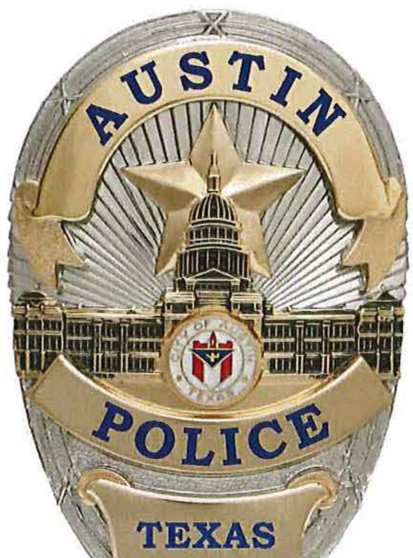
CITY OF AUSTIN POLICE RETIREMENT SYSTEM

# 2015 Annual Report




For the year ended December 31, 2015

# Table of Contents

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# INTRODUCTORY SECTION

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**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, 2015.

The annual report is intended to provide complete and reliable information regarding the financial performance of the System and measure the responsible stewardship of the System's assets.
The annual report is divided into the following sections:

- The Introductory Section provides basic information about the organization.
- 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 & Benefits Sections contain highlights of historical benefit changes, a comparative statement of membership over the last two years and the membership benefit guide.

Montemayor Hill Britton & Bender, PC, the System's independent auditor, issued an unqualified opinion on the System's financial statements. The 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 report an independent auditor may issue.

The 2015 actuarial valuation was performed by Foster & Foster, Inc. The Actuarial Valuation Report indicates that the funding ratio (assets compared to liabilities) is 66.6%, and the funding period to amortize liabilities is 31.3 years.

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.

The Austin Police Retirement System has been awarded the 2015 Public Pension Standards Award For Funding and Administration by the Public Pension Coordinating Council (PPCC). The PPCC is a coalition of three national associations that represent public retirement systems covering the vast majority of public employees in the U.S.: National Association of State Retirement Administrators (NASRA); National Council on Teacher Retirement (NCTR); and National Conference on Public Employee Retirement Systems (NCPERS). The Public Pension Standards reflect expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured.

As always, the Board of Trustees and staff welcome your comments, appreciate your support and appreciate the opportunity to serve you. Trustees and staff are dedicated to maintaining the System's financial strength through diversification of fund assets and sound management of the System.

The 2015 Annual Report is presented under the direction of the new Executive Director who joined APRS in February 2016, replacing former CEO Sampson Jordan who retired at the end of fiscal year 2015.

Sincerely,

P. Featherston

Tim Atkinson, Chair
Board of Trustees

Pattie Featherston
Executive Director

Public Pension Coordinating Council

# Public Pension Standards Award
## *For Funding and Administration*
## 2015

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.

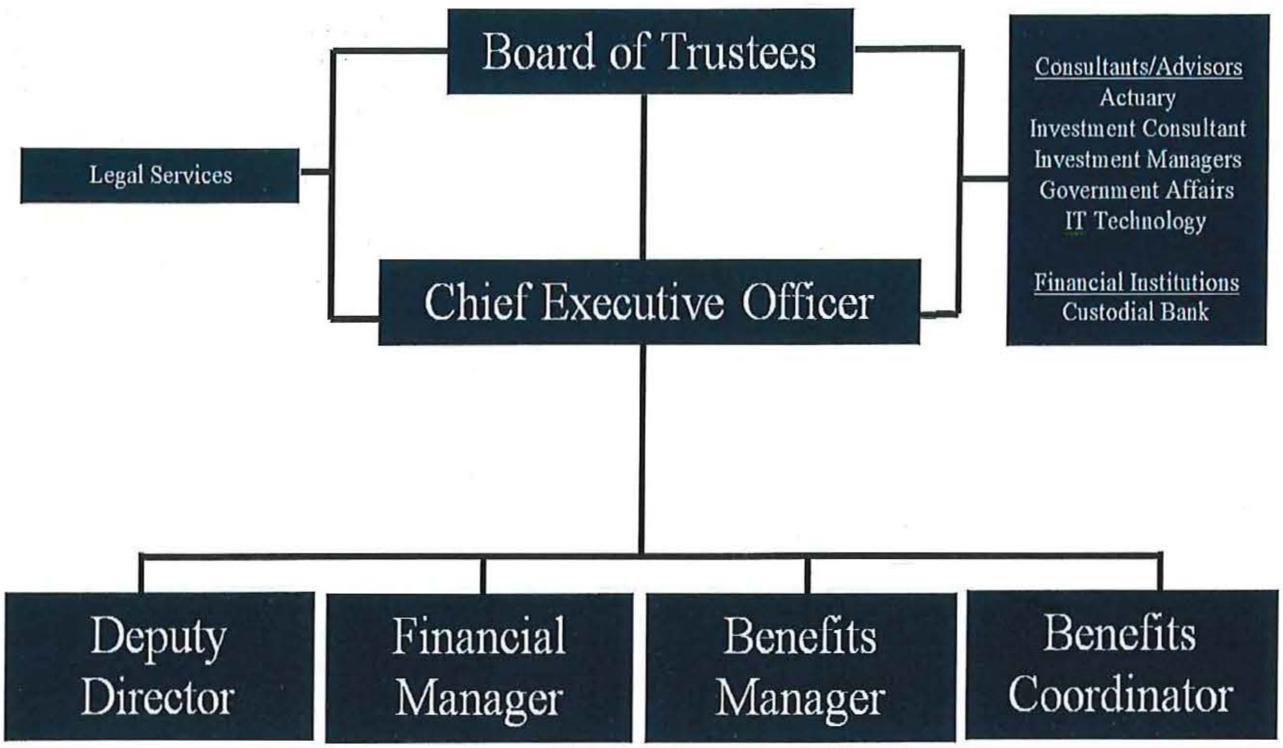
*Presented by the Public Pension Coordinating Council, a confederation of*

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
# Board Of Trustees

City of Austin Police Retirement System
Organizational Chart



# Pension Office Staff

**Chief Executive Officer ***

Sampson Jordan

**Deputy Director**

Stephanie Schkade Willie

**Finance Manager**

Vernon Webb

**Benefit Services Manager**

Marisa Hart

**Benefit Services Coordinator**

Rose Frank

*CEO position subsequently renamed Executive Director by the Board of Trustees.
Board selected Pattie Featherston as Executive Director beginning February 2016.

# Professional Service Providers

**Custodian Bank**

The Northern Trust Company, Chicago, Illinois

**Investment Consultant & Performance Evaluator**

The Bogdahn Consulting, LLC, Orlando, Florida

**Actuary**

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

**Auditor**

Montemayor Hill Britton & Bender 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**

Baird Investment Management, Milwaukee, Wisconsin
Driehaus International Securities, LLC, Chicago, Illinois
Lee Munder Capital Group, LLC, Boston, Massachusetts
NTGI Russell 3000 Index Fund, Chicago, Illinois
Seizert Capital Partners, Birmingham, Michigan
Thompson Siegel & Walmsley, LLC, Richmond, Virginia
Wellington Management Company, Boston, Massachusetts

**Fixed Income**

Ashmore Investment Management, London, England
Franklin Templeton Global CIT, Miami, Florida
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
World Class Capital Group, Austin, Texas
Morgan Stanley & CO Inc., New York, New York

# Investment Managers

**Timber**

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
LBC Credit Partners, Inc., Philadelphia, PA
Providence Debt Fund III GP LP, New York, New York
WR Huff Energy Fund, LP, Morristown, New Jersey
SAIL Capital Partners, LLC, Irvine, California
CF Permal

**Hedge Fund**

Clinton Group, LLC, New York, New York
Double Eagle Capital Management, Irving, Texas
Excelsior Investors, LTD, Dallas, Texas

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# FINANCIAL SECTION

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# Investment Overview

The global equity markets delivered mixed and essentially flat results for 2015 as enthusiasm for sustained growth in the U.S. was offset by concerns of a slowdown in China. European and Japanese markets were supported by continued and aggressive central bank stimulus and Emerging markets generally lagged their developed-market counterparts by a wide margin. U.S. bonds had a similar year of flat performance in 2015. The U.S. equity markets ended the year up modestly from where they started after the S&P 500 climbed to an all-time high in May, but worries about global growth and the interest rate outlook, corporate earnings and the health of the high-yield bond sector impacted equities for the second half of the year. The U.S. equity markets produced mixed results with large caps reporting a return of +1.4% (S&P 500), the NASDAQ was up 7% while mid-caps and small-caps were down -2.4% and -4.4%, respectively. International Equity Markets delivered a loss to investors of -5.7% (MSCI ACWIxUS). Developed markets, as represented by the MSCI EAFE Index, were down -0.8%, while Emerging Markets (MSCI EME Index) faired much worse, down -14.9%.

The strongest gains in the U.S. market came within the sectors of Consumer Discretionary (up 10%) and Healthcare (up 7%). Many large consumer discretionary companies, including Netflix, Amazon, Microsoft and Alphabet (Google's holding company), experienced significant share price gains. Healthcare saw strong M&A activity, with Pfizer buying Allergan and Anthem buying Cigna, which helped boost share prices. Meanwhile, Energy fell another 21% in 2015 amid a glut of crude oil, the price of which hit a multi-year low around $34 a barrel in late December. In addition, the Materials sector declined (down 8%) due to a steep decline in metal prices.

For the second year in a row, small cap U.S. stocks were the weakest performers, down -4.4% in 2015 (Russell 2000), due largely to the underperformance in small cap energy names as well as a late year selloff in biotechnology stocks. Midcap stocks were also down -2.4% (Russell MidCap) for the year.

APRS' investment portfolio for 2015 returned -0.6%. Net Assets held in Trust increased $2.2 million to $638.7 million. The growth in overall assets was due to a net contribution of $6 million from noninvestment related activities, which was partially offset by an investment loss of $2.6 million.

The Equity allocation, which represents 47% of the total fund, was down 2.9%. Positive returns within the U.S. broad market equity allocation (20% of the total fund) were offset by negative returns within the mid-cap (11% of total fund) and international equity allocation (14% of the total fund). Continued concerns about growth outside of the U.S., international holdings faced the headwind of a strengthening U.S. dollar during 2015. The Fund's exposure to energy was a significant detractor to absolute and relative returns in 2015, as oil prices declined in the latter half of the year.

The Fixed Income allocation (12% of the Fund) posted a return of -2.4% which impacted the overall portfolio returns. The main detractor in overall returns for the fixed income portfolio was the international debt allocation (5.2% of the Fund) which declined -4.73 on currency weakness versus the U.S. dollar and on interest rate rises in anticipation of a U.S. interest rate increase.

## Investment Overview

The Real Estate allocation (18% of the Fund) was the strongest performer up 6.5%, while the Timber allocation (5% of the Fund) also posted gains with a 1.6% return in 2015. The Private Equity allocation (7% of the Fund) added 2.5% for the year mostly from recent private debt allocations. The Hedge Fund allocation (10% of the Fund) declined -1.7% due to underperformance in a manager that was liquidated and removed from the Fund.

The Board of 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, which was 7.9% in fiscal year 2015.

**Prepared by: The Bogdahn Group; Investment Consultant to the APRS Board of Trustees**

Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

## 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 fiduciary net position as of December 31, 2015 and 2014, and the related statements of changes in fiduciary 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

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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.

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, 2015 and 2014, 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 schedules on pages 17–22 and 45-49 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 Britton Bender PC*

14 October 2016
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 2015 and 2014. We encourage readers to consider the information presented here in conjunction with our financial statements that follow.

**Financial Highlights**

- Fiduciary net assets held in trust by the System increased by $6.2 million, or 0.96%, in 2015, and increased by $42.9 million, or 7.21%, in 2014. The asset increase in 2015 is the result of U.S. economic stabilization and the Federal Reserve keeping interest rates low. The asset increase in 2014 is the result of continuing U.S. economic expansion followed by unemployment rate drops and consumer confidence.

