CITY OF AUSTIN POLICE RETIREMENT SYSTEM

2013 Annual Report

For the year ended December 31, 2013

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INTRODUCTORY SECTION

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

Presented to

City of Austin Police Retirement System

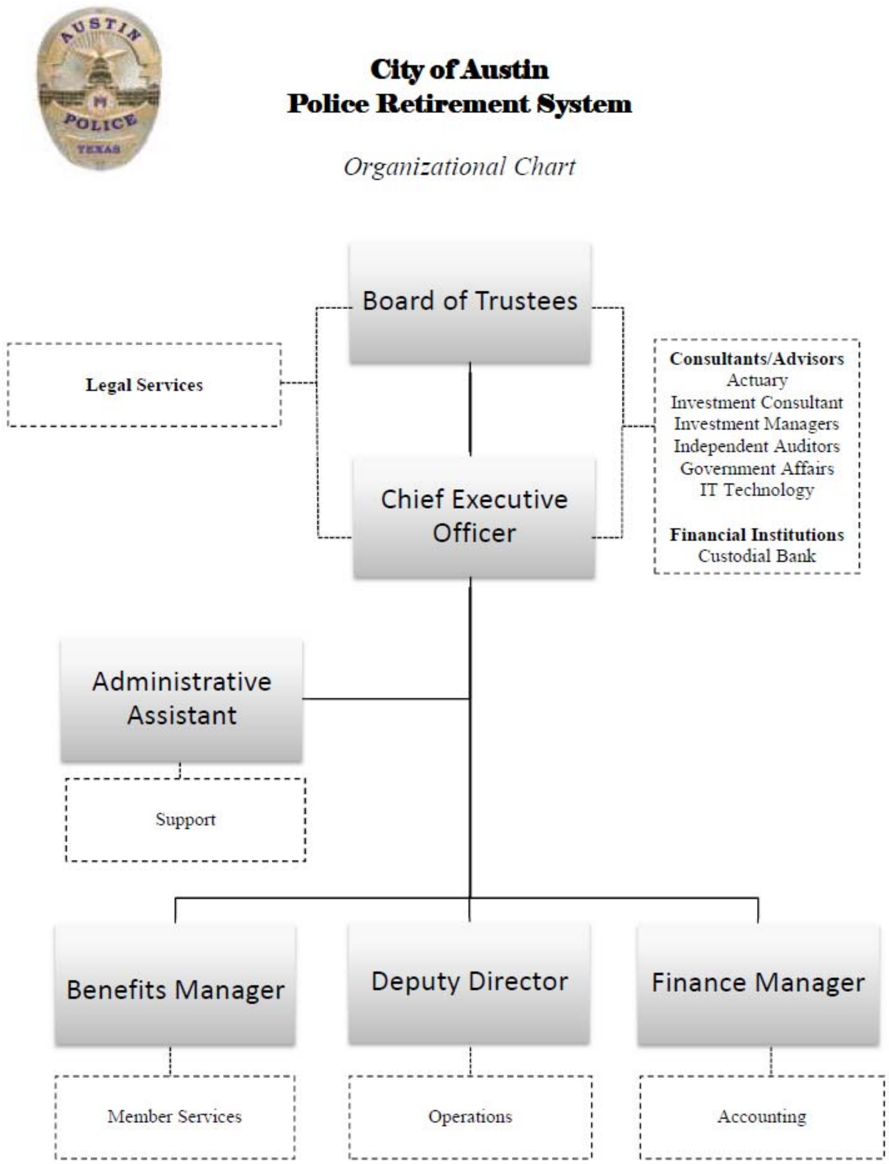
In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

City of Austin Police Retirement System
Organizational Chart



City of Austin Police Retirement System
Board Of Trustees

Pension Office Staff

Chief Executive Officer

Sampson (Sam) K. Jordan

Deputy Director

Stephanie Schkade Willie

Benefit Services Manager

Michelle Ruland

Finance Manager

Vernon Webb

Administrative Assistant

Rosanna Frank

Professional Service Providers

Custodian Bank

The Northern Trust Company, Chicago, Illinois

Investment Consultant & Performance Evaluator

The Bogdahn Group, Orlando, Florida

Actuary

Foster & Foster, Inc., Ft. Myers, Florida

Auditor

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

Legal Counsel

Klausner, Kaufman, Jensen & 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

Driehaus International Securities, LLC, Chicago, Illinois

Herndon Capital Management, Atlanta, Georgia

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

NTGI S&P 500, Chicago, Illinois

Polen Capital Management, Boca Raton, Florida

Thornburg Investments, Santa Fe, New Mexico

Wellington Management Company, Boston, Massachusetts

Fixed Income

Ashmore Investment Management, London, England

Orleans Capital Management, Mandeville, Louisiana

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

FWAR Investments, Dallas, Texas

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

BTG Pactual 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

Intercontinental Capital Management, LLC, Boston, Massachusetts

July 16, 2014

2013 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, 2013.

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 Foster & Foster, Inc. The Actuarial Valuation Report states that the overall funding of the System remains sound. The System achieved a funding ratio of 66.4% funded and a funding period of 28.9 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 investment markets began 2013 with a large amount of uncertainty in the direction for the economy in the wake of President Obama's re-election and the lingering questions around the fiscal cliff. With the US government acting at least temporarily to solve the issue, the table was set for the bull market in equities to continue. Generally positive news in the US in the form of a recovering housing market and strong corporate earnings combined with ongoing easy monetary policy around the world drove equity markets higher throughout the year. The notable laggard asset class in 2013 was US fixed income, with the US bond market, as represented by the Barclay's Aggregate Bond Index, reporting a loss of over 2% in 2013 amidst generally rising interest rates throughout the year.

The US equity markets produced a return of +32.4% (S&P 500), with International Equity Markets delivered strong absolute returns of 15.6% (MSCI ACWIxUS). Developed markets, as represented by the MSCI EAFE Index were up 23.3% and Emerging Markets (MSCI EME Index) were down 2.3%. Gains for the US market were broad based with the Consumer Discretionary, Industrials and Health Care sectors all up over 40% for the year. The weakest sectors were Telecom and Utilities whereas both sectors had outperformed in 2011 and 2012 amidst investors broadly seeking higher yielding stocks in those sectors. Small cap US stocks were the top performers in 2013, up 38.8% (Russell 2000) emphasizing the higher risk appetite that was prevalent throughout the investment market in 2013. Midcap stocks also outperformed large caps with a return of 34.8% (Russell MidCap) for the year.

For the year, the investment portfolio returned 266 basis points higher than the actuarial assumption of 8.0% to finish the year up 10.7%. Net Assets held in Trust increased $56,212,753 to $595,110,402, of which $49,373,314 was investment performance and the remaining $6,839,439 was attributable to a positive net contribution from non-investment related activities. The Equity allocation 50% was up a 29.6%, which lagged the S&P (+32.4%) for the year. The underperformance was largely attributable to the new active managers hired in the first quarter of 2013 and their high quality portfolios did not perform as well in a market rally that generally favored lower quality companies with less proven business models. Also, the direct allocation to the energy sector within the US equity portfolio impacted relative results as that investment delivered a strong absolute return of 24.5% but did not match the broad market gain for the year. During 2013 the use of index investing was expanded within the US equity portfolio through a broad market index fund designed to replicate the returns of the Russell 3000 index. The index fund represents 19% of the portfolio as of 12/31/13

The Fixed Income allocation 11% detracted from overall portfolio results in 2013 and was down 3.4%. The strong performance of the high yield allocation was overwhelmed by negative results in the Emerging Markets Debt allocation. Rising interest rates in the US and questions over growth in the primary emerging markets of Brazil, Russia, India, and China caused emerging markets securities to decline in price throughout 2013 after strong performance in 2012.

