

1. Includes 22 alternate payees of QDROs and 3 new survivor benefits
2. Includes 20 alternate payees of QDROs and 0 new survivor benefits

BENEFIT GUIDE SECTION

INTRODUCTION

While this guide 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 19% (20% effective 10/1/2011, 21% effective 10/1/2012) of every police member's base pay bi-weekly and 19% (20% effective 10/1/2011, 21% effective 10/1/2012) 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).

In addition, 2009 legislation provided that the City of Austin contribute additional costs incurred by the System for participating in the proportionate retirement program as set forth in Chapter 803 in the Texas Government Code (the "PRP"):

1. Increasing contribution rates from 20.00% to 20.63% for periods following October 1, 2011
2. Increasing contribution rates from 20.63% to 21.63% for periods following October 1, 2012, and
3. Subsequent adjustments to the City's contribution rate following each 5 years of PRP participation with adjustments to be based on experience studies performed by the system's actuary.

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 Statement of Investment Policy and Statement Guidelines. 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 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 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. 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.

6. Cadet Service - Eligible service purchased 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.

PROPORTIONATE SERVICE

Program for the benefit of members of participating public retirement systems. A member of two or more of the following participating retirement systems may be eligible for proportionate benefits:

- Austin Police Retirement System
- City of Austin Employees' Retirement System
- The El Paso City Employees' Pension Fund
- El Paso Firemen and Policemen's Pension Fund
- Employees Retirement System of Texas (ERS)
- Judicial Retirement System of Texas I & II
- Texas Municipal Retirement System (TMRS)
- Texas County and District Retirement System (TCDRS)
- Teacher Retirement System of Texas (TRS)
- Other Texas retirement systems covering municipal employees who have qualified plans and have elected to participate in the Proportionate Retirement Program

Participating systems recognize service from other participating systems. A member with service credit in more than one participating retirement system may be eligible to combine that service in order to satisfy the length of service requirements used to determine eligibility for service retirement. Retirement benefits will be paid separately from each system, based only on the service performed in that system. Military service purchases may only be used once in determining the amount of the member's combined service credit. A member of a participating retirement system who forfeited membership service by withdrawing their deposits may re-establish credit for service earned in another participating proportionate retirement system. A member must contact the system in which they previously had membership in order to determine eligibility requirements to re-establish service credit and/or membership. A member should determine their proportionate retirement benefits before withdrawing member deposits in any of these systems.

RETIREMENT BENEFIT LIFE ANNUITY CALCULATED

Basic retirement benefit Life Annuity are calculated using the following formula. Monthly annuity check 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		Basic monthly benefit amount service

*3.2% 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 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 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 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 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 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 (RETRO DROP)

The retroactive deferred retirement option plan, referred to as RETRO DROP Option, is a one-time benefit paid at retirement with a reduced monthly retirement benefit. 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.

A member who elects RETRO DROP receives a one-time benefit with a reduced monthly retirement benefit at retirement date.

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.

FORWARD DEFERRED RETIREMENT OPTION PLAN (Forward DROP)

The forward option 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.

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

Instead of receiving a single lump-sum payment, a member may elect to receive partial payments from the member's RETRO or Forward DROP account by transferring the funds into a PROP, 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 or Forward 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 or Forward DROP funds in the PROP account shall be credited with earnings or losses of the system while they 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.

PROP MONTHLY ANNUITY DEFERRAL

The PROP Monthly Annuity Deferral plan allows retiring or retired members to defer receipt of a minimum of $250 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 two (one-time) period of deferrals in a calendar year that cease at the earliest of: (1) the date payment on the monthly benefit is requested, or (2) 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 50. 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 an active 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 an active 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

On award of disability retirement benefits, the member shall receive a disability retirement benefit 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 are calculated using the following formula:

$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% 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 (or a proportionate benefit if the member retired under the Proportionate Retirement Program) is paid to the designated beneficiary(ies) or estate.

At the death of an active member eligible to retire, a tax free 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 member's accumulated 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 designated 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. 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 members accumulated deposits.

If there is no surviving spouse, the deceased member's designated beneficiary may elect to receive payment under Option V, 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 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 beneficiary until the date of retirement.

HEALTH INSURANCE

Basic medical, dental and vision 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 www.ci.austin.tx.us/benefits/enrollment or One Texas Center, 505 Barton Springs Rd., Suite 600, P.O. Box 1088, Austin, Texas 78704 or by phone at (512) 974-3284.

LEAVING THE SYSTEM

DEFINITION OF A VESTED MEMBER

When you declare participation in the Texas Proportionate Retirement Program or have attained ten years of Austin Police Retirement System 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 retirement contributions for vested inactive members draw interest, the inactive member's multiplier can increase during the years between the member's termination and retirement, but no cost of living increases are applied to the member's benefit.

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 are:

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. Have your contributions refunded to you the end of the calendar year. By doing this, you may 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. 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. Have your contributions left in the System 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 may 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.
5. Have your contributions left in the System if you are eligible or expect to become eligible to participate in the Proportionate Retirement Program.

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 19.63% 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 414(h) 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 VESTED CONTRIBUTIONS

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 members who will someday retire.

Retirement interest is paid on December 31st, based on the amount each 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 Manager 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 www.ausprs.org or (512) 416-7672 and their address is 2520 South I.H. 35, Suite 100, Austin, Texas 78704.

NOTES:

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

P.O. Box 41089
2520 S. IH-35
Suite 100
Austin, TX 78704

Phone: 512-416-7672
Fax: 512-416-7138
Website: www.ausprs.org