- Contributions increased by $3.8 million, or 6.65%, in 2015, and increased by $3.4 million, or 6.79% in 2014. The increase in 2015 is due to the City of Austin's 3% general wage increase, an increase in the number of participants., and a significant increase in member service purchases. The increase in 2014 is due to the City of Austin's 1.5% general wage increase, and an increase in the number of participants.

- The amount of benefits paid to retired members and beneficiaries and refunds to terminating employees increased approximately $4.6 million, or 10.1%, during 2015, and increased $2.6 million, or 6.0%, during 2014. The increase in 2015 is due to an increase in the number of System retirees by 10.2%, and the increase in 2014 is due to an increase in the number of System retirees by 6.4%.

- The System's rate of return on investments for the year ended December 31, 2015 was (0.83%) gross of fees and (1.05%) net of fees, on a market value basis, which was less than the return of 6% gross of fees and 5.75% net of fees for the year ended December 31, 2014.

- The funding objective of the System is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2015, the date of the most recent actuarial valuation, the System's funded ratio of actuarial assets as a percentage of actuarial liabilities is 66.6%, which is down from 67.5% at December 31, 2014.

See independent auditor's report.

**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 Fiduciary 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 assets at fair market value, along with cash and short-term investments, receivables and other assets and liabilities.

- **Statement of Changes in Fiduciary Net Position** - provides a view of the current year additions to and deductions from the plan. These two statements report the System's net position, the difference between assets and liabilities, which is one way to measure the Systems' financial position.

- **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 Fiduciary net position as of the end of each of the last three years, and summarizes the changes in Fiduciary net position for the year.

**Financial Analysis**

Summary of Fiduciary Net Assets
December 31, 2015, 2014, 2013

| Assets | 2015 | 2014 | 2013 |
|---|---|---|---|
| Cash, receivables and prepaids | $ 5,911,333 | $ 6,131,085 | $ 5,122,091 |
| Investments, at fair value | 640,862,523 | 633,938,051 | 591,901,006 |
| Fixed assets, net | 439,301 | 471,327 | 528,701 |
| Total assets | $647,213,157 | $640,540,463 | $597,551,798 |
| **Liabilities** | | | |
| Total liabilities | 3,039,020 | 2,521,396 | 2,441,396 |
| Fiduciary net position for pension benefits | $644,174,137 | $638,019,067 | $595,110,402 |

See independent auditor's report.

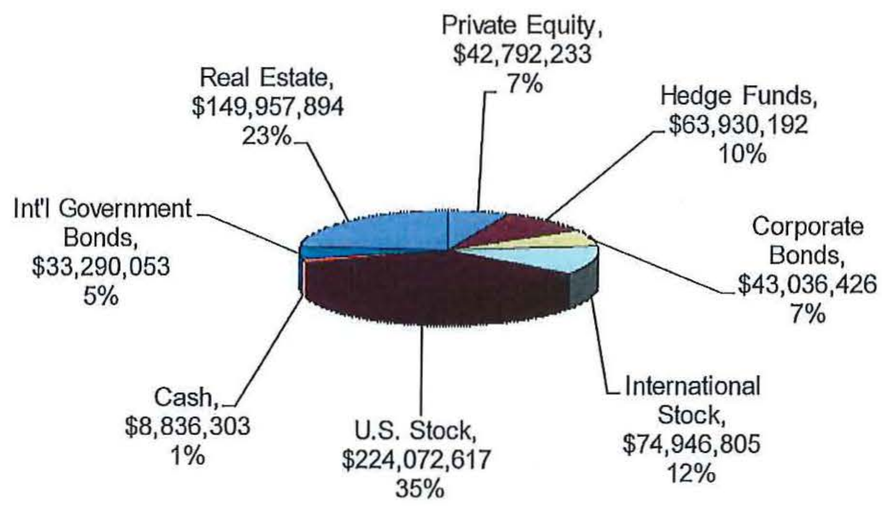
# City of Austin Police Retirement System
# Management Discussion and Analysis

**Assets.** The Systems' Fiduciary net position increased by $6.2 million in 2015, $42.9 million in 2014 and increased by $56.2 million in 2013. The asset increase in 2015 is a result of U.S. economic stabilization and the Federal Reserve keeping interest rates low. The asset increase in 2014 is a result of continuing U.S. economic expansion followed by unemployment rate drops and consumer confidence. The asset increase in 2013 is a result of a continuing U.S. Security market rally, when the Federal Reserve began tapering (QE3) by reducing the government (MBS) bond purchases that began in 2012.

The decrease in cash, receivables and prepaids of approximately $220 thousand in 2015 is primarily due to the timing of payroll contributions. The increase in cash, receivables and prepaids of approximately $80 thousand in 2014 is primarily due to administrative fees. The increase in cash, receivables and prepaids of approximately $500 thousand in 2013 is primarily due to more interest, dividend receivables and real property income investment.

Total Fiduciary net position was $644 million at the end of fiscal year 2015, $638 million at the end of fiscal year 2014 and $595 million at the end of fiscal year 2013. Below is a chart of the System's asset allocation for fiscal year ending December 31, 2015:

**APRS Asset Allocation Percentages as of 12/31/15**

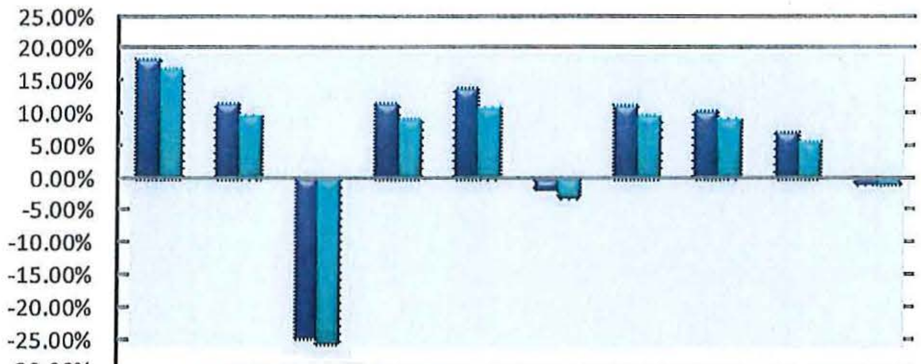



See independent auditor's report.

# City of Austin Police Retirement System
# Management Discussion and Analysis

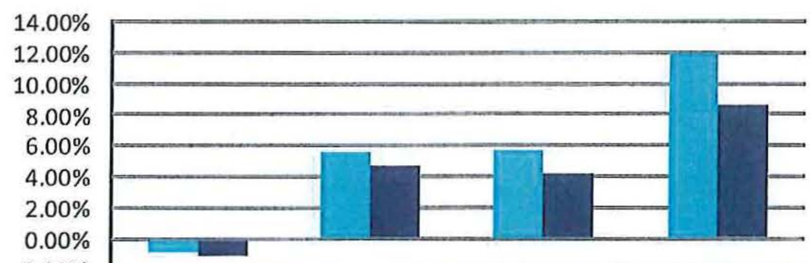
**Investment Returns and Assumptions.** The Systems' assumed rate of return in fiscal year 2015 is 7.8% net of all expenses. The following charts exhibit the short- and long-term gains and losses.

**10 Fiscal Year Returns**




| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross | 18.35% | 11.67% | -24.83 | 11.60% | 14.01% | -1.72% | 11.32% | 10.43% | 7.21% | -0.83% |
| Net | 16.90% | 9.70% | -25.50 | 9.24% | 10.86% | -3.01% | 9.90% | 9.10% | 5.75% | -1.05% |

**Rolling Gross & Net Investment Returns**




| | Average 1 yr. | Average 3 yr. | Average 10 yr. | Average 30 yr. |
|---|---|---|---|---|
| Gross Return | -0.83% | 5.60% | 5.72% | 11.88% |
| Net Return | -1.05% | 4.68% | 4.21% | 8.63% |

See independent auditor's report.

# City of Austin Police Retirement System
# Management Discussion and Analysis

### Summary of Changes in Fiduciary Net Position
### Years Ended December 31, 2015, 2014 and 2013

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

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| **Additions** | | | |
| Contributions | $57,948,151 | $ 54,064,545 | $ 50,628,724 |
| Investment income | 1,411,242 | 36,986,448 | 51,728,148 |
| Investment expenses | (2,025,329) | (1,851,034) | (2,476,699) |
| Net investment income | (614,087) | 35,135,413 | 49,251,449 |
| Other income | 7,450 | 106,674 | 121,865 |
| Total additions | $57,341,514 | $89,306,633 | $100,002,038 |
| **Deductions** | | | |
| Benefit payments & contributions refunded | $50,005,438 | $45,403,125 | $42,825,265 |
| General and administrative expenses | 1,181,008 | 994,841 | 964,020 |
| Total deductions | $51,186,446 | $46,397,966 | $43,789,285 |
| Net increase/decrease | $6,155,068 | $42,908,667 | $56,212,753 |
| Fiduciary Net position beginning of year | $638,019,069 | $595,110,402 | $538,897,649 |
| Fiduciary Net position end of year | $644,174,137 | $638,019,069 | $595,110,402 |

Member and City of Austin contributions for 2015 and 2014 totaled $57.9 million and $54 million, respectively. The 2015 contributions represent an increase of $3.9 million, or approximately 7.18%, above the 2014 level. The 2014 contributions represent an increase of $3.4 million, or approximately 6.79%, above the 2013 level. The increase in 2015 is due to the City of Austin's 3% general wage increase, an increase in the number of contributing members, and a significant increase in member service purchases. The increase in 2014 is due to the City of Austin's 1.5% general wage increase, and an increase in the number of contributing members.

See independent auditor's report.

# City of Austin Police Retirement System
# Management Discussion and Analysis

The System market value of assets increased 0.96% during 2015 and increased 7.21% during 2014. The 2015 increase of $6.2 million is a result of continuing U.S. economic stabilization and the Federal Reserve keeping interest rates low. The 2014 increase of $42.9 million was a result of continuing U.S. economic expansion followed by unemployment rate drops and consumer confidence. The total rate of return for the System's investment portfolio in 2015 (net of investment expenses) was (1.05%) as compared to 5.5% for 2014.

**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 2015 were $50 million, an increase of $4.6 million over the $45.4 million paid in 2014. There is an increase in the number of retirees, beneficiaries and alternate payees to 801 in 2015 from 727 in 2014. Refunds to terminating employees in 2015 were $994 thousand, an increase of $496 thousand from 2014 refunds paid. Administrative expenses in 2015 were $1.2 million, approximately $186 thousand more than those incurred in 2014.

Investment expenses paid by the System annually increased by $174 thousand in 2015 and decreased by $626 thousand in 2014. The increase in 2015 is due to larger investment balances calculated on manager fees, and the decrease in 2014 is due to investment indexing that reduces manager fees.

**Overall Analysis.** As of December 31, 2015, fiduciary net position increased by $6.2 million or 0.96% from the prior year. Over the five-year period ending December 31, 2015 the fiduciary net position has increased by $160 million or 33.1%.

**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 the Executive Director, City of Austin Police Retirement System, 2520 South IH-35 Suite 100, Austin, Texas 78704-0019.

See independent auditor's report.