The Real Estate allocation 17% continued to show positive signs generating a positive 11.4% return for the year while the Private Equity allocation 7% detracted from overall fund results amidst write-downs in a venture capital investment. The Hedge Fund allocation 7.0% gained 12.2% percent for the year, aiding the total portfolio performance.

Overall, 2013 was a positive year for the investment portfolio, and 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 professionalism over time with a goal of generating a return that equals or exceeds the actuarial return assumption of 8%.

Prepared by: The Bogdahn Group; Investment Consultant to the Board

Arturo Montemayor III
President & CEO

Pamela Hill
Shareholder

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

Stacy Britton
Shareholder

Sean Bender
Shareholder

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Austin Police Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of City of Austin Police Retirement System (System), which comprise the statements of plan net position as of December 31, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2013 and 2012, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplemental schedule on pages 18–23 and 43 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 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 responses 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.

Montemayor Hill + Company, P.C.

24 July 2014
Austin, Texas

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 2013 and 2012. We encourage readers to consider the information presented here in conjunction with our financial statements that follow.

Financial Highlights

- Plan net assets held in trust by the System increased by $56.2 million or positive 10.43% in 2013 and increased by $54.8 million or positive 11.32% in 2012. The asset increase in 2013 is result of continuing U.S. Security market rally, which Federal Reserve began tapering (QE3) by reducing the government (MBS) bond purchases that began in 2012. The asset increase in 2012 is result of US security market rally when Federal Reserve started quantitative (QE3) by purchasing $40 billion a month of government (MBS) bonds beginning September 13, 2012.
- Contributions increased by $3.3 million, or 7.0% in 2013 and increased by $3.6 million, or 8.83% in 2012 . The increase in 2013 is due to increases in the City of Austin's 3% general wage increase, and increase in number of participants. The increase in 2012 is due to increase in City of Austin's required contributions to 21.63% from 20.63% effective October 1, 2011, 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 $2.8 million, or 6.0% during 2013 and $5.1 million, or 14.76% during 2012 . The increase in 2013 is due to the increase in number of System retirees by 5.9% and increase in 2012 is due to the increase number of retirees by 8.1%.

- The System's rate of return on investments for the year ended December 31, 2013 was positive 9.79% gross of fees and positive 9.0% net of fees, on a market value basis, which was less than the return of 10.68% gross of fees and 9.9% net of fees for the year ended December 31, 2012.

- The funding objective of the System is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2013, the date of the most recent actuarial valuation, the System's funding ratio of actuarial assets as a percentage of actuarial liabilities is 66.4% which is up from the 65.2% level at December 31, 2012. This is primarily due to unfavorable 5 year smoothing average rule (2008-2012) 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 Position** - presents the Systems' assets and liabilities and the resulting net position 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 Position** - provides a view of current year additions to and deductions from the plan. These two statements report the System's net position for pension benefits (net position) – 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 position restricted for pension benefits as of the end of each year, and summarizes the changes in net position restricted for pension benefits for the year.

Financial Analysis

Summary of Plan Net Assets

December 31, 2013, 2012 and 2011

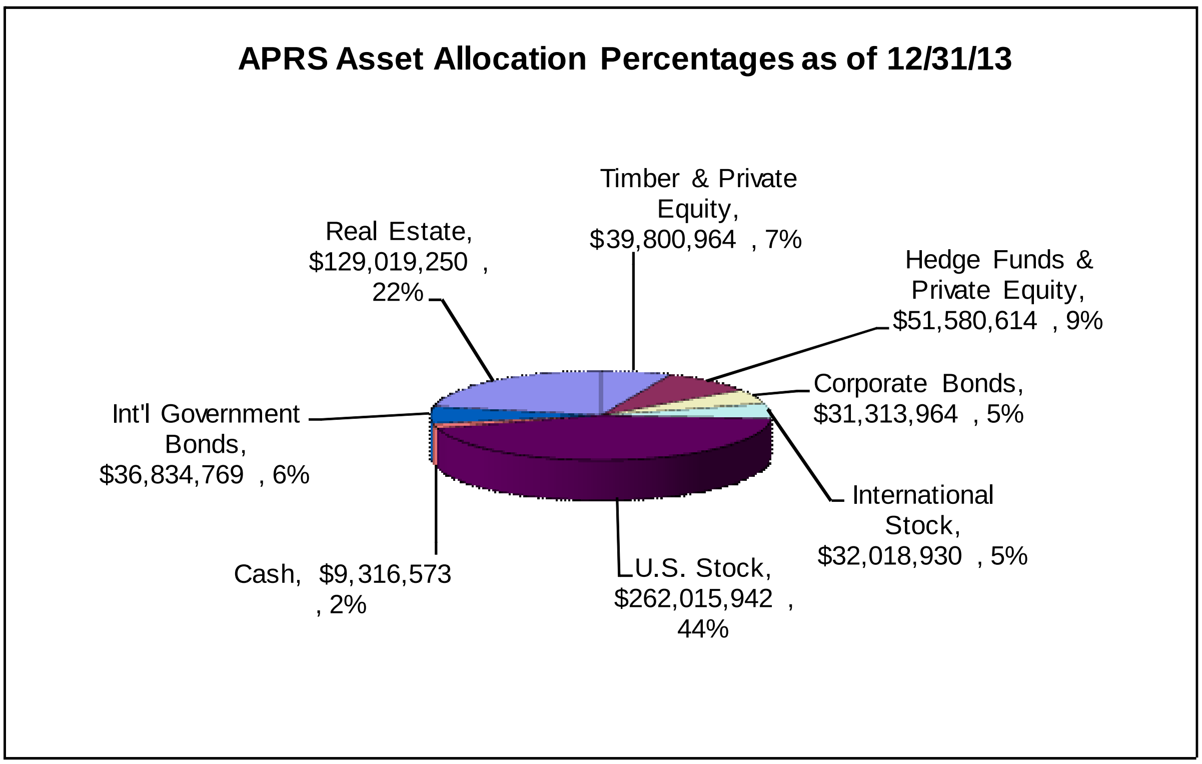
Assets	**2013**	**2012**	**2011**
Cash, receivables and prepaids	$ 5,122,091	$ 4,670,268	$ 6,240,318
Investments, at fair value	591,901,006	534,149,354	477,832,263
Fixed assets, net	528,701	578,687	656,545
Total assets	597,551,798	539,398,310	484,729,126
Liabilities			
Total liabilities	2,441,396	500,661	640,495
Net position restricted for pension benefits	$595,110,402	$538,897,649	$484,088,631

City of Austin Police Retirement System
Management Discussion and Analysis

Assets. The Systems' net position restricted for pension benefits increased by $56.2 million in 2013, increased by $54.8 million in 2012, and decreased by $8.5 million in 2011. The asset increase in 2013 is result of continuing U.S. Security market rally, which Federal Reserve began tapering (QE3) by reducing the government (MBS) bond purchases that began in 2012. The asset increase in 2012 is result of US security market rally when Federal Reserve started quantitative (QE3) by purchasing $40 billion a month of government (MBS) bonds beginning September 13, 2012. 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.