# Statement of Fiduciary Net Position
## December 31, 2015 and 2014

ASSETS

| | 2015 | 2014 |
|---|---|---|
| Investments, at fair value | | |
| Real estate interests | $149,957,894 | $144,472,516 |
| Corporate stocks | 224,072,617 | 245,824,416 |
| International government securities | 33,290,053 | 34,202,074 |
| International stocks | 74,946,805 | 63,260,869 |
| Short-term investment funds | 7,907,155 | 37,830,338 |
| Partnership interests | 42,792,233 | 38,899,824 |
| Corporate bonds | 43,036,426 | 32,788,000 |
| Alternatives | 63,930,192 | 35,871,586 |
| Retiree death benefit fund | 929,148 | 788,430 |
| Total investments | 640,862,523 | 633,938,053 |
| Cash | 2,424,119 | 153,947 |
| Interest and dividends receivable | 2,748,533 | 3,632,401 |
| City of Austin retirement contributions receivable | 442,581 | 1,408,596 |
| City of Austin death benefit contributions receivable | 3,030 | 8,170 |
| Participant contributions receivable | 275,855 | 876,849 |
| Proportionate retirement program contributions receivable | 6,642 | 42,176 |
| Fixed assets, net | 439,301 | 471,327 |
| Other | 10,573 | 8,946 |
| | 647,213,157 | 640,540,465 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 2,730,569 | 2,397,882 |
| Refunds payable | 308,451 | 123,514 |
| | 3,039,020 | 2,521,396 |
| FIDUCIARY NET POSITION | $644,174,137 | $638,019,069 |

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

# Statement of Changes in Fiduciary Net Position
## December 31, 2015 and 2014

| ADDITIONS TO PLAN NET POSITION: | 2015 | 2014 |
|---|---|---|
| Contributions: | | |
| City of Austin retirement contributions | $32,143,693 | $31,202,173 |
| City of Austin death benefit contributions | 192,810 | 179,308 |
| Participant contributions | 25,611,648 | 22,683,064 |
| | 57,948,151 | 54,064,545 |
| Investment income: | | |
| Net increase (decrease) in the fair value of investments | (7,166,112) | 21,348,185 |
| Interest and dividends | 8,476,975 | 15,638,263 |
| Securities lending | 0 | 0 |
| Rental and other income | 107,829 | 106,674 |
| Total investment gain (loss) before expenses | 1,418,692 | 37,093,122 |
| Investment expenses: | (2,025,329) | (1,851,034) |
| Net gain (loss) from investments | (606,637) | 35,242,088 |
| Total additions (deletions) to fiduciary net position | 57,341,514 | 89,306,633 |
| DEDUCTIONS FROM FIDUCIARY NET POSITION: | | |
| Retirement benefit payments | 48,961,161 | 44,824,406 |
| Death benefit payments | 50,000 | 80,000 |
| Contributions refunded to terminating employees | 994,278 | 498,719 |
| General and administrative expenses | 1,181,007 | 994,841 |
| Total deductions from fiduciary net position | 51,186,446 | 46,397,966 |
| NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION | 6,155,068 | 42,908,667 |
| Beginning fiduciary net position | 638,019,069 | 595,110,402 |
| ENDING FIDUCIARY NET POSITION | $644,174,137 | $638,019,069 |

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, 2015, 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. As of Board action on February 18, 2015, the Retro DROP option is open to only members with 23 years of creditable service as of March 31, 2015. Further, the RETRO DROP provisions may be changed in the future by Board rule with approval by the System's actuary.

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, 2015 and 2014, the assets of the Retiree Death Benefit Fund were $929,148 and $788,430, respectively, which are included in the System's total market value of Net Assets Held in Trust Available for Pension Benefits of $644,174,137 and $638,019,069, 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 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, 2015 and 2014:

| | **2015** |
|---|---|
| Retirees and beneficiaries currently receiving benefits (801) and terminated employees entitled to future monthly benefits (41) | 842 |
| Current participating members | 1,761 |
| 2015 Total | 2,603 |

# Notes to Financial Statements

## Note 1: Organization and System Description

| | 2014 |
|---|---|
| Retirees and beneficiaries currently receiving benefits (727) and terminated employees entitled to future monthly benefits (27) | 754 |
| Current participating members | 1,777 |
| 2014 Total | 2,531 |

## 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, 2015 and 2014, 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.

## 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 October 14, 2016 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, 2015 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 | 484,707 | 13,307 | (0) | 498,014 |
| Leasehold improvements | 56,986 | | | 56,986 |
| Accumulated depreciation | (1,090,582) | (45,333) | | (1,135,915) |
| Net Fixed Assets | $471,327 | ($32,026) | ($0) | $439,301 |

# 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, July 2009, and August 2014.

**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, 2015 and 2014 are presented, by type, as follows:

| Investment Type | 2015 | 2014 |
|---|---|---|
| Real Estate Interests | $149,957,894 | $144,472,516 |
| Corporate Stocks | 224,072,617 | 245,824,416 |
| International Government Securities | 33,290,053 | 34,202,074 |
| International Stocks | 74,946,805 | 63,260,869 |
| Partnership Interests | 42,792,233 | 38.899,824 |
| Corporate Bonds | 43,036,426 | 32,788,000 |
| Alternatives | 63,930,192 | 35,871,586 |
| Short-term Investment Funds | 8,836,303 | 38,618,768 |
| Total Investments | $640,862,523 | $633,938,053 |

**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. As of December 31, 2015 and 2014, the System's operating bank balance of $2,424,119 and $153,947 , respectively. The over exposure of $2.2 million in 2015 was due to the timing of City payroll contributions at year end not being transferred to our custody Bank. The over exposure was only for a few days and no loss was incurred.

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, 2015 and 2014, 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, 2015, there is no security issued by a single issuer that holds more than 5% of the System's fund. As of December 31, 2014, there is no security issued by a single issuer that holds more than 5% of the System's fund. However, as of December 31, 2015 there is one organization – World Class Capital Group – that holds more than 5% of the System's total fund. As of December 31, 2015, World Class Capital Group held approximately 5.46% of the System's total fund. This investment was under the 5% threshold as of December 31, 2014. The total investment was sold by the System in September of 2016, and the assets will be rebalanced.

**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 | 10% - 20% | 15.00% |
| Core Fixed Income | 0% - 20% | 5.00% |
| Non Core Fixed Income | 0% - 15% | 5.00% |
| Real Estate | 10% - 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% |

**Note 5: Deposit and Investment Risk**

The Board has adopted an Investment Policy Statement (IPS) with a general investment objective to obtain a total rate of return commensurate with the Prudent Investor Rule and any other applicable statutes. Reasonable consistency of return and protection of assets against the inroads of inflation is paramount. Performance results will be compared over the long-term in the context of five years or more given interest rate fluctuations and volatility of securities markets.

The Board will employ investment professionals to oversee and invest the assets within the parameters allowed by the IPS and their agreements. The investment managers will have investment discretion over their mandates, including security selection, sector weightings and investment style, subject to certain constraints of the IPS.

**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, 2015, 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 | $42,557,642 | $1,672,139 | $14,700,190 | $8,760,624 | $17,424,689 |
| Totals | $42,557,642 | $1,672,139 | $14,700,190 | $8,760,624 | $17,424,689 |

**Note 5: Deposit and Investment Risk**

As of December 31, 2014, 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 | $32,713,110 | $1,004,429 | $10,460,426 | $5,999,193 | $15,309,062 |
| Totals | $32,713,110 | $1,004,429 | $10,460,426 | $5,999,193 | $15,309,062 |

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.

**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, 2015, are as follows:

| Quality Rating | Total Fair Value | Int'l Securities | Corporate Bonds | Government Bonds |
|---|---|---|---|---|
| A1/A+ | | | | |
| A2/A | $4,947,745 | | $4,947,745 | |
| A3/A- | 5,044,812 | | 5,044,812 | |
| Aa2/AA | 3,650,192 | | 3,650,192 | |
| Aaa | | | | |
| B1/B+ | | | | |
| B2/B | | | | |
| B3/B- | | | | |
| Ba1/BB+ | | | | |
| Ba2/BB | | | | |
| Ba3/BB- | | | | |
| Baa1/BBB+ | 7,660,480 | | 7,660,480 | |
| Baa2/BBB | 4,867,807 | | 4,867,807 | |
| Baa3/BBB- | 3,463,340 | | 3,463,340 | |
| B2//B and below | | | | |
| Caa1/CCC+ | | | | |
| Caa2/CCC | | | | |
| Not Rated | 95,688,482 | 95,688,482 | | |
| US Gov't Guaranteed | 12,923,264 | | | 12,923,264 |
| Cash & Equivalent | 11,342,783 | 11,342,783 | | |
| Total | $149,588,905 | $107,031,265 | $29,634,376 | $12,923,264 |

**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, 2014, are as follows:

| Quality Rating | Total Fair Value | Int'l Securities | Corporate Bonds | Government Bonds |
|---|---|---|---|---|
| A1/A+ | | | | |
| A2/A | $8,772,751 | | $8,772,751 | |
| A3/A- | | | | |
| Aa2/AA | 2,684,106 | | 2,684,106 | |
| Aaa | | | | |
| B1/B+ | | | | |
| B2/B | | | | |
| B3/B- | | | | |
| Ba1/BB+ | 10,909,269 | | 10,909,269 | |
| Ba2/BB | | | | |
| Ba3/BB- | | | | |
| Baa1/BBB+ | | | | |
| Baa2/BBB | | | | |
| Baa3/BBB- | | | | |
| B2//B and below | | | | |
| Caa1/CCC+ | | | | |
| Caa2/CCC | | | | |
| Not Rated | 34,202,074 | 34,202,074 | | |
| US Gov't Guaranteed | 10,406,984 | | | 10,406,984 |
| Cash & Equivalent | | | | |
| Total | $66,975,184 | $34,202,074 | $22,366,126 | $10,406,984 |

## 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, 2015, is as follows:

| Currency | Int'l Gov't Securities | Int'l Stocks | Corp Stocks | Other (1) |
|---|---|---|---|---|
| Euro | $1,364,892 | $4,483,862 | | $1,318,063 |
| Mexican Peso | 2,097,273 | 196,965 | | 3,095,975 |
| Japanese Yen | | 2,166,621 | | |
| Indonesia Rupiahs | 2,696,494 | | | 33,290 |
| Hong Kong Dollar | | | | |
| South Korean Won | 3,329,005 | | | 233,031 |
| Turkish New Lira | | | | |
| Norwegian Krone | | 57,931 | | |
| British Pound | | 1,969,655 | | 33,290 |
| Philippines Pesos | 366,191 | | | 798,961 |
| Brazilian Real | 3,495,456 | | | |
| Danish Krone | | | | |
| Swiss Franc | | 428,690 | | |
| Australian Dollar | | 92,690 | | 33,290 |
| Swedish Krona | | 347,586 | | 33,290 |
| South African Rand | | 33,290 | | 99,870 |
| Polish Zlotych | 1,165,152 | | | |
| Canadian Dollar | 33,290 | 787,862 | | 33,290 |
| Bermudian Dollar | | | | 33,290 |
| India Rupees | | | | |
| Cayman Islands Dollar | | | | |
| Polish Zlotych | | | | |
| China Yuan Renminbi | | 173,793 | | |
| Thailand, Thai Baht | | | | |
| Malaysian Ringgit | 2,396,884 | | | 1,065,282 |
| Other | 5,559,439 | 880,552 | | 5,093,378 |
| Totals | $22,504,076 | $11,619,497 | $ | $11,904,300 (1) |

Represents a commingled timberfund and a real estate partnership interest.

**Note 5: Deposit and Investment Risk**

The System's exposure to foreign currency risk as of December 31, 2014, is as follows:

| Currency | Int'l Gov't Securities | Int'l Stocks | Corp Stocks (1) | Other (2) |
|---|---|---|---|---|
| Euro | | $3,013,793 | | 36,230 |
| Mexican Peso | 713,397 | 105,747 | | |
| Columbian Peso | | | | |
| Japanese Yen | | 2,199,540 | | 1,235 |
| Indonesia Rupiahs | 486,407 | | | |
| South Korean Won | | 179,770 | | |
| Turkish New Lira | 551,261 | | | |
| Norwegian Krone | | 528,736 | | |
| British Pound | | 1,300,690 | | |
| Philipines Pesos | | 253,793 | | |
| Brazilian Real | 616,116 | | | |
| Danish Krone | | | | |
| Swiss Franc | | 613,333 | | 34,626 |
| Australian Dollar | | 116,322 | | 256,466 |
| Swedish Krona | | 274,943 | | |
| South African Rand | 470,194 | 84,598 | | |
| Russian Ruble | | | | |
| Canadian Dollar | | 1,395,862 | | |
| Singapore Dollar | | | | |
| India Rupees | | | | |
| Cayman Islands Dollar | | | | |
| Polish Zlotych | 551,261 | | | |
| China Yuan Renminbi | 453,980 | 370,115 | | |
| Thailand, Thai Baht | 486,407 | | | |
| Malaysian Ringgit | 583,688 | | | |
| Other | 1,686,211 | 137,471 | | |
| Totals | $6,598,922 | $10,574,713 | $ | $328,557 |

(1) Represents a commingled pool in global equity investments

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

### Note 6: Schedule of Investment Returns

For the year ended December 31, 2015 and 2014 the annual money weighted rate of return on investments, net of investment expense, was –0.83% and 5.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 7: Contributions

The System is funded by biweekly contributions based on employer compensation, consisting of base pay and longevity pay, of police officers and by contributions from the City. Under the provisions that were in effect during December 2015 and 2014, participants are required to contribute 13% of their basic compensation.

The City's required contribution rate for the System's 2015 and 2014 fiscal year was 21.63% prior to October 1, 2015, and became 21.313% on October 1 for the remainder of the year. The reduction was due to an actuarial analysis and adjustment related to the System's participation in the Proportionate Retirement Program, the cost for which must be paid by the City per state law.

Since September 1, 2003, a portion of the City's total contribution has been allocated to the Retiree Death Benefit Fund. The allocation rate for the System's 2015 and 2014 fiscal year was 0.141% prior to October 1, 2015, and became 0.147% on October 1 for the remainder of the year.

The City contribution rate is required by the state law governing the System and may be changed by amendment made by the Legislature of the State of Texas. The participant contribution rate must be at least 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, 2015 and the plan provisions recognized in the valuation, the normal cost is 22.43% of pay and the amortization period is 31.3 years. Based on the actuarial valuation as of December 31, 2014 and the plan provisions recognized in the valuation, the normal cost is 21.605% of pay and the amortization period is 28.6 years.

# Notes to Financial Statements

**Note 8: 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, 2015 and 2014 of approximately $15,398,340 million and $19,435,176 million, respectively, pursuant to the terms of the respective interests.

At December 31, 2015 and 2014, the total accumulated lump sum benefit due to forward DROP participants was $5,106,053 and $3,075,334, respectively.

At December 31, 2015 and 2014, the total accumulated lump sum benefit due to PROP participants was $27,659,183 and $24,811,845, respectively.

APRS is indirectly affected by a case pending in the Supreme Court of Texas concerning its investment in Huff Energy. Huff successfully appealed a $100M judgment against it, which if upheld, would adversely affect APRS' interest in the investment. The matter is currently pending review. APRS has no liability beyond its investment as a limited partner, but is noted here for its potential adverse impact on the investment.

**Note 9: Net Pension Liability of the Sponsor**
The components of the Net Pension Liability of the Sponsor on December 31, 2015 were as follows:

| | |
|---|---|
| Total Pension Liability | $1,028,909,430 |
| Plan Fiduciary Net Position | $(644,174,137) |
| Sponsor's Net Pension Liability | $ 384,735,293 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 62.61% |

*Actuarial Assumptions:*
The Total Pension Liability was determined by an actuarial valuation as of December 31, 2014 updated to December 31, 2015 using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3.25% |
| Salary Increases | Services Based |
| Discount Rate | 7.80% |
| Investment Rate of Return | 7.80% |

Mortality rates (all lives) were based on the RP-2000 Combined Healthy without projection - Sex Distinct. We believe this sufficiently accommodates expected mortality improvements.

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

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

**Note 9: Net Pension Liability of the Sponsor**

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

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

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

| | |
|---|---|
| Inflation | 3.25% |
| Salary Increases | Services Based |
| Discount Rate | 7.90% |
| Investment Rate of Return | 7.90% |

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

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

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

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

**Note 9: Net Pension Liability of the Sponsor**

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2015 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return |
|---|---|
| Domestic Equity | 7.50% |
| International Equity | 8.50% |
| Domestic Fixed Income | 2.50% |
| Global Fixed Income | 3.50% |
| Real Estate | 4.50% |
| Timber | 2.50% |
| Alternative | 2.50% |
| Cash | 0.00% |

Discount Rate:
The Discount Rate used to measure the Total Pension Liability was 7.80 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate of 13.00% of compensation and that plan sponsor will be made at the current contribution rate of 21.313% of total payroll. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

| | 1% Decrease 6.80% | Current Discount Rate 7.80% | % Increase 8.80% |
|---|---|---|---|
| Sponsor's Net Pension Liability | $500,406,758 | $ 384,735,293 | $ 286,545,356 |

## Note 9: Net Pension Liability of the Sponsor

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

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

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

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

# Disclosures in Accordance with GASB Statement No. 67
# Required Supplementary Information

**Schedule of Changes in Net Pension Liability And Related Ratios**
**Last 10 Fiscal Years**

| | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| Total Pension Liability | | | |
| Service Cost | 32,138,760 | 30,253,628 | 28,769,060 |
| Interest | 76,999,651 | 72,442,934 | 68,919,471 |
| Change of benefit terms | (4,079,852) | (11,015,618) | - |
| Differences between Expected and Actual Experience | (6,318,435) | - | - |
| Changes of assumptions | 3,903,538 | 14,137,496 | - |
| Contributions - Buy Back | 4,648,271 | 2,207,398 | - |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (45,403,126) | (42,825,865) |
| Net Change in Total Pension Liability | 57,286,494 | 62,622,712 | 54,863,266 |
| Total Pension Liability-Beginning | 71,622,936 | 909,000,224 | 854,136,958 |
| Total Pension Liability-Ending (a) | $1,028,909,430 | $971,622,936 | $909,000,224 |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contributions –Employer | 33,239,271 | 32,399,740 | 31,160,764 |
| Contributions– Employee | 20,060,610 | 19,457,407 | 19,467,960 |
| Contributions-Buy Back | 4,648,271 | 2,207,398 | - |
| Net Investment Income | (321,704) | 35,574,317 | 49,524,150 |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (45,403,126) | (42,825,265) |
| Administrative Expense | (1,465,939) | (1,327,071) | (1,114,856) |
| Other | - | - | - |
| Net Change in Plan Fiduciary Net Position | 6,155,070 | 42,908,665 | 56,212,753 |
| Plan Fiduciary Net Position - Beginning | 638,019,067 | 595,110,402 | 538,894,649 |
| Plan Fiduciary Net Position - Ending (b) | $644,174,137 | $638,019,067 | $595,110,402 |
| | | | |
| Net Pension Liability –Ending (a)-(b) | $384,735,293 | $333,603,869 | $313,889,822 |
| | | | |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 62.61% | 65.67% | 65.47% |
| | | | |
| Covered Employee Payroll | $154,243,493 | $149,790,754 | $144,089,468 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 249.43% | 222.71% | 217.84% |

See independent auditor's report.

# Disclosures in Accordance with GASB Statement No. 67
# Required Supplementary Information

### Schedule of Contributions
### Last 10 Fiscal Years

| | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| Actuarially Determined Contribution | N/A | N/A | N/A |
| Contributions in relation to the Actuarially Determined Contributions | N/A | N/A | N/A |
| Contribution Deficiency (Excess) | N/A | N/A | N/A |
| Covered Employee Payroll | $154,243,493 | $149,790,754 | $144,089,468 |
| Contributions as a percentage of Covered Employee Payroll | 21.55% | 21.63% | 21.63% |

Notes to Schedule

Methods and assumptions used to determine liabilities:

| | |
|---|---|
| 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: | 7.90% per year, compounded annually, net of investment related expenses. |
| Core inflation: | 3.25% per year. |
| Payroll Growth: | 3.50% 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. |
| Marital Status: | A 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 table on next page. |
| Termination Rates: | See table on next page. |
| Disability Rates: | See table on next page. 55% of disablements are assumed to be service related. |
| Salary Increases: | See table on next page. |
| Pre-Retirement Death Payment Form: | Married: Joint and 100% to Survivor.<br>Single: 15-Year Certain and Life Annuity. |

See independent auditor's report.

# Disclosures in Accordance with GASB Statement No. 67
## Required Supplementary Information

**Retirement Rates Table:**

| | For Entry Ages Under 32[1] | | |
|---|---|---|---|
| **APRS Service** | 22 & Under | 23-27 | 28-32 |
| **0-22** | 0.0625 | 0.1250 | 0.1250 |
| **23** | 0.1875 | 0.1875 | 0.28125 |
| **24** | 0.1250 | 0.1250 | 0.1875 |
| **25** | 0.1250 | 0.1250 | 0.1875 |
| **26** | 0.1875 | 0.1875 | 0.3125 |
| **27** | 0.1875 | 0.1875 | 0.3125 |
| **28** | 0.3125 | 0.3125 | 0.3125 |
| **29** | 0.3125 | 0.3125 | 0.3750 |
| **30** | 0.3750 | 0.3750 | 0.5000 |
| **31** | 0.3750 | 0.3750 | 0.6250 |
| **32** | 0.3750 | 0.3750 | 1.00[2] |
| **33** | 0.3750 | 0.3750 | |
| **34** | 0.5000 | 0.5000 | |
| **35** | 0.5000 | 0.6250 | |
| **36** | 0.5000 | 0.6250 | |
| **37** | 0.6250 | 1.00[2] | |
| **38** | 0.6250 | | |
| **39** | 0.6250 | | |
| **40** | 0.6250 | | |
| **41** | 0.6250 | | |
| **42** | 1.00[2] | | |

| | For Entry Ages 33 andAbove[3] | | |
|---|---|---|---|
| **Age** | 33-37 | 38-42 | 43 & Over |
| **33-37** | 0.05 | | |
| **38-42** | 0.05 | 0.10 | |
| **43-47** | 0.05 | 0.10 | |
| **48** | 0.05 | 0.10 | 0.10 |
| **49** | 0.05 | 0.10 | 0.10 |
| **50** | 0.05 | 0.10 | 0.10 |
| **51** | 0.05 | 0.10 | 0.10 |
| **52** | 0.20 | 0.10 | 0.10 |
| **53** | 0.35 | 0.10 | 0.10 |
| **54** | 0.75 | 0.10 | 0.10 |
| **55** | 0.20 | 0.10 | 0.10 |
| **56** | 0.25 | 0.10 | 0.10 |
| **57** | 0.30 | 0.10 | 0.10 |
| **58** | 0.35 | 0.10 | 0.10 |
| **59** | 0.50 | 0.10 | 0.10 |
| **60** | 1.00 | 0.50 | 0.10 |
| **61** | | 0.35 | 0.10 |
| **62** | | 0.35 | 0.80 |
| **63** | | 0.35 | 0.40 |
| **64** | | 0.35 | 0.40 |
| **65** | | 1.00 | 1.00 |

See independent auditor's report.

## Disclosures in Accordance with GASB Statement No. 67
## Required Supplementary Information

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

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

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

Termination Rates Table:

| 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 | 0.05 |
| 13 | 0.05 |
| 14 | 0.05 |
| 15 & Above | 0.00 |

[1] APRS service combined with Proportionate Retirement Program service

Disability Rates Table:

| Age | Probability of Disability During Year |
|---|---|
| 20 | 0.00007 |
| 22 | 0.00008 |
| 24 | 0.00009 |
| 26 | 0.000105 |
| 28 | 0.000125 |
| 30 | 0.000155 |
| 32 | 0.000200 |
| 34 | 0.000245 |
| 36 | 0.000270 |
| 38 | 0.000310 |
| 40 | 0.000460 |
| 42 | 0.000660 |
| 44 | 0.000865 |
| 46 | 0.001275 |
| 48 | 0.001670 |
| 50 | 0.001895 |
| 52 | 0.002020 |
| 54 | 0.002280 |
| 56 | 0.002660 |
| 58 | 0.003300 |
| 60 | 0.004555 |
| 62 & Above | 0.000000 |

See independent auditor's report.