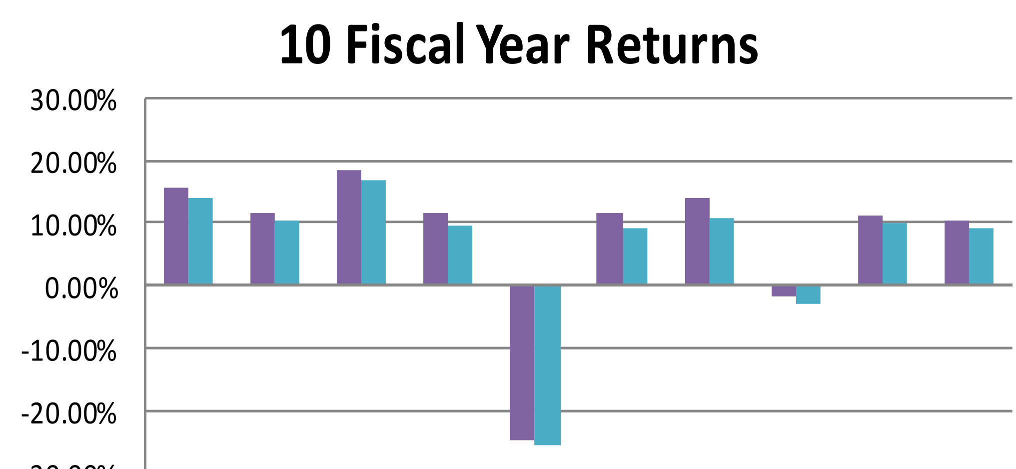
The increase in cash, receivables and prepays of approximately $500 thousand in 2013 is primarily due to more interest, dividends receivables and real property income investment. The increase in cash, receivables and prepays of approximately $1.6 million in 2012 is primarily due to more interest, dividends receivables and real property income investment.

Total net position was $595.1 million at the end of fiscal year 2013, $538.9 million at the end of fiscal year 2012 and $484.0 million at the end of fiscal year 2011, which is a increase of $56.2 million, or positive 10.43% growth for fiscal year 2013. Below is a chart of the System's asset allocation for fiscal year ending December 31, 2013:

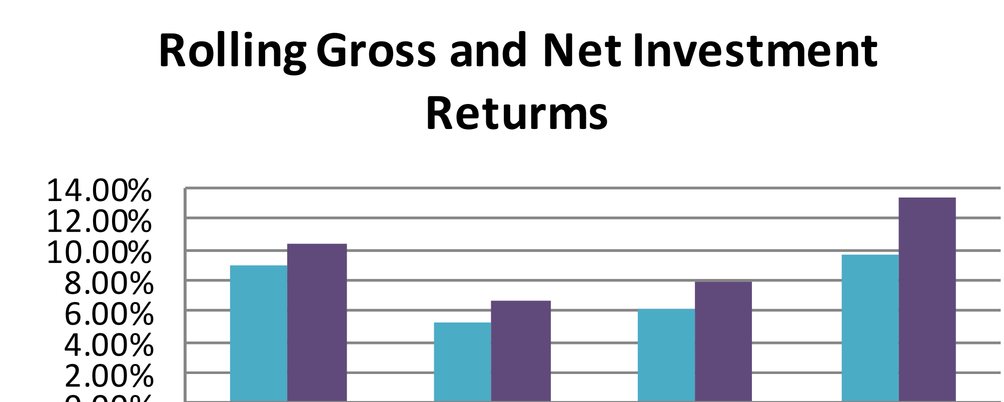


City of Austin Police Retirement System
Management Discussion and Analysis

Investment Returns and Assumptions. The Systems' assumed rate of return is 8% net of all expenses. The following charts as prescribed under section 802.108 of the Texas Government Code Title 8, Subtitle A:



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross	15.79	11.65	18.35	11.67	-24.8	11.60	14.01	-1.72	11.32	10.43
Net	14.00	10.30	16.90	9.70%	-25.5	9.24%	10.86	-3.01	9.90%	9.33%



	Average 1 yr.	Average 3 yr.	Average 10 yr.	Average 30 yr.
Net	9.00%	5.30%	6.14%	9.60%
Gross	10.43%	6.68%	7.83%	13.33%

City of Austin Police Retirement System
Management Discussion and Analysis

Liabilities. Liabilities increased by $1.9 million in 2013 and decreased by $140 thousand in 2012 . The increase in 2013 is primarily due to more payables in management and legal fees at year end.

Summary of Changes in Plan Net Position

Years Ended December 31, 2013, 2012 and 2011

Additions. Funds to pay benefits are accumulated through contributions and returns on invested funds.

	2013	2012	2011
Additions			
Contributions	$ 50,628,724	$ 47,302,279	$ 43,641,189
Investment income	51,728,148	50,441,943	(14,200,799)
Investment expenses	(2,476,699)	(2,044,619)	(2,179,850)
Net investment income	49,251,449	48,397,324	(16,380,649)
Other income	121,865	77,768	103,329
Total additions	100,002,038	95,777,371	27,363,869
Deductions			
Benefit payments & contributions refunded	42,825,265	40,009,337	34,862,987
General and administrative expenses	964,020	959,016	957,470
Total deductions	43,789,285	40,968,353	35,820,457
Net increase/decrease	56,212,753	54,809,018	(8,456,588)
Net position restricted for pension benefits beginning of year	538,897,649	484,088,631	492,545,219
Net position restricted for pension benefits end of year	$595,110,402	$538,897,649	$484,088,631

Member and City of Austin contributions for 2013 and 2012 totaled $50.6 million and $47.3 million, respectively. The 2013 contributions represent an increase of $3.3 million, or approximately 7.0% above the 2012 level and the 2012 contributions represent an increase of $3.7 million, or approximately 8.84% above the 2011 level. The increase in 2013 is due to 1.5% general wage increase and increase in membership and the increase in 2012 is due to City of Austin contributions increasing to 21.63% effective October 1, 2012 from 20.63% and a 3% general wage increase and increase in members.

City of Austin Police Retirement System
Management Discussion and Analysis

The System market to market value on its investments increased 10.43% during 2013 and increased 11.32% during 2012 . The 2013 increase of $56.2 million was a result of continuing U.S. Security market rally, which Federal Reserve began tapering (QE3) by reducing the government (MBS) bond purchases that began in 2012. The 2012 increase of $54.8 million was the result of US security market rally when Federal Reserve started quantitative (QE3) by purchasing $40 billion a month of government (MBS) bonds beginning September 13, 2012 and announced it would maintain the federal fund rate near zero through 2015. Interest, dividend income generated in 2013 of $49.2 million was increase from the $48.4 million in 2012. The total rate of return for the System's investment portfolio in 2013 was positive 9.0% (net of investment fees) as compared to 9.9% (net of investment fees) for 2012.

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 2013 were $42.8 million, an increase of $2.8 million over the $40 million paid in 2012. This is consistent with the increase in the number of retirees, beneficiaries and alternate payees to 663 in 2013 from 626 in 2012. Refunds to terminating employees in 2013 were $871 thousand, and decreased by $54 thousand from 2012 refunds paid. Administrative expenses in 2013 were $964 thousand, approximately $5,000 more than those incurred in 2012.

Investment expenses paid by the System annually increased by $432 thousand in 2013 and decreased by $135.2 thousand in 2012 . The increase in 2013 is due to larger investment balances calculated on manager fees, and the decrease in 2012 is due to fewer investment managers.

Overall Analysis. As of December 31, 2013, net position increased by $56.2 million or 10.43% from prior year and over the five-year period ending December 31, 2013 the net position was 9.13%. The past five-year period growth was impacted by the 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 Position
December 31, 2013 and 2012

ASSETS

	2013	2012
Investments, at fair value		
Real estate interests	$129,019,250	$144,152,958
Corporate stocks	262,015,942	177,933,689
International government securities	36,834,769	39,489,181
International stocks	32,018,930	29,935,866
Short-term investment funds	8,627,567	13,177,323
Partnership interests	39,800,964	53,051,133
Corporate bonds	31,313,964	25,603,358
Alternatives	51,580,614	50,204,082
Retiree death benefit fund	689,006	601,764
Total investments	591,901,006	534,149,354
Cash	119,554	70,521
Interest and dividends receivable	2,638,960	2,460,300
City of Austin retirement contributions receivable	1,415,611	1,286,732
City of Austin death benefit contributions receivable	8,212	6,527
Participant contributions receivable	891,572	800,588
Proportionate retirement program contributions receivable	42,715	38,798
Fixed assets, net	528,701	578,687
Other	5,467	6,803
	597,551,798	539,398,310
LIABILITIES		
Accounts payable and accrued liabilities	2,315,336	457,190
Refunds payable	126,060	43,471
	2,441,396	500,661
NET POSITION RESTRICTED FOR PENSION BENEFITS	$595,110,402	$538,897,649

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

Statement of Changes in Plan Net Position
December 31, 2013 and 2012

	2013	2012
ADDITIONS TO PLAN NET POSITION:		
Contributions:		
City of Austin retirement contributions	$30,935,427	$28,621,995
City of Austin death benefit contributions	153,389	145,416
Participant contributions	19,539,908	18,534,868
	50,628,724	47,302,279
Investment income:		
Net increase (decrease) in the fair value of investments	40,557,365	42,834,376
Interest and dividends	11,150,783	7,607,567
Securities lending	0	0
Rental and other income	121,865	77,768
Total investment gain (loss) before expenses	51,850,013	50,519,711
Investment expenses	(2,476,699)	(2,044,619)
Net gain (loss) from investments	49,373,314	48,475,092
Total additions (deletions) to net position restricted for benefits	100,002,038	95,777,371
DEDUCTIONS FROM NET POSITION RESTRICTED FOR BENEFITS:		
Retirement benefit payments	41,806,953	39,147,910
Death benefit payments	64,565	30,000
Contributions refunded to terminating employees	953,747	831,427
General and administrative expenses	964,020	959,016
Total deductions from net position restricted for benefits	43,789,285	40,968,353
NET INCREASE (DECREASE) IN NET POSITION RESTRICTED FOR BENEFITS	56,212,753	54,809,018
Beginning net position restricted for benefits	538,897,649	484,088,631
ENDING NET ASSETS AVAILABLE FOR POSITION RESTRICTED	$595,110,402	$538,897,649

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, 2013, 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, 2013 and 2012, the assets of the Retiree Death Benefit Fund were $689,006 and $601,764 , respectively, which are included in the System's total market value of Net Assets Held in Trust Available for Pension Benefits of $595,110,402 and $538,897,649, 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, 2013 and 2012:

	2013
Retirees and beneficiaries currently receiving benefits (683) and terminated employees entitled to future monthly benefits (26)	709
Current participating members	1,732
2013 Total	2,441

Notes to Financial Statements

Note 1: Organization and System Description

	2012
Retirees and beneficiaries currently receiving benefits (648) and terminated employees entitled to future monthly benefits (23)	671
Current participating members	1,709
2012 Total	2,380

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, 2013 and 2012, 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 position 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 July 24, 2014 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, 2013 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	476,429	15,153	(9,174)	482,408
Leasehold improvements	56,986			56,986
Accumulated depreciation	(974,944)	(55,965)		(1,030,909)
Net Fixed Assets	$578,687	($40,812)	($9,174)	$528,701

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, 2013 and 2012 are presented, by type, as follows:

Investment Type	**2013**	**2012**
Real Estate Interests	$129,019,250	$144,152,958
Corporate Stocks	262,015,942	177,933,689
International Government Securities	36,834,769	39,489,181
International Stocks	32,018,930	29,935,866
Partnership Interests	39.800,964	53,051,133
Corporate Bonds	31,313,964	25,603,358
Alternatives	51,580,614	50,204,082
Short-term Investment Funds	9,316,573	13,779,087
Total Investments	$591,901,006	$534,149,354

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, 2013 and 2012, the System's operating bank balance of $119,554 and $70,521, 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, 2013 and 2012, 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, 2013, there is no security issued by a single issuer that holds more than 5% of the System's fund. However, as of December 31, 2012 there is one organization – Rockspring Capital Land– that holds more than 5% of the System's total fund. As of December 31, 2012, Rockspring Capital Land held approximately 5.1% .

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
Domestic Equity	20-40%	30.00%
International Equity	5% - 25%	15.00%
Core Fixed Income	0% - 20%	5.00%
Non Core Fixed Income	0% - 15%	5.00%
Real Estate	0% - 30%	15.00%
Timber	0% - 10%	5.00%
Hedge Funds	0% - 15%	10.00%
Private Equity	0% - 17.5%	12.5
Cash	0% - 5%	2.50%

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 or U.S. equity index fund, 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, 2013, 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
Bonds	$29,217,418	$1,546,660	$14,533,717	$7,023,199	$6,113,842
Totals	$29,217,418	$1,546,660	$14,533,717	$7,023,199	$6,113,842

Notes to Financial Statements

Note 5: Deposit and Investment Risk

As of December 31, 2012, 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
Bonds	$22,208,865	$5,000,000	$11,387,886	$5,820,979	$0
Totals	$22,208,865	$5,000,000	$11,387,886	$5,820,979	$0

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, 2013, are as follows:

Quality Rating	Total Fair Value	Int'l Securities	Corporate Bonds	Government Bonds
A1/A+				
A2/A	$16,116,905	$4,372,287	$11,744,618	
A3/A-				
Aa2/AA	2,336,254	221,009	2,115,245	
Aaa	2,994,024			2,994,024
B1/B+				
B2/B				
B3/B-				
Ba1/BB+				
Ba2/BB	5,654,137	5,654,137		
Ba3/BB-				
Baa1/BBB+	8,308,686		8,308,686	
Baa2/BBB	9,915,920	9,915,920		
Baa3/BBB-				
B2//B and below	7,396,421	7,396,421		
Caa1/CCC+				
Caa2/CCC	360,981	360,981		
Not Rated	2,121,683	2,121,683		
US Gov't Guaranteed	4,054,845			4,054,845
Cash & Equivalent	6,792,331	6,792,331		
Total	$66,052,187	$36,834,769	$22,168,549	$7,048,869

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, 2012, are as follows:

Quality Rating	Total Fair Value	Int'l Securities	Corporate Bonds
A1/A+	$201,395	$201,395	
A2/A	3,684,341	3,684,341	
A3/A-	1,386,070	1,386,070	
Aa2/AA	205,344	205,344	
Aaa	379,096	379,096	
B1/B+	7,475,512	4,320,116	3,155,396
B2/B	2,421,283		2,421,283
B3/B-	2,495,724		2,495,724
Ba1/BB+	1,899,430	1,899,430	
Ba2/BB	2,853,167	2,235,088	618,079
Ba3/BB-	2,850,366	1,840,196	1,010,170
Baa1/BBB+	5,658,800	5,658,800	
Baa2/BBB	4,689,508	3,463,201	1,226,307
Baa3/BBB-	7,384,477	7,384,477	
B2//B and below	4,928,250	4,928,250	
Caa1/ CCC+	3,173,037		3,173,037
Caa2/CCC	3,154,368		3,154,368
Not Rated	7,259,330	1,903,379	5,355,951
US Gov't Guaran-teed			
Cash & Equivalent			
Total	$62,099,497	$39,489,181	$22,610,316

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, 2013, is as follows:

Currency	Int'l Gov't Securities	-Int'l Stocks	Corp Stocks (1)	Other (2)
Euro		$813,486		
Mexican Peso	3,119,905			
Columbian Peso		30,878		
Indonesia Rupiahs				
Hong Kong Dollar		1,344,429		
South Korean Won		2,966,811		
Turkish New Lira				
Norwegian Krone				
British Pound		185,270		
Philipines Pesos				
Brazilian Real	1,731,234	1,321,727		
Danish Krone				
Swiss Franc		1,437,230		
Australian Dollar		544,488		255,993
Swedish Krona				
South African Rand	1,421,822			
Russian Ruble	2,217,453	46,318		
Canadian Dollar		3,498,958		
Singapore Dollar	994,537	808,702		
India Rupees				3,276,964
Cayman Islands Dollar				
Polish Zlotych	1,701,766			
China Yuan Renminbi	1,186,089			
Thailand, Thai Baht	1,458,657			
Malaysian Ringgit	1,683,349			
Other	6,482,919			
Totals	$21,997,724	$12,998,297	$	$3,532,957