# Disclosures in Accordance with GASB Statement No. 67
## Required Supplementary Information

Salary Increase Table:

| Years of Service | Probability of Disability During Year |
|---|---|
| 0 | 18.0% |
| 1 | 11.2% |
| 2 | 5.8% |
| 3 | 0.9% |
| 4 | 0.9% |
| 5 | 7.1% |
| 6 | 0.5% |
| 7 | 0.5% |
| 8 | 0.5% |
| 9 | 7.1% |
| 10 | 0.3% |
| 11 | 0.3% |
| 12 | 0.3% |
| 13 | 7.1% |
| 14 | 0.2% |
| 15 | 7.2% |
| 16 | 0.2% |
| 17 | 0.1% |
| 18 | 0.1% |
| 19 | 0.1% |
| 20 | 0.1% |
| 21 | 0.1% |
| 22 | 0.1% |
| 23 | 0.1% |
| 24 | 0.1% |
| 25 & Above | 0.0% |

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

## SCHEDULE OF INVESTMENT RETURNS
### Last 10 Fiscal Years

| | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| Annual Money-Weighted Rate of Return Net of Investment Expense | -1.05% | 5.71% | 8.90% |

See independent auditor's report.

# ACTUARIAL SECTION

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AUSTIN POLICE
RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF DECEMBER 31, 2015

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

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August 9, 2016

Ms. Pattie Featherston, Executive Director
Austin Police Retirement System
2520 South IH 35, Suite 100
Austin, TX 78704

Re: Austin Police Retirement System

Dear Ms. Featherston:

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). Please note that this valuation may not be applicable for any other purposes.

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. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

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

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

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

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

Respectfully submitted,

Foster & Foster Inc.

By: ______________________________

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

BRH/lke

Enclosures

TABLE OF CONTENTS

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## SUMMARY OF REPORT

The annual actuarial valuation of the Austin Police Retirement System, performed as of December 31, 2015, has been completed and the results are presented in this Report.

The pension costs, compared with those developed in the December 31, 2014 actuarial valuation report, are as follows:

| Valuation Date | New Benefits New Assums 12/31/2015 | Old Benefits Old Assums 12/31/2015 | Old Benefits Old Assums 12/31/2014 |
|---|---|---|---|
| Normal Cost<br>% of Payroll Under Assumed Ret Age. | 22.430% | 22.305% | 21.605% |
| Expected Member Contributions<br>% of Total Annual Payroll | 13.000% | 13.000% | 13.000% |
| City Normal Cost Rate<br>% of Total Annual Payroll | 9.430% | 9.305% | 8.605% |
| Funding Period To Amortize UAAL [1]<br>(expressed in number of years) | 31.3 | 32.3 | 28.6 |

[1] Determined utilizing open group projection, which fully incorporates the impact of benefit changes.

As can be seen above, the funding period required to amortize the Unfunded Actuarial Accrued Liability initially increased from 28.6 to 32.3 years since the prior valuation. This increase is the result of net unfavorable actuarial experience during the past year. The principal components of unfavorable experience resulted from a 5.35% investment return (Actuarial Asset Basis) that fell short of the 7.90% assumption and unfavorable retirement experience. These actuarial losses were partially offset by average increases in compensation that were lower than the assumed rate.

In addition, the Board of Trustees approved benefit and actuarial assumption changes throughout the past year, as discussed on page 7. As shown, this resulted in a 1.0 year reduction in the required funding period. The specific details of the impact associated with implementing these changes are displayed in the comparative summary section of this report.

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

Respectfully submitted,

FOSTER & FOSTER INC.

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

By: ______________________
Drew D. Ballard, EA, MAAA

## CHANGES SINCE PRIOR REPORT

### 1. Benefit Provisions

At the February 17th Board Meeting, the Board approved changes to the design of the Forward-DROP program. For members with less than 23 years of APRS service as of February 17, 2016, the following changes were made for future retirees who elect to utilize the Forward-DROP:

- Member contributions will continue to be required during the DROP participation period, but these contributions will be retained by the System.
- DROP balances will no longer receive interest crediting during the DROP participation period.
- A fee/charge will be applied on a graduated scale during the DROP participation period based on the below schedule. Please note this fee/charge will no longer apply once the member exits the DROP.

| Year of DROP Participation | Fee/Charge Applied to Monthly Benefit in DROP |
|---|---|
| 1 | 25% |
| 2 | 20 |
| 3 | 15 |
| 4 | 10 |
| 5 | 5 |
| 6 | 5 |
| 7 | 5 |

Please note members who had completed 23 or more years of APRS service as of February 17, 2016 and elect to utilize Forward-DROP will be allowed the option to choose the previous 5-year DROP (not subject to the changes described) or the 7-year DROP as described above.

### 2. Actuarial Assumptions/Methods

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

- The investment return assumption has been decreased from 7.90% to 7.80% per year compounded annually, net of all expenses.
- The withdrawal rate table was modified slightly

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

| Valuation Date | New Benefits New Assums 12/31/2015 | Old Benefits Old Assums 12/31/2015 | Old Benefits Old Assums 12/31/2014 |
|---|---|---|---|
| A. Participant Data | | | |
| Actives | 1,761 | 1,761 | 1,777 |
| Service Retirees + DROP | 711 | 711 | 645 |
| Beneficiaries | 49 | 49 | 48 |
| QDRO | 38 | 38 | 31 |
| Disability Retirees | 3 | 3 | 3 |
| Terminated Vested | 41 | 41 | 27 |
| Total | 2,603 | 2,603 | 2,531 |
| Total Annual Payroll | 155,832,755 | 155,832,755 | 152,544,227 |
| Payroll Under Assumed Ret. Age | 151,566,341 | 151,566,341 | 150,574,998 |
| Annual Rate of Payments to: | | | |
| Service Retirees + DROP | 46,036,724 | 46,036,724 | 40,547,932 |
| Beneficiaries | 2,109,280 | 2,109,280 | 2,058,727 |
| QDRO | 548,246 | 548,246 | 449,896 |
| Disability Retirees | 103,149 | 103,149 | 103,149 |
| Terminated Vested | 808,433 | 808,433 | 782,938 |
| B. Assets | | | |
| Actuarial Value | 689,767,838 | 689,767,838 | 653,192,335 |
| Market Value | 644,174,137 | 644,174,137 | 638,019,067 |
| C. Liabilities | | | |
| Present Value of Benefits | | | |
| Active Members | | | |
| Retirement Benefits | 812,353,446 | 817,729,629 | 804,582,972 |
| Termination Benefits | 12,215,439 | 5,066,969 | 5,023,534 |
| Death Benefits | 14,006,808 | 13,930,036 | 13,523,313 |
| Disability Benefits | 8,544,443 | 8,387,322 | 8,236,813 |
| Service Retirees + DROP | 508,374,160 | 504,466,643 | 439,930,718 |
| Beneficiaries | 17,580,394 | 17,462,891 | 17,361,902 |
| QDRO | 5,782,283 | 5,734,449 | 4,712,975 |
| Disability Retirees | 1,223,245 | 1,211,752 | 1,220,966 |
| Terminated Vested | 3,502,746 | 3,447,284 | 2,995,568 |
| Total | 1,383,582,964 | 1,377,436,975 | 1,297,588,761 |

| Valuation Date | New Benefits New Assums 12/31/2015 | Old Benefits Old Assums 12/31/2015 | Old Benefits Old Assums 12/31/2014 |
|---|---|---|---|
| C. Liabilities - (Continued) | | | |
| Present Value of Future Salaries | 1,596,134,543 | 1,581,376,247 | 1,577,429,601 |
| Normal Cost (Entry Age Normal) | | | |
| Retirement Benefits | 30,493,633 | 30,567,221 | 29,448,152 |
| Termination Benefits | 955,257 | 703,772 | 662,239 |
| Death Benefits | 688,393 | 680,816 | 633,188 |
| Disability Benefits | 557,899 | 546,170 | 515,418 |
| Total Normal Cost | 32,695,182 | 32,497,979 | 31,258,997 |
| Present Value of Future Normal Costs | 347,464,826 | 331,265,094 | 329,248,367 |
| Actuarial Accrued Liability | | | |
| Retirement Benefits | 484,457,250 | 501,847,673 | 490,080,698 |
| Vested Benefits | 4,763,100 | 1,447,977 | 1,520,952 |
| Death Benefits | 7,052,252 | 7,137,132 | 7,076,942 |
| Disability Benefits | 3,382,708 | 3,416,080 | 3,439,673 |
| Inactives | 536,462,828 | 532,323,019 | 466,222,129 |
| Total Actuarial Accrued Liability | 1,036,118,138 | 1,046,171,881 | 968,340,394 |
| Unfunded Actuarial Accrued Liability (UAAL) | 346,350,300 | 356,404,043 | 315,148,059 |
| Funded Ratio (AVA/AL) | 66.6% | 65.9% | 67.5% |
| D. Actuarial Present Value of Accrued Benefits | | | |
| Vested Accrued Benefits | | | |
| Inactives | 536,462,828 | 532,323,019 | 466,222,129 |
| Actives | 148,820,963 | 140,811,627 | 154,379,620 |
| Member Contributions | 157,316,626 | 157,316,626 | 150,805,515 |
| Total | 842,600,417 | 830,451,272 | 771,407,264 |
| Non-vested Accrued Benefits | 36,191,343 | 37,294,434 | 30,759,692 |
| Total Present Value Accrued Benefits | 878,791,760 | 867,745,706 | 802,166,956 |
| Funded Ratio (MVA/PVAB) | 73.3% | 74.2% | 79.5% |

| Valuation Date | New Benefits New Assums 12/31/2015 | Old Benefits Old Assums 12/31/2015 | Old Benefits Old Assums 12/31/2014 |
|---|---|---|---|
| E. Pension Cost | | | |
| Normal Cost (with interest) % of Payroll Under Assumed Ret. Age* | 22.430 | 22.305 | 21.605 |
| Expected Member Contributions % of Total Annual Payroll | 13.000 | 13.000 | 13.000 |
| City Normal Cost Rate % of Total Annual Payroll | 9.430 | 9.305 | 8.605 |
| Funding Period to Amortize UAAL ** | 31.3 years | 32.3 years | 28.6 years |
| F. 30-Year Funding Cost *** | | | |
| Normal Cost (with interest) % of Payroll Under Assumed Ret. Age* | 22.430 | 22.305 | 21.605 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years % of Total Annual Payroll | 13.064 | 13.593 | 12.279 |
| Total 30-Year Funding Cost % of Total Annual Payroll | 35.494 | 35.898 | 33.884 |
| G. 20-Year Funding Cost (For Illustrative Purposes) | | | |
| Normal Cost (with interest) % of Payroll Under Assumed Ret. Age* | 22.430 | 22.305 | 21.605 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years % of Total Annual Payroll | 16.538 | 17.156 | 15.497 |
| Total 20-Year Funding Cost % of Total Annual Payroll | 38.968 | 39.461 | 37.102 |

* Contributions developed as of 12/31/2015 above include 0.017% 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 21.313% of payroll, less the calculated contribution rate required to fund the Retiree Death Benefit Fund. Additionally, the amortization period was determined utilizing an open group projection, which fully incorporates the impact of benefit changes.

*** Per Section 802.101(a) of the Texas Government Code, the actuarial valuation must include a recommended contribution rate needed for the system to achieve and maintain an amortization period that does not exceed 30 years.