(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, 2012, is as follows:

Currency	Int'l Gov't Securities	-Int'l Stocks	Corp Stocks (1)	Other (2)
Euro		$5,200,145		
Mexican Peso	2,641,826	109,229		
Argentine Peso		205,490		
Indonesia Rupiahs	1,220,216			
Hong Kong Dollar		2,131,547		
Japanese Yen		2,132,909		
Turkish New Lira	1,536,129			
Norwegian Krone		387,202		
British Pound		6,860,276		
Philipines Pesos		688,144		
Brazilian Real	2,152,160	4,400,176		
Danish Krone				
Swiss Franc		3,715,504		
Australian Dollar		2,064,132		1,746,224
Swedish Krona		152,921		
South African Rand	1,342,632			
Russian Ruble	3,451,354	348,439		
Canadian Dollar		12,036,868		
Bermudian Dollar		421,931		
India Rupees	1,623,005			3,909,073
Cayman Islands Dollar		321,636		
Polish Zlotych	2,547,052			
China Yuan Renminbi		1,569,913		
Thailand, Thai Baht		538,163		
Malaysian Ringgit	1,488,742			
Other	8,079,486	120,152		
Totals	$26,082,604	$43,404,778	$	$5,655,297

(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, 2013, 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, increased to 18.63% effective October 1, 2009 and to 19.63% effective October 1, 2010. The City's contribution rate increased to 20.63% on October 1, 2011 and to 21.63% effective October 1, 2012 and thereafter.

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; and is 0.103% for 2013 based on the December 31, 2011 actuarial valuation. This portion was redeterimed based on the December 31, 2012 valuation to be 0.118% for 2014.

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 13% 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, 2013 and the plan provisions recognized in that valuation, the normal cost was 21.775% of pay and the amortization period was 28.9 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, 2013 and 2012 of approximately $33,184,050 million and $4.0 million, respectively, pursuant to the terms of the respective interests.

At December 31, 2013 and 2012, the total accumulated lump sum benefit due to forward DROP participants was $2,188,484 and $1,802,639, respectively.

At December 31, 2013 and 2012, the total accumulated lump sum benefit due to PROP participants was $22,161,032 and $18,928,050, respectively.

Note 8: Funded Status and Funding Progress Pension Plans

The funded status of each plan as of December 31, 2013, 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)
12/31/13	$604,841,897	$911,044,154	$306,202,257	66.4%	$147,138,718	208.1%

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, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, open
Remaining amortization period	28.9 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	3.75 % to 21.75% per year, averaging 6.5%
Inflation rate per year	3.75%
Postretirement cost-of-living adjustments	None

Note 9: Subsequent Events

As of July 3, 2013, the System was made aware in the HR Huff Energy Fund LP and subsidiaries audit as of December 31, 2012, the judgment in Zavala County, TX in the amount of $95.5 million against Riley-Huff Energy Group (aka 1776 Energy Partner) was on appeal, after posting a $25 million SUPERSEDAS bond. The System's share of the award is ranges from $1 million to $2 million and the System's total investment in the HR Huff Energy Fund is now $14,294,472.

On February 14, 2014, APRS filed a claim against the manager of one of its investments. On April 2, 2014, the management in turn, filed a counter claim against APRS. Management is seeking from APRS (1) claimed unpaid management fees of $53,571; (2) damages for further management fees in the amount of at least $267,855; (3) damages in the amount of $321,426 for the alleged deprivation of management's profit interest in the investment; (4) punitive damages in an unspecified amount; and (5) attorneys' fees and costs of litigation. In APRS' council's opinion, neither a favorable not an unfavorable outcome in this matter for APRS is either probably or remote. APRS plans to continue to pursue the claims in the suit and defend the alleged counterclaims.

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

I. Schedule of Funding Progress

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(1) (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
12/31/08(2)	$464,230,585	$693,202,499	$228,971,914	67.0%	$122,735,216	186.6%
12/31/09(2,3)	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	815,258,776	261,556,800	67.9	134,843,931	194.0
12/31/12(2)	558,475,643	856,576,826	298,101,183	65.2	141,561,047	210.6
12/31/13	604,841,897	911,044,154	306,202,257	66.4	147,138,718	208.1

1 The covered payroll is based on the annual rate of base pay and longevity pay used in the valuation.
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 January 2009.

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	
2008	17.900(2)	20,060,458(3)	12/31/2006	30.0	17.846	100.3%
2009	18.254(4)	22,159,076(5)	12/31/2007	30.0	16.776	108.8
2010	18.788(6)	23,382,043(7)	12/31/2008	30.0	20.291	92.6
2011	19.782 (8)	25,948,297 (9)	12/31/2009	30.0	19.360	102.2
2012	20.778(10)	28,621,995(11)	12/31/2010	30.0	19.698	105.5
2013	21.527(12)	31,007,375(12)	12/31/2011	30.0	20.343	105.8

II. Schedule of Employer Contributions

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 2008 including the RDBF was $20,171,151.
4. 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)
5. The employer's total contribution during 2009 including the RDBF was $22,272,667.
6. 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)
7. The employer's total contribution during 2010 including the RDBF was $23,501,903.
8. 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)
9. The employer's total contribution during 2011 including the RDBF was $26,088,779.
10. The employer's total contribution rate was 20.63% January-September 2012 and 21.63% October-December 2012. The average contribution rate was 22.682% (22.682 total average—0.103% for the RDBF)
11. The employer's total contribution during 2011 including the RDBF was $28,767,411
12. The employer's total contribution rate was 21.63% in 2013. The employer's total contribution during 2012 including the RDBF was $31,160,764.

ACTUARIAL SECTION

AUSTIN POLICE
RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF DECEMBER 31, 2013

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

July 11, 2014

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

Re: Austin Police Retirement System

Dear Mr. Jordan:

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

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

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

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

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

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

Respectfully submitted,

Foster & Foster Inc.

By: ____________________________
Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #11-6901

BRH/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the Austin Police Retirement System, performed as of December 31, 2013, has been completed and the results are presented in this Report.

The pension costs, compared with those developed in the December 31, 2012 actuarial valuation report, are as follows:

Valuation Date	New Assums 12/31/13	Old Assums 12/31/13	Old Assums 12/31/12
Normal Cost % of Total Annual Payroll	21.775%	22.324%	21.743%
Expected Member Contributions % of Total Annual Payroll	13.000%	13.000%	13.000%
City Normal Cost Rate % of Total Annual Payroll	8.775%	9.324%	8.743%
Funding Period To Amortize UAAL (expressed in number of years)	28.9	32.4	29.4

As can be seen above, the funding period required to amortize the Unfunded Actuarial Accrued Liability initially increased from 29.4 to 32.4 years since the prior valuation. This increase is the result of a 6.8% investment return (Actuarial Asset Basis) that fell short of the 8.0% assumption, combined with the utilization of a more conservative approach in the manner that the present value of future salaries are calculated. The increase in the funding period was partially offset by favorable employee turnover experience, and average increases in compensation that were lower than the assumed rate.

In addition, the Board of Trustees approved reducing the general wage inflation assumption from 4.0% to 3.75% per year for purposes of projecting future individual salary increases. As shown, this resulted in a 3.5 year reduction in the required funding period. The details of the impact associated with implementing this assumption change are displayed in the comparative summary section of this report.

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

Respectfully submitted,

FOSTER & FOSTER INC.

By: ______________________

Bradley R. Heinrichs, FSA, EA, MAAA

CHANGES SINCE PRIOR REPORT

1. Benefit Provisions

There have been no changes in benefits since the prior valuation.

2. Actuarial Assumptions/Methods

As approved by the Board of Trustees, there has been one change to the actuarial assumptions since the prior valuation, as follows:

- The expected increase in salary due to general wage increases has been lowered from 4.0% to 3.75% per year.

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

Valuation Date	New Assums 12/31/2013	Old Assums 12/31/2013	Old Assums 12/31/2012
A. Participant Data			
Actives	1,732	1,732	1,709
Service Retirees + DROP	606	606	575
Beneficiaries	46	46	44
QDRO	27	27	25
Disability Retirees	4	4	4
Terminated Vested	26	26	23
Total	2,441	2,441	2,380
Total Annual Payroll	147,138,718	147,138,718	141,561,047
Payroll Under Assumed Ret. Age	145,794,226	145,794,226	141,561,047
Annual Rate of Payments to:			
Service Retirees + DROP	38,015,613	38,015,613	35,193,018
Beneficiaries	1,963,282	1,963,282	1,916,217
QDRO	404,654	404,654	355,420
Disability Retirees	136,509	136,509	136,509
Terminated Vested	690,455	690,455	601,903
B. Assets			
Actuarial Value	604,841,897	604,841,897	558,475,643
Market Value	594,421,396	594,421,396	538,295,885
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	776,861,808	793,234,565	763,007,423
Vested Benefits	1,578,491	1,592,402	1,576,678
Death Benefits	14,450,551	14,712,995	14,023,341
Disability Benefits	15,854,778	16,073,636	15,479,539
Refund of Contributions	3,311,001	3,318,373	3,177,242
Service Retirees + DROP	409,602,939	409,602,939	379,302,484
Beneficiaries	16,565,761	16,565,761	15,910,016
QDRO	4,231,168	4,231,168	3,736,704
Disability Retirees	1,576,892	1,576,892	1,589,185
Terminated Vested	2,653,245	2,653,245	1,798,204
Total	1,246,686,634	1,263,561,976	1,199,600,816

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Valuation Date	New Assums 12/31/2013	Old Assums 12/31/2013	Old Assums 12/31/2012
C. Liabilities - (Continued)			
Present Value of Future Salaries	1,607,918,167	1,635,619,798	1,682,723,298
Normal Cost (Entry Age Normal)			
Retirement Benefits	28,232,155	28,976,799	27,412,662
Vested Benefits	130,716	131,907	129,014
Death Benefits	658,332	670,525	628,536
Disability Benefits	981,039	992,092	933,921
Refund of Contributions	488,679	489,248	457,658
Total Normal Cost	30,490,921	31,260,571	29,561,791
Present Value of Future Normal Costs	335,642,480	349,090,483	343,023,990
Actuarial Accrued Liability			
Retirement Benefits	460,859,526	464,289,317	439,356,351
Vested Benefits	703,721	701,456	721,723
Death Benefits	7,459,487	7,484,536	7,015,678
Disability Benefits	6,588,624	6,571,116	6,366,009
Refund of Contributions	802,791	795,063	780,472
Inactives	434,630,005	434,630,005	402,336,593
Total Actuarial Accrued Liability	911,044,154	914,471,493	856,576,826
Unfunded Actuarial Accrued Liability (UAAL)	306,202,257	309,629,596	298,101,183
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	434,630,005	434,630,005	402,336,593
Actives	136,872,536	136,667,075	138,294,726
Member Contributions	139,714,509	139,714,509	129,963,192
Total	711,217,050	711,011,589	670,594,511
Non-vested Accrued Benefits	26,535,280	26,509,367	21,034,476
Total Present Value Accrued Benefits	737,752,330	737,520,956	691,628,987

Valuation Date	New Assums 12/31/2013	Old Assums 12/31/2013	Old Assums 12/31/2012
E. Pension Cost			
Normal Cost (with interest) % of Payroll Under Assumed Ret. Age*	21.775	22.324	21.743
Expected Member Contributions % of Total Annual Payroll	13.000	13.000	13.000
City Normal Cost Rate % of Total Annual Payroll	8.775	9.324	8.743
Funding Period to Amortize UAAL **	28.9 years	32.4 years	29.4 years
F. 30-Year Funding Cost			
Normal Cost (with interest) % of Payroll Under Assumed Ret. Age*	21.775	22.324	21.743
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years % of Total Annual Payroll	12.506	12.646	12.655
Total 30-Year Funding Cost % of Total Annual Payroll	34.281	34.970	34.398

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

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

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

Valuation Date	New Assums 12/31/2013	Old Assums 12/31/2013	Old Assums 12/31/2012
Present Value of Benefits			
Active Members	1,108,914	1,108,914	1,078,255
Retired and Terminated Vested Members	1,900,139	1,900,139	1,768,327
Total	3,009,053	3,009,053	2,846,582
Present Value of Future Normal Costs	461,737	467,799	473,410
Normal Cost	43,669	43,836	41,981
Actuarial Accrued Liability	2,547,316	2,541,254	2,373,172
Asset Value of Fund	689,006	689,006	601,764
Unfunded Actuarial Accrued Liability (UAAL)	1,858,310	1,852,248	1,771,408
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 22 years (as of 12/31/13) % of Total Annual Payroll	0.090	0.090	0.087
Normal Cost (with interest) % of Total Annual Payroll	0.031	0.031	0.031
Total Required City Contribution Rate Allocated to the Retiree Death Benefit Fund % of Total Annual Payroll	0.121	0.121	0.118

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

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

a. Total Gain/(Loss)

1. UAAL, Beginning of Year	298,101,183
2. Normal Cost Applicable for Year	29,561,791
3. Interest on (1) and (2)	26,213,038
4. Contributions During Year	50,475,335
5. Interest on (4)	1,980,172
6. Expected UAAL, End of Year: (1)+(2)+(3)-(4)-(5)	301,420,505
7. Actual UAAL, End of Year (Before Assumption Change)	309,629,596
Total Actuarial Gain/(Loss)	(8,209,091)

b. Gain/(Loss) on Assets

1. Actuarial Value of Assets (AVA), Beginning of Year	558,475,643
2. Contributions Less Benefit Payments	7,714,635
3. Expected Investment Earnings	44,980,700
4. Expected AVA, End of Year: (1)+(2)+(3)	611,170,978
5. Actual Actuarial Value of Assets, End of Year	604,841,897
Gain/(Loss) on Assets	(6,329,081)

c. Gain/(Loss) on Liabilities

1. Expected Actuarial Accrued Liability: a(6)+b(4)	912,591,483
2. Actual Actuarial Accrued Liability (Before Assumption Change)	914,471,493
Gain/(Loss) on Liabilities	(1,880,010)

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates – All Lives	RP-2000 Combined Healthy without projection – Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Interest Rate	8.0% per year, compounded annually, net of all expenses.
Core Inflation	3.75% per year.
Payroll Growth	3.5% per year for amortization of the Unfunded Actuarial Accrued Liability.
Administrative Expenses (PRP)	0.025% of payroll for assumed additional administrative expenses for participation in the Proportionate Retirement Program.
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 following tables for allocation between RETRO and FORWARD.
DROP Period Election	Members elect the maximum period eligible (up to 36 months for RETRO and up to 60 months for FORWARD).
PROP Investment Accounts	75% retiring in DROP will elect to leave their lump sum in the System until age 60. Average annual rate credited to the PROP accounts will be 4.0%.
Marital Status	85% of actives are assumed to be married at time of benefit commencement Females are assumed to be 3 years younger than Males.
Funding Method	Entry Age Normal Actuarial Cost Method
Actuarial Asset Method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. The asset value of the Retiree Death Benefit Fund is then subtracted to determine the Actuarial Value of Assets.
Retirement Rates	See following tables.
Termination Rates	See following tables.

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

Salary Increases — See following tables.