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

| Valuation Date | New Benefits New Assums 12/31/2015 | Old Benefits Old Assums 12/31/2015 | Old Benefits Old Assums 12/31/2014 |
|---|---|---|---|
| Present Value of Benefits | | | |
| Active Members | 1,285,118 | 1,252,246 | 1,259,665 |
| Retired and Terminated Vested Members | 2,311,107 | 2,283,250 | 2,075,482 |
| Total | 3,596,225 | 3,535,496 | 3,335,147 |
| Present Value of Future Normal Costs | 485,114 | 468,855 | 461,775 |
| Normal Cost | 65,040 | 63,203 | 61,011 |
| Actuarial Accrued Liability | 3,111,111 | 3,066,641 | 2,873,372 |
| Asset Value of Fund | 929,148 | 929,148 | 788,429 |
| Unfunded Actuarial Accrued Liability (UAAL) | 2,181,963 | 2,137,493 | 2,084,943 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 12/31/2015) % of Total Annual Payroll | 0.104 | 0.103 | 0.099 |
| Normal Cost (with interest) % of Total Annual Payroll | 0.043 | 0.042 | 0.042 |
| Total Required City Contribution Rate Allocated to the Retiree Death Benefit Fund % of Total Annual Payroll | 0.147 | 0.145 | 0.141 |

* 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 | 315,148,059 |
| 2. Normal Cost Applicable for Year | 31,258,997 |
| 3. Interest on (1) and (2) | 27,366,157 |
| 4. Contributions During Year | 57,755,342 |
| 5. Interest on (4) | 2,237,976 |
| 6. Expected UAAL, End of Year: (1)+(2)+(3)-(4)-(5) | 313,779,895 |
| 7. Actual UAAL, End of Year (Before Changes) | 356,404,043 |
| Total Actuarial Gain/(Loss) | (42,624,148) |

b. Gain/(Loss) on Assets

| | |
|---|---|
| 1. Actuarial Value of Assets (AVA), Beginning of Year | 653,192,335 |
| 2. Contributions Less Benefit Payments | 7,799,904 |
| 3. Expected Investment Earnings | 51,904,435 |
| 4. Expected AVA, End of Year: (1)+(2)+(3) | 712,896,674 |
| 5. Actual Actuarial Value of Assets, End of Year | 689,767,838 |
| Gain/(Loss) on Assets | (23,128,836) |

c. Gain/(Loss) on Liabilities

| | |
|---|---|
| 1. Expected Actuarial Accrued Liability: a(6)+b(4) | 1,026,676,569 |
| 2. Actual Actuarial Accrued Liability (Before Changes) | 1,046,171,881 |
| Gain/(Loss) on Liabilities | (19,495,312) |

## ACTUARIAL ASSUMPTIONS AND METHODS
(Effective December 31, 2015)

| | |
|---|---|
| Mortality Rates – All Lives | RP-2000 Combined Healthy without projection – Sex Distinct. We believe this sufficiently accommodates expected mortality improvements. |
| Interest Rate | 7.80% per year, compounded annually, net of all expenses. This is supported by the asset allocation of the trust and the long-term expected return by asset class. |
| Core Inflation | 3.25% per year. This is reasonable based upon long-term expectations. |
| Payroll Growth | 3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. This is reasonable based upon long-term expectations. |
| Administrative Expenses (PRP) | 0.017% 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. This is reasonable based upon long-term expectations. |
| DROP Period Election | Members elect the maximum period eligible. This is reasonable based upon long-term expectations. |
| 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 2.25%. This is reasonable based upon long-term expectations. |
| 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. This is reasonable based upon long-term expectations. |
| 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. The assumed rates of retirement were approved in conjunction with the 2015 review of the actuarial assumptions and methods. |
| Termination Rates | See following tables. The assumed rates of termination were approved in conjunction with the 2016 review of the actuarial assumptions and methods. |
| Disability Rates | See following tables. 55% of disablements are assumed to be service related. The assumed rates of disablement were approved in conjunction with the 2015 review of the actuarial assumptions and methods. |
| Salary Increases | See following tables. These are reasonable based upon long-term expectations. |
| Pre-Retirement Death Payment Form | Married: Joint and 100% to Survivor<br>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** | 0.0625 | 0.125 | 0.125 | **33-37** | 0.05 | | |
| **23** | 0.1875 | 0.1875 | 0.28125 | **38-42** | 0.05 | 0.10 | |
| **24** | 0.125 | 0.125 | 0.1875 | **43-47** | 0.05 | 0.10 | 0.10 |
| **25** | 0.125 | 0.125 | 0.1875 | **48** | 0.05 | 0.10 | 0.10 |
| **26** | 0.1875 | 0.1875 | 0.3125 | **49** | 0.05 | 0.10 | 0.10 |
| **27** | 0.1875 | 0.1875 | 0.3125 | **50** | 0.05 | 0.10 | 0.10 |
| **28** | 0.3125 | 0.3125 | 0.3125 | **51** | 0.05 | 0.10 | 0.10 |
| **29** | 0.3125 | 0.3125 | 0.375 | **52** | 0.20 | 0.10 | 0.10 |
| **30** | 0.375 | 0.375 | 0.50 | **53** | 0.35 | 0.10 | 0.10 |
| **31** | 0.375 | 0.375 | 0.625 | **54** | 0.75 | 0.10 | 0.10 |
| **32** | 0.375 | 0.375 | 1.00[2] | **55** | 0.20 | 0.10 | 0.10 |
| **33** | 0.375 | 0.375 | | **56** | 0.25 | 0.10 | 0.10 |
| **34** | 0.50 | 0.50 | | **57** | 0.30 | 0.10 | 0.10 |
| **35** | 0.50 | 0.625 | | **58** | 0.35 | 0.10 | 0.10 |
| **36** | 0.50 | 0.625 | | **59** | 0.50 | 0.10 | 0.10 |
| **37** | 0.625 | 1.00[2] | | **60** | 1.00 | 0.50 | 0.10 |
| **38** | 0.625 | | | **61** | | 0.35 | 0.10 |
| **39** | 0.625 | | | **62** | | 0.35 | 0.80 |
| **40** | 0.625 | | | **63** | | 0.35 | 0.40 |
| **41** | 0.625 | | | **64** | | 0.35 | 0.40 |
| **42** | 1.00[2] | | | **65** | | 1.00 | 1.00 |

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

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

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

## Termination Rates

| Combined Years of Service[1] | Probability of Termination During Year |
|---|---|
| 0 | 0.075 |
| 1 | 0.03 |
| 2 | 0.03 |
| 3 | 0.015 |
| 4 | 0.015 |
| 5 | 0.01 |
| 6 | 0.01 |
| 7 | 0.005 |
| 8 | 0.005 |
| 9 | 0.005 |
| 10 | 0.01 |
| 11 | 0.01 |
| 12 | 0.01 |
| 13 | 0.01 |
| 14 | 0.005 |
| 15 & Above | 0.005 |

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

## Disability Rates

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

Salary Increases

| 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 3.50% increase per year due to general wage increases.

Retirement Option Election

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

| 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.

Retirement Option Election

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

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

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

## VALUATION NOTES

Total Annual Payroll is the annual rate of pay as of the valuation date of all active and Forward-DROP 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, 2015

| ASSETS | COST VALUE | MARKET VALUE |
|---|---|---|
| Cash and Cash Equivalents: | | |
| Short Term Investments | 7,907,155.27 | 7,907,155.27 |
| Checking Account | 2,424,119.21 | 2,424,119.21 |
| Prepaid Expenses | 10,573.32 | 10,573.32 |
| Total Cash and Equivalents | 10,341,847.80 | 10,341,847.80 |
| Receivables: | | |
| Member Contributions in Transit | 275,854.72 | 275,854.72 |
| City Contributions | 452,253.20 | 452,253.20 |
| Investment Income | 2,748,532.86 | 2,748,532.86 |
| Total Receivable | 3,476,640.78 | 3,476,640.78 |
| Investments: | | |
| Partnership Interests | 72,588,672.12 | 72,588,672.12 |
| Corporate Bonds | 43,036,425.73 | 43,036,425.73 |
| Corporate Stocks | 299,019,421.61 | 299,019,421.61 |
| International Government Securities | 33,290,052.99 | 33,290,052.99 |
| Real Estate Interests | 149,957,893.74 | 149,957,893.74 |
| Alternatives | 34,133,753.37 | 34,133,753.37 |
| Retiree Death Benefit Fund | 929,147.83 | 929,147.83 |
| Total Investments | 632,955,367.39 | 632,955,367.39 |
| Net Fixed Assets | 439,300.74 | 439,300.74 |
| Total Assets | 647,213,156.71 | 647,213,156.71 |
| LIABILITIES | | |
| Payables: | | |
| Refunds of Member Contributions | 308,451.39 | 308,451.39 |
| Other | 2,730,568.23 | 2,730,568.23 |
| Total Liabilities | 3,039,019.62 | 3,039,019.62 |
| NET POSITION RESTRICTED FOR PENSIONS | 644,174,137.09 | 644,174,137.09 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015
Market Value Basis

| | | | |
|---|---|---|---|
| <u>ADDITIONS</u> | | | |
| Contributions: | | | |
| Member | | 20,060,609.86 | |
| Buy-Back | | 4,648,271.16 | |
| City | | 32,215,074.60 | |
| City for Proportionate Retirement Program | | 831,385.83 | |
| City for Retiree Death Benefit | | 192,810.22 | |
| Total Contributions | | | 57,948,151.67 |
| Investment Income: | | | |
| Miscellaneous Income | 6,122,343.19 | | |
| Net Realized Gain (Loss) | (343,360.41) | | |
| Unrealized Gain (Loss) | (6,822,751.18) | | |
| Net Increase in Fair Value of Investments | | (1,043,768.40) | |
| Interest & Dividends | | 2,462,460.73 | |
| Less Investment Expense[1] | | (1,740,396.50) | |
| Net Investment Income | | | (321,704.17) |
| Total Additions | | | 57,626,447.50 |
| <u>DEDUCTIONS</u> | | | |
| Distributions to Members: | | | |
| Benefit Payments | | 42,364,092.89 | |
| Lump Sum DROP Distributions | | 2,676,540.37 | |
| Lump Sum PROP Distributions | | 3,920,527.54 | |
| Retiree Death Benefits | | 50,000.00 | |
| Refunds of Member Contributions | | 994,277.63 | |
| Total Distributions | | | 50,005,438.43 |
| Administrative Expense | | | 1,465,939.26 |
| Total Deductions | | | 51,471,377.69 |
| Net Increase in Net Position | | | 6,155,069.81 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of the Year | | | 638,019,067.28 |
| End of the Year | | | 644,174,137.09 |

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

## ACTUARIAL ASSET VALUATION
December 31, 2015

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 | | Amounts Not Yet Recognized by Valuation Year | | | | |
|---|---|---|---|---|---|---|
| Ending | Gain/(Loss) | 2016 | 2017 | 2018 | 2019 | 2020 |
| 12/31/2011 | (56,982,781) | 0 | 0 | 0 | 0 | 0 |
| 12/31/2012 | 8,502,880 | 1,700,576 | 0 | 0 | 0 | 0 |
| 12/31/2013 | 4,991,349 | 1,996,540 | 998,270 | 0 | 0 | 0 |
| 12/31/2014 | (13,701,378) | (8,220,827) | (5,480,551) | (2,740,276) | 0 | 0 |
| 12/31/2015 | (52,498,923) | (41,999,138) | (31,499,354) | (20,999,569) | (10,499,785) | 0 |
| Total | | (46,522,849) | (35,981,635) | (23,739,845) | (10,499,785) | 0 |

Development of Investment Gain/Loss

| | |
|---|---|
| Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2014 | 638,019,067 |
| Contributions Less Benefit Payments | 7,942,713 |
| Expected Investment Earnings* | 50,711,280 |
| Actual Net Investment Earnings | (1,787,643) |
| 2016 Actuarial Investment Gain/(Loss) | (52,498,923) |

*Expected Investment Earnings = 0.079 * 638,019,067 + [(1 + 0.079) ^0.5 - 1] * 7,942,713

Development of Actuarial Value of Assets

| | |
|---|---|
| (1) Market Value of Assets, including Retiree Death Benefit Fund, 12/31/2015 | 644,174,137 |
| (2) Gains/(Losses) Not Yet Recognized | (46,522,849) |
| (3) Actuarial Value of Assets, 12/31/2015, (1) - (2) | 690,696,986 |
| (A) 12/31/2014 Actuarial Assets, including Retiree Death Benefit Fund: | 653,980,764 |
| (I) Net Investment Income: | |
| 1. Interest, Dividends and Misc Income | 4,495,050 |
| 2. Realized Gains (Losses) | (343,360) |
| 3. Change in Actuarial Value | 27,687,437 |
| 4. Investment and Administrative Expenses | 3,206,336 |
| Total | 35,045,462 |
| (B) 12/31/2015 Actuarial Assets, including Retiree Death Benefit Fund: | 690,696,986 |
| Actuarial Assets Rate of Return = 2I/(A+B-I): | 5.35% |
| Market Value of Assets Rate of Return: | -0.28% |
| 12/31/2015 Limited Actuarial Assets, including Retiree Death Benefit Fund: | 690,696,986 |
| 12/31/2015 Limited Net Actuarial Assets, excluding Retiree Death Benefit Fund: | 689,767,838 |