Pre-Retirement Death Payment Form — Married: Joint and 100% to Survivor
Single: 15-Year Certain and Life Annuity

Retirement Rates

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	0.05	0.05	0.05	**33-37**	0.10		
23	0.15	0.15	0.225	**38-42**	0.10	0.10	
24	0.10	0.10	0.15	**43-47**	0.10	0.10	0.10
25	0.10	0.10	0.15	**48**	0.10	0.10	0.10
26	0.15	0.15	0.25	**49**	0.10	0.10	0.10
27	0.15	0.15	0.25	**50**	0.10	0.10	0.10
28	0.25	0.25	0.25	**51**	0.10	0.10	0.10
29	0.25	0.25	0.30	**52**	0.10	0.10	0.10
30	0.30	0.30	0.40	**53**	0.10	0.10	0.10
31	0.30	0.30	0.50	**54**	0.10	0.10	0.10
32	0.30	0.30	1.00[2]	**55**	0.20	0.10	0.10
33	0.30	0.30		**56**	0.25	0.10	0.10
34	0.40	0.40		**57**	0.30	0.10	0.10
35	0.40	0.50		**58**	0.35	0.10	0.10
36	0.40	0.50		**59**	0.50	0.10	0.10
37	0.50	1.00[2]		**60**	1.00	0.50	0.10
38	0.50			**61**		0.35	0.10
39	0.50			**62**		0.35	0.80
40	0.50			**63**		0.35	0.40
41	0.50			**64**		0.35	0.40
42	1.00[2]			**65**		1.00	1.00

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

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

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

Termination Rates

Combined Years of Service[1]	Probability of Termination During Year
0	0.05
1	0.02
2	0.02
3	0.02
4	0.02
5	0.02
6	0.02
7	0.02
8	0.02
9	0.02
10	0.01
11	0.01
12	0.005
13	0.005
14	0.005
15 & Above	0

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

Disability Rates

Age	Probability of Disablement During Year
20	0.00014
22	0.00016
24	0.00018
26	0.00021
28	0.00025
30	0.00031
32	0.00040
34	0.00049
36	0.00054
38	0.00062
40	0.00092
42	0.00132
44	0.00173
46	0.00255
48	0.00334
50	0.00379
52	0.00404
54	0.00456
56	0.00532
58	0.00660
60	0.00911
62 & Above	0

Salary Increases

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

[1] Expected increases in salary as shown above are in addition to 3.75% (previously 4.0%) increase per year due to general wage increases.

Retirement Option Election

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

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

VALUATION NOTES

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

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

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

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

(a) The normal cost accrual rate equals:

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

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

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

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

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

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013

ASSETS	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	8,627,567.48
Checking Account	119,553.73
Prepaid Expenses	5,467.00
Total Cash and Equivalents	8,752,588.21
Receivables:	
Member Contributions	881,414.79
Member Buy-Back Contributions	10,157.01
City Contributions	1,466,538.60
Investment Income	2,638,959.91
Total Receivable	4,997,070.31
Investments:	
Partnership Interests	39,800,964.00
Corporate Bonds	31,313,961.00
Corporate Stocks	262,015,944.83
International Stocks	32,018,930.00
International Government Securities	36,834,768.79
Real Estate Interests	129,019,250.00
Mutual Funds:	
Alternatives	51,580,614.00
Total Investments	582,584,432.62
Retiree Death Benefit Fund	689,005.84
Net Fixed Assets	528,700.69
Total Assets	597,551,797.67
LIABILITIES	
Payables:	
Refunds of Member Contributions	126,060.46
Other	2,315,335.19
Total Liabilities	2,441,395.65
NET POSITION RESTRICTED FOR PENSIONS	595,110,402.02

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013
Market Value Basis

ADDITIONS		
Contributions:		
Member	18,731,630.86	
Buy-Back	736,328.70	
City	30,136,241.70	
City for Proportionate Retirement Program	871,133.99	
City for Retiree Death Benefit	153,388.67	
Total Contributions		50,628,723.92
Investment Income:		
Net Increase in Fair Value of Investments	46,660,294.84	
Interest & Dividends	5,189,718.18	
Less Investment Expense[1]	(2,325,862.97)	
Net Investment Income		49,524,150.05
Total Additions		100,152,873.97
DEDUCTIONS		
Distributions to Members:		
Benefit Payments	36,291,927.75	
Lump Sum DROP and PROP Distributions	5,515,025.38	
Retiree Death Benefits	64,565.22	
Refunds of Member Contributions	953,746.74	
Total Distributions		42,825,265.09
Administrative Expense		1,114,855.97
Total Deductions		43,940,121.06
Net Increase in Net Position		56,212,752.91
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		538,897,649.11
End of the Year		595,110,402.02

[1]Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
December 31, 2013

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

Gains/(Losses) Not Yet Recognized

Plan Year Ending	Gain/(Loss)	Amounts Not Yet Recognized by Valuation Year 2014	2015	2016	2017	2018
12/31/2010	16,389,018	3,277,804	0	0	0	0
12/31/2011	(56,982,781)	(22,793,112)	(11,396,556)	0	0	0
12/31/2012	8,502,880	5,101,728	3,401,152	1,700,576	0	0
12/31/2013	4,991,349	3,993,079	2,994,809	1,996,540	998,270	0
Total		(10,420,501)	(5,000,595)	3,697,116	998,270	0

Development of Investment Gain/Loss

Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2012	538,897,649
Contributions Less Benefit Payments	7,803,459
Expected Investment Earnings*	43,417,945
Actual Net Investment Earnings	48,409,294
2014 Actuarial Investment Gain/(Loss)	4,991,349

*Expected Investment Earnings = 0.08 * 538,897,649 + [(1 + 0.08) ^0.5 - 1] * 7,803,459

Development of Actuarial Value of Assets

(1) Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2013	595,110,402
(2) Gains/(Losses) Not Yet Recognized	(10,420,501)
(3) Actuarial Value of Assets, 12/31/2013, (1) - (2)	605,530,903
(A) 12/31/2012 Actuarial Assets, including Retiree Death Benefit Fund:	559,077,407
(I) Net Investment Income:	
1. Interest, Dividends and Misc Income	6,911,061
2. Realized Gains (Losses)	27,223,004
3. Change in Actuarial Value	7,869,448
4. Investment and Administrative Expenses	(3,440,719)
Total	38,562,795
(B) 12/31/2013 Actuarial Assets, including Retiree Death Benefit Fund:	605,530,903
Actuarial Assets Rate of Return = 2I/(A+B-I):	6.8%
Market Value of Assets Rate of Return:	8.9%
12/31/2013 Limited Actuarial Assets, including Retiree Death Benefit Fund:	605,530,903
12/31/2013 Limited Net Actuarial Assets, excluding Retiree Death Benefit Fund:	604,841,897

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2013
Actuarial Asset Basis

REVENUES		
Contributions:		
Member	18,731,630.86	
Buy-Back	736,328.70	
City	30,136,241.70	
City for Proportionate Retirement Program	871,133.99	
City for Retiree Death Benefit	153,388.67	
Total Contributions		50,628,723.92
Earnings from Investments:		
Interest & Dividends	5,189,718.18	
Miscellaneous Income	1,721,343.24	
Net Realized Gain (Loss)	27,223,004.08	
Change in Actuarial Value	7,869,448.45	
Total Earnings and Investment Gains		42,003,513.95
EXPENDITURES		
Distributions to Members:		
Benefit Payments	36,291,927.75	
Lump Sum DROP and PROP Distributions	5,515,025.38	
Retiree Death Benefits	64,565.22	
Refunds of Member Contributions	953,746.74	
Total Distributions		42,825,265.09
Expenses:		
Investment Related[1]	2,325,862.97	
Administrative	1,114,855.97	
Total Expenses		3,440,718.94
Change in Net Assets for the Year		46,366,253.84
Net Assets Beginning of the Year		558,475,643.34
Net Assets End of the Year[2]		604,841,897.18

[1]Investment Related expenses include investment advisory, custodial and performance monitoring fees.
[2]Net Assets may be limited for actuarial consideration, and exclude the Retiree Death Benefit Fund of $689,005.84.

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 12/31/12	1709
b. Terminations	
i. Vested (partial or full) with deferred benefits	6
ii. Non-vested or full lump sum distribution received	18
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	1
d. Disabled	0
e. Retired	37
f. DROP	3
g. Continuing participants	1644
h. New entrants	88
i. Total active life participants in valuation	1732

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

	Service Retirees, DROP Participants	Receiving Death Benefits	Receiving Disability Benefits	Receiving QDRO Benefits	Vested Deferred	Total
a. Number prior valuation	575	44	4	25	23	671
b. In	40	4	0	2	6	52
c. Out	9	2	0	0	3	14
d. Number current valuation	606	46	4	27	26	709

STATISTICAL DATA

	12/31/2011	12/31/2012	12/31/2013
Actives	1,679	1,709	1,732
Average Current Age	39.7	39.6	39.9
Average Age at Employment	28.0	28.1	28.3
Average Past Service	11.7	11.5	11.6
Average Annual Salary	$79,636	$82,079	$84,221

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	6	3	2	0	0	0	0	0	0	0	0	11
25 - 29	22	37	43	8	18	23	0	0	0	0	0	151
30 - 34	38	28	37	12	45	157	15	2	0	0	0	334
35 - 39	11	15	12	12	24	81	165	26	0	0	0	346
40 - 44	3	4	5	3	27	53	134	145	17	0	0	391
45 - 49	1	0	1	1	16	24	65	90	91	2	0	291
50 - 54	0	0	0	0	9	6	20	26	59	35	0	155
55 - 59	0	0	0	0	7	2	3	6	20	9	3	50
60 - 64	0	0	0	0	2	0	0	0	0	0	1	3
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	81	87	100	36	148	346	402	295	187	46	4	1,732

AUSTIN POLICE RETIREMENT SYSTEM
SUMMARY OF BENEFIT PROVISIONS

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

Form of Benefit	Modified Cash Refund (options available).
Death Benefits	
Before Retirement Eligibility	Twice the amount of the Member's accumulated contributions, subject to a minimum of $10,000.
After Retirement Eligibility	Member's accrued benefit as of the date of death, payable based on optional annuity selected either by Member or beneficiary. Additionally, a lump sum death benefit is payable in the amount of $10,000.
Retiree Death Benefit Fund	Effective September 1, 2003, a separate fund (funded as a portion of the City's contribution rate) was established to pay post-retirement lump sum death benefits. Effective September 1, 2007, the amount of these benefits was increased to $10,000.
Cost of Living Adjustment	
Eligibility	Normal Retirement.
Amount	Determined by the actuary if providing a COLA (not to exceed 6.0% per year) will not impair financial stability of the System. Post-Retirement benefit increases will automatically be provided when the System's benefit accrual rate is increased.
Proportionate Retirement Program	Effective September 1, 2009, the System and the City began participating in the statewide Proportionate Retirement Program (PRP). Service in other participating public employee retirement systems can be combined with service in the System to satisfy the System's requirements for service retirement eligibility and for eligibility for vested benefits of a terminated Member. The participating systems, in addition to the System, are the six statewide systems, the City of Austin Employees' Retirement System, and the systems for the City of El Paso employees.

<u>Forward DROP</u>

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Not to exceed 60 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

<u>Retro DROP</u>

Eligibility	Completion of 23 years of Creditable Service, excluding military service.
Participation Period	Upon election to retroactively enter DROP, the Retro DROP period will not exceed 36 months.
Rate of Return	5.0%, compounded annually.
Form of Distribution	Cash lump sum (or rollover to PROP account) at termination of employment.

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

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 % of Covered Payroll ((b-a)/c)
12/31/13	604,841,897	911,044,154	306,202,257	66.4%	147,138,718	208.1%
12/31/12	558,475,643	856,576,826	298,101,183	65.2%	141,561,047	210.6%
12/31/11	553,701,976	815,258,776	261,556,800	67.9%	134,843,931	194.0%
12/31/10	546,956,628	776,231,027	229,274,399	70.5%	127,731,696	179.5%
12/31/09	518,111,923	733,634,660	215,522,737	70.6%	122,928,285	175.3%
12/31/08	464,230,585	693,202,499	228,971,914	67.0%	122,735,216	186.6%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution (% of Pay)	City Contribution (% of Pay)	Percentage Contributed
2013	20.343%	21.527%	105.8%
2012	19.698%	20.778%	105.5%
2011	19.360%	19.782%	102.2%
2010	20.291%	18.788%	92.6%
2009	16.776%	18.254%	108.8%
2008	17.846%	17.900%	100.3%

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

THREE YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2013	28,686,821	106.9%	(9,028,066)
9/30/2012	26,409,663	105.3%	(7,039,826)
9/30/2011	22,269,355	117.3%	(5,640,531)

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

Fiscal Year Ending		9/30/2011	9/30/2012	9/30/2013
Annual Required Contribution (ARC - %)		16.776%	19.698%	20.343%
City Contribution Rate (%)		19.630%	20.630%	21.630%
Actual Contributions Made ($)		26,111,254	27,808,958	30,675,061
City ARC ($)		22,314,946	26,552,635	28,849,874
Interest on NPO		(143,891)	(451,242)	(563,186)
Adjustment to ARC		98,300	308,270	400,133
		--------	--------	--------
Annual Pension Cost		22,269,355	26,409,663	28,686,821
Contributions Made		26,111,254	27,808,958	30,675,061
		--------	--------	--------
Increase in NPO		(3,841,899)	(1,399,295)	(1,988,240)
NPO Beginning of Year		(1,798,632)	(5,640,531)	(7,039,826)
		--------	--------	--------
NPO End of Year	(1,798,632)	(5,640,531)	(7,039,826)	(9,028,066)

HISTORICAL INFORMATION SECTION

Improvements to the System
(Last 15 Years)

September 1999

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

July 2000

Benefit formula multiplier was increased from 2.88% to 3.0%

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

September 2001

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

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

September 2003

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

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

April 2006

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

October 2006

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

Improvements to the System
(Last 15 Years)

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.

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.

Improvements to the System
(Last 15 Years)

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% .

October 2012
The City's contribution rate was increased from 20.63% to 21.63% .

Interest Paid On Member Contributions
(15 year History)

Year	Interest Paid
2013	0.0%
2012	0.0%
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%

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

How is the amount of interest paid on retirement contributions determined?

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

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

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

Year	COLA Paid
2013	0.0%
2012	0.0%
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%

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

		2013	2012
ACTIVE MEMBERS			
Total Number of Members, January 1		1,709	1,679
Add:	New Members	88	106
Deduct:	Members Terminated	(24)	(23)
	Deceased Members	1	1
	Members Transferred to Retiree System	(40)	(52)
TOTAL ACTIVE MEMBERS, DECEMBER 31		1,732	1,709
VESTED TERMINATED			
TOTAL VESTED TERMINATED MEMBERS, DECEMBER 31		26	23
RETIREE MEMBERS			
Total Number of Members, January 1		648	596 (2)
Add: Retired Members Transferred to System		50	52
Deduct: Retired Members Deceased		(15)	(3)
TOTAL RETIRED MEMBERS, DECEMBER 31		683 1)	648(1)
TOTAL APRS MEMBERS DECEMBER 31		**2,441**	**2,380**

1. Includes 27 alternate payees of QDROs and 0 new survivor benefits
2. Includes 25 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 21.63% 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(d) 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