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2015
Actuarial Asset Basis

| | | |
|---|---|---|
| **REVENUES** | | |
| Contributions: | | |
| Member | 20,060,609.86 | |
| Buy-Back | 4,648,271.16 | |
| City | 32,215,074.60 | |
| City for Proportionate Retirement Program | 831,385.83 | |
| City for Retiree Death Benefit | 192,810.22 | |
| Total Contributions | | 57,948,151.67 |
| Earnings from Investments: | | |
| Interest & Dividends | 2,462,460.73 | |
| Miscellaneous Income | 2,032,588.89 | |
| Net Realized Gain (Loss) | (343,360.41) | |
| Change in Actuarial Value | 27,687,437.06 | |
| Total Earnings and Investment Gains | | 31,839,126.27 |
| Other | | 0.00 |
| **EXPENDITURES** | | |
| Distributions to Members: | | |
| Benefit Payments | 42,364,092.89 | |
| Lump Sum DROP Distributions | 2,676,540.37 | |
| Lump Sum PROP Distributions | 3,920,527.54 | |
| Retiree Death Benefits | 50,000.00 | |
| Refunds of Member Contributions | 994,277.63 | |
| Total Distributions | | 50,005,438.43 |
| Expenses: | | |
| Investment related[1] | 1,740,396.50 | |
| Administrative | 1,465,939.26 | |
| Total Expenses | | 3,206,335.76 |
| Change in Net Assets for the Year | | 36,575,503.75 |
| Net Assets Beginning of the Year | | 653,192,334.51 |
| Net Assets End of the Year[2] | | 689,767,838.26 |

[1]Investment related expenses include investment advisory, custodial and performance monitoring fees.
[2]Net Assets may be limited for actuarial consideration, and excludes the Retiree Death Benefit Fund of $929,147.83.

## VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|---|
| a. Number in prior valuation 12/31/2014 | 1777 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 3 |
| ii. Non-vested or full lump sum distribution received | 23 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 2 |
| d. Disabled | 0 |
| e. Retired | 46 |
| f. DROP | 25 |
| g. Continuing participants | 1678 |
| h. New entrants | 83 |
| i. Total active life participants in valuation | 1761 |

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 | 645 | 48 | 3 | 31 | 27 | 754 |
| b. In | 71 | 2 | 0 | 7 | 17 | 97 |
| c. Out | 5 | 1 | 0 | 0 | 3 | 9 |
| d. Number current valuation | 711 | 49 | 3 | 38 | 41 | 842 |

STATISTICAL DATA

| | 12/31/2013 | 12/31/2014 | 12/31/2015 |
|---|---|---|---|
| Actives | 1,732 | 1,777 | 1,761 |
| Average Current Age | 39.9 | 40.0 | 40.1 |
| Average Age at Employment | 28.3 | 28.3 | 29.0 |
| Average Past Service | 11.6 | 11.7 | 11.1 |
| Average Annual Salary | $84,221 | $84,896 | $86,232 |

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 | 16 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25 |
| 25 - 29 | 29 | 21 | 18 | 30 | 19 | 11 | 0 | 0 | 0 | 0 | 0 | 128 |
| 30 - 34 | 20 | 22 | 26 | 41 | 51 | 149 | 19 | 0 | 0 | 0 | 0 | 328 |
| 35 - 39 | 14 | 11 | 8 | 17 | 13 | 109 | 141 | 28 | 0 | 0 | 0 | 341 |
| 40 - 44 | 4 | 9 | 6 | 4 | 6 | 62 | 119 | 153 | 25 | 0 | 0 | 388 |
| 45 - 49 | 1 | 1 | 0 | 3 | 3 | 21 | 73 | 109 | 122 | 9 | 0 | 342 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 6 | 23 | 38 | 63 | 29 | 6 | 165 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 6 | 12 | 10 | 3 | 35 |
| 60 - 64 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 2 | 2 | 3 | 9 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 84 | 73 | 58 | 95 | 92 | 361 | 377 | 335 | 224 | 50 | 12 | 1,761 |

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 | 21.313%, effective October 1, 2015. |
| 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.<br><br>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.

Forward DROP

| | |
|---|---|
| Eligibility | Completion of 23 years of Creditable Service, excluding military service. |
| Participation Period | Not to exceed 60 months. For members with less than 23 years of APRS service as of February 17, 2016, the maximum participation period was extended to 84 months. |
| Rate of Return | Effective August 1, 2015, equal to the PROP interest rate (currently 2.25%). Members with 23 years of APRS service as of July 31, 2015 will receive 5.00% interest credit per year. Additionally, members with less than 23 years of APRS service as of February 17, 2016 will not receive interest crediting while in DROP. |
| DROP Fee/Charge | For members with less than 23 years of APRS service as of February 17, 2016, a charge for DROP participation will be applied as shown below. The charge will only apply during the period of DROP participation. |

| Year of DROP Participation | Fee/Charge |
|---|---|
| 1 | 25% |
| 2 | 20 |
| 3 | 15 |
| 4 | 10 |
| 5 | 5 |
| 6 | 5 |
| 7 | 5 |

| | |
|---|---|
| Form of Distribution | Cash lump sum (or rollover to PROP account) at termination of employment. |
| Miscellaneous | For members with less than 23 years of APRS service as of February 17, 2016, member contributions will continue to be required during the DROP participation period, but these contributions will be retained by the System. |

Retro DROP

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

GASB 67

# STATEMENT OF FIDUCIARY NET POSITION
## DECEMBER 31, 2015

| | |
|---|---|
| <u>ASSETS</u> | MARKET VALUE |
| Cash and Cash Equivalents: | |
| Short Term Investments | 7,907,155 |
| Checking Account | 2,424,119 |
| Prepaid Expenses | 10,574 |
| Total Cash and Equivalents | 10,341,848 |
| Receivables: | |
| Member Contributions in Transit | 275,855 |
| City Contributions | 452,253 |
| Investment Income | 2,748,533 |
| Total Receivable | 3,476,641 |
| Investments: | |
| Partnership Interests | 72,588,672 |
| Corporate Bonds | 43,036,426 |
| Corporate Stocks | 299,019,421 |
| International Government Securities | 33,290,053 |
| Real Estate Interests | 149,957,894 |
| Alternatives | 34,133,753 |
| Retiree Death Benefit Fund | 929,148 |
| Total Investments | 632,955,367 |
| Net Fixed Assets | 439,301 |
| Total Assets | 647,213,157 |
| <u>LIABILITIES</u> | |
| Payables: | |
| Refunds of Member Contributions | 308,452 |
| Other | 2,730,568 |
| Total Liabilities | 3,039,020 |
| NET POSITION RESTRICTED FOR PENSIONS | 644,174,137 |

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
# FOR THE YEAR ENDED DECEMBER 31, 2015
Market Value Basis

| | | | |
|---|---|---|---|
| ADDITIONS | | | |
| Contributions: | | | |
| Member | | 20,060,610 | |
| Buy-Back | | 4,648,271 | |
| City | | 32,215,075 | |
| City for Proportionate Retirement Program | | 831,386 | |
| City for Retiree Death Benefit | | 192,810 | |
| Total Contributions | | | 57,948,152 |
| Investment Income: | | | |
| Miscellaneous Income | 6,122,343 | | |
| Net Realized Gain (Loss) | (343,360) | | |
| Unrealized Gain (Loss) | (6,822,751) | | |
| Net Increase in Fair Value of Investments | | (1,043,768) | |
| Interest & Dividends | | 2,462,461 | |
| Less Investment Expense[1] | | (1,740,397) | |
| Net Investment Income | | | (321,704) |
| Total Additions | | | 57,626,448 |
| DEDUCTIONS | | | |
| Distributions to Members: | | | |
| Benefit Payments | | 42,364,093 | |
| Lump Sum DROP Distributions | | 2,676,540 | |
| Lump Sum PROP Distributions | | 3,920,528 | |
| Retiree Death Benefits | | 50,000 | |
| Refunds of Member Contributions | | 994,278 | |
| Total Distributions | | | 50,005,439 |
| Administrative Expense | | | 1,465,939 |
| Total Deductions | | | 51,471,378 |
| Net Increase in Net Position | | | 6,155,070 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of the Year | | | 638,019,067 |
| End of the Year | | | 644,174,137 |

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

# NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended December 31, 2015)

Plan Description

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

*Plan Membership as of December 31, 2014:*

| | |
|---|---|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 727 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 27 |
| Active Plan Members | 1,777 |
| | 2,531 |

*Benefits Provided*
The Plan provides retirement, termination, disability and death benefits.
<u>Normal Retirement:</u>
Date: Earlier of age 62, age 55 and 20 years of Creditable Service, or 23 years of Creditable Service, regardless of age (excluding military service).
Benefit: 3.20% of Average Final Compensation times Creditable Service.
<u>Vesting:</u>
Schedule: 100% after 10 years of Creditable Service.
Benefit Amount: Member will receive his (her) accrued benefit payable at the Normal Retirement Date based upon actual Creditable Service prior to termination.
Non-vested members receive a refund of accumulated contributions.
<u>Disability:</u>
Eligibility: Total and permanent as determined by the Board. Members must have 10 years of Creditable Service if the disability was non-service related.
Benefit accrued to date of disability but not less than 64% of Average Final Compensation for service related disablements.
<u>Death Benefits:</u>
Before Retirement Eligibility: Twice the amount of the Member's accumulated contributions, subject to a minimum of
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.
<u>Retiree Death Benefit Fund:</u>
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.
<u>Cost of Living Adjustment:</u>
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.

*Contributions*
Member Contributions: 13.0% of Earnings.
City Contributions: 21.63%, effective October 1, 2012. 21.313%, effective October 1, 2015.

Investments
*Investment Policy:*
The following was the Board's adopted asset allocation policy as of December 31, 2015:

| Asset Class | Target Allocation |
|---|---|
| Domestic Equity | 30.00% |
| International Equity | 15.00% |
| Domestic Fixed Income | 5.00% |
| Global Fixed Income | 5.00% |
| Real Estate | 15.00% |
| Timber | 5.00% |
| Alternative | 22.50% |
| Cash | 2.50% |
| Total | 100.00% |

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

*Rate of Return:*
For the year ended December 31, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -0.05 percent.
The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*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.

*Deferred Retirement Option Program*

Forward DROP:

Eligibility: Members with completion of 23 years of Creditable Service, excluding military service.

Participation Period: Not to exceed 60 months. For members with less than 23 years of APRS service as of February 17, 2016, the maximum participation period was extended to 84 months.

Rate of Return: Effective August 1, 2015, equal to the PROP interest rate (currently 2.25%). Members with 23 years of APRS service as of July 31, 2015 will receive 5.00% interest credit per year. Additionally, members with less than 23 years of APRS service as of February 17, 2016 will not receive interest crediting while in DROP.

DROP Fee/Charge: For members with less than 23 years of APRS service as of February 17, 2016, a charge for DROP participation will be applied as shown below. The charge will only apply during the period of DROP participation.

| Year of DROP Participation | Fee/Charge |
|---|---|
| 1 | 25% |
| 2 | 20% |
| 3 | 15% |
| 4 | 10% |
| 5 | 5% |
| 6 | 5% |
| 7 | 5% |

Miscellaneous: For members with less than 23 years of APRS service as of February 17, 2016, member contributions will continue to be required during the DROP participation period, but these contributions will be retained by the System.

Retro DROP:

Eligibility: Completion of 23 years of Creditable Service, excluding military service, as of April 1, 2015. Members with less than 23 years as of this date will not be eligible to participate in Retro DROP.

Participation Period: Upon election to retroactively enter DROP, the Retro DROP period will not exceed 36 months.

Rate of Return 5.00%, compounded annually.

The PROP balance as December 31, 2015 is $28,181,722.

The DROP balance as December 31, 2015 is $4,681,188.

# NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on December 31, 2015 were as follows:

| | |
|---|---|
| Total Pension Liability | $1,028,909,430 |
| Plan Fiduciary Net Position | $ (644,174,137) |
| Sponsor's Net Pension Liability | $ 384,735,293 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 62.61% |

*Actuarial Assumptions:*
The Total Pension Liability was determined by an actuarial valuation as of December 31, 2014 updated to December 31, 2015 using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3.25% |
| Salary Increases | Service based |
| Discount Rate | 7.80% |
| Investment Rate of Return | 7.80% |

Mortality rates (all lives) were based on the RP-2000 Combined Healthy without projection - Sex Distinct. We believe this sufficiently accommodates expected mortality improvements.

The significant assumptions are based upon the most recent actuarial experience study dated July 8th, 2016, for the period 2014-2015.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2015 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return |
|---|---|
| Domestic Equity | 7.5% |
| International Equity | 8.5% |
| Domestic Fixed Income | 2.5% |
| Global Fixed Income | 3.5% |
| Real Estate | 4.5% |
| Timber | 2.5% |
| Alternative | 2.5% |
| Cash | 0.0% |

## GASB 67

Discount Rate:
The Discount Rate used to measure the Total Pension Liability was 7.80 percent.
The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 7.80%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 7.80%.

| | 1% Decrease 6.80% | Current Discount Rate 7.80% | 1% Increase 8.80% |
|---|---|---|---|
| Sponsor's Net Pension Liability | $ 500,406,758 | $ 384,735,293 | $ 286,545,356 |

GASB 67

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Years

| | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| Total Pension Liability | | | |
| Service Cost | 32,138,760 | 30,253,628 | 28,769,060 |
| Interest | 76,999,651 | 72,442,934 | 68,919,471 |
| Changes of benefit terms | (4,079,852) | (11,015,618) | - |
| Differences between Expected and Actual Experience | (6,318,435) | - | - |
| Changes of assumptions | 3,903,538 | 14,137,496 | - |
| Contributions - Buy Back | 4,648,271 | 2,207,398 | - |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (45,403,126) | (42,825,265) |
| Net Change in Total Pension Liability | 57,286,494 | 62,622,712 | 54,863,266 |
| Total Pension Liability - Beginning | 971,622,936 | 909,000,224 | 854,136,958 |
| Total Pension Liability - Ending (a) | $1,028,909,430 | $971,622,936 | $ 909,000,224 |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 33,239,271 | 32,399,740 | 31,160,764 |
| Contributions - Employee | 20,060,610 | 19,457,407 | 19,467,960 |
| Contributions - Buy Back | 4,648,271 | 2,207,398 | - |
| Net Investment Income | (321,704) | 35,574,317 | 49,524,150 |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (45,403,126) | (42,825,265) |
| Administrative Expense | (1,465,939) | (1,327,071) | (1,114,856) |
| Net Change in Plan Fiduciary Net Position | 6,155,070 | 42,908,665 | 56,212,753 |
| Plan Fiduciary Net Position - Beginning | 638,019,067 | 595,110,402 | 538,897,649 |
| Plan Fiduciary Net Position - Ending (b) | $ 644,174,137 | $638,019,067 | $ 595,110,402 |
| | | | |
| Net Pension Liability - Ending (a) - (b) | $ 384,735,293 | $333,603,869 | $ 313,889,822 |
| | | | |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 62.61% | 65.67% | 65.47% |
| | | | |
| Covered Employee Payroll | $ 154,243,493 | $149,790,754 | $ 144,089,468 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 249.43% | 222.71% | 217.84% |

**Notes to Schedule:**

*Changes of benefit terms:*

For the 2014 year ending amounts reported as changes of benefit terms were resulted from:

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

For the 2015 year ending, amounts reported as changes of benefit terms were resulted from approved changes by the Board to the design of the Forward-DROP program. For members with less than 23 years of APRS service as of February 17, 2016, the following changes were made for future retirees who elect to utilize the Forward-DROP:

- Member contributions will continue to be required during the DROP participation period, but these contributions will be retained by the System.
- DROP balances will no longer receive interest crediting during the DROP participation period.
- A fee/charge will be applied on a graduated scale during the DROP participation period based on the below schedule. Please note this fee/charge will no longer apply once the member exits the DROP.

| Year of DROP Participation | Fee/Charge Applied to Monthly Benefit in DROP |
|---|---|
| 1 | 25% |
| 2 | 20% |
| 3 | 15% |
| 4 | 10% |
| 5 | 5% |
| 6 | 5% |
| 7 | 5% |

Please note members who had completed 23 or more years of APRS service as of February 17, 2016 and elect to utilize Forward-DROP will be allowed the option to choose the previous 5-year DROP (not subject to the changes described) or the 7-year DROP as described above.

*Changes of assumptions:*

For the 2014 year ending, amounts reported as changes of assumptions were resulted from:

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

For the 2015 year ending, amounts reported as changes of assumptions were resulted from:

- The investment return assumption has been decreased from 7.90% to 7.80% per year compounded annually, net of all expenses.
- The withdrawal rate table was modified slightly.

## SCHEDULE OF CONTRIBUTIONS
Last 10 Years

| | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| Actuarially Determined Contribution | N/A | N/A | N/A |
| Contributions in relation to the Actuarially Determined Contributions | N/A | N/A | N/A |
| Contribution Deficiency (Excess) | N/A | N/A | N/A |
| Covered Employee Payroll | $154,243,493 | $149,790,754 | $ 144,089,468 |
| Contributions as a percentage of Covered Employee Payroll | 21.55% | 21.63% | 21.63% |

Notes to Schedule

Methods and assumptions used to determine liabilities:

| | |
|---|---|
| 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: | 7.90% per year, compounded annually, net of investment related expenses. |
| Core inflation: | 3.25% per year. |
| Payroll Growth: | 3.50% 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. A |
| 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 table on next page. |
| Termination Rates: | See table on next page. |
| Disability Rates: | See table on next page. 55% of disablements are assumed to be service related. |
| Salary Increases: | See table on next page. |
| 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] | | | |
|---|---|---|---|
| **APRS Service** | 22 & Under | 23-27 | 28-32 |
| **0-22** | 0.0625 | 0.1250 | 0.1250 |
| **23** | 0.1875 | 0.1875 | 0.28125 |
| **24** | 0.1250 | 0.1250 | 0.1875 |
| **25** | 0.1250 | 0.1250 | 0.1875 |
| **26** | 0.1875 | 0.1875 | 0.3125 |
| **27** | 0.1875 | 0.1875 | 0.3125 |
| **28** | 0.3125 | 0.3125 | 0.3125 |
| **29** | 0.3125 | 0.3125 | 0.3750 |
| **30** | 0.3750 | 0.3750 | 0.5000 |
| **31** | 0.3750 | 0.3750 | 0.6250 |
| **32** | 0.3750 | 0.3750 | 1.00[2] |
| **33** | 0.3750 | 0.3750 | |
| **34** | 0.5000 | 0.5000 | |
| **35** | 0.5000 | 0.6250 | |
| **36** | 0.5000 | 0.6250 | |
| **37** | 0.6250 | 1.00[2] | |
| **38** | 0.6250 | | |
| **39** | 0.6250 | | |
| **40** | 0.6250 | | |
| **41** | 0.6250 | | |
| **42** | 1.00[2] | | |

Retirement Rates:

| For Entry Ages 33 andAbove[3] | | | |
|---|---|---|---|
| **Age** | 33-37 | 38-42 | 43 & Over |
| **33-37** | 0.05 | | |
| **38-42** | 0.05 | 0.10 | |
| **43-47** | 0.05 | 0.10 | 0.10 |
| **48** | 0.05 | 0.10 | 0.10 |
| **49** | 0.05 | 0.10 | 0.10 |
| **50** | 0.05 | 0.10 | 0.10 |
| **51** | 0.05 | 0.10 | 0.10 |
| **52** | 0.20 | 0.10 | 0.10 |
| **53** | 0.35 | 0.10 | 0.10 |
| **54** | 0.75 | 0.10 | 0.10 |
| **55** | 0.20 | 0.10 | 0.10 |
| **56** | 0.25 | 0.10 | 0.10 |
| **57** | 0.30 | 0.10 | 0.10 |
| **58** | 0.35 | 0.10 | 0.10 |
| **59** | 0.50 | 0.10 | 0.10 |
| **60** | 1.00 | 0.50 | 0.10 |
| **61** | | 0.35 | 0.10 |
| **62** | | 0.35 | 0.80 |
| **63** | | 0.35 | 0.40 |
| **64** | | 0.35 | 0.40 |
| **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 | 0.00007 |
| 22 | 0.00008 |
| 24 | 0.00009 |
| 26 | 0.000105 |
| 28 | 0.000125 |
| 30 | 0.000155 |
| 32 | 0.000200 |
| 34 | 0.000245 |
| 36 | 0.000270 |
| 38 | 0.000310 |
| 40 | 0.000460 |
| 42 | 0.000660 |
| 44 | 0.000865 |
| 46 | 0.001275 |
| 48 | 0.001670 |
| 50 | 0.001895 |
| 52 | 0.002020 |
| 54 | 0.002280 |
| 56 | 0.002660 |
| 58 | 0.003300 |
| 60 | 0.004555 |
| 62 & Above | 0 |

Salary Increases:

| 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 3.50% increase per year due to general wage increases.

# SCHEDULE OF INVESTMENT RETURNS
Last 10 Years

| | 12/31/2015 | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| Annual Money-Weighted Rate of Return Net of Investment Expense | -0.05% | 5.71% | 8.90% |

## NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2016)

### General Information about the Pension Plan

*Plan Description*

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

Any person who is a police officer of the city on the date the police retirement system becomes effective and was a member of the predecessor system on December 31, 1979, shall become a member as a condition of employment.

*Plan Membership as of December 31, 2014:*

| | |
|---|---|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 727 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 27 |
| Active Plan Members | 1,777 |
| | 2,531 |

*Benefits Provided*

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

Normal Retirement:

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

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

Vesting:

Schedule: 100% after 10 years of Creditable Service.

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

Non-vested members receive a refund of accumulated contributions.

Disability:

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

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

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.

## GASB 68

*Contributions*
Member Contributions: 13.0% of Earnings.
City Contributions: 21.63%, effective October 1, 2012. 21.313%, effective October 1, 2015.

Net Pension Liability

The measurement date is December 31, 2015.
The measurement period for the pension expense was December 31, 2014 to December 31, 2015.
The reporting period is October 1, 2015 through September 30, 2016.

The Sponsor's Net Pension Liability was measured as of December 31, 2015.
The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

*Actuarial Assumptions:*
The Total Pension Liability was determined by an actuarial valuation as of December 31, 2014 updated to December 31, 2015 using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3.25% |
| Salary Increases | Service based |
| Discount Rate | 7.80% |
| Investment Rate of Return | 7.80% |

Mortality rates (all lives) were based on the RP-2000 Combined Healthy without projection - Sex Distinct. We believe this sufficiently accommodates expected mortality improvements.

The significant assumptions are based upon the most recent actuarial experience study dated July 8th, 2016, for the period 2014-2015.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.
These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of December 31, 2015 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 30.00% | 7.5% |
| International Equity | 15.00% | 8.5% |
| Domestic Fixed Income | 5.00% | 2.5% |
| Global Fixed Income | 5.00% | 3.5% |
| Real Estate | 15.00% | 4.5% |
| Timber | 5.00% | 2.5% |
| Alternative | 22.50% | 2.5% |
| Cash | 2.50% | 0.0% |
| Total | 100% | |

Discount Rate:
The Discount Rate used to measure the Total Pension Liability was 7.80 percent.
The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 7.80%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 7.80%.

GASB 68

# CHANGES IN NET PENSION LIABILITY

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Reporting Period Ending September 30, 2015 | $ 971,622,936 | $ 638,019,067 | $ 333,603,869 |
| Changes for a Year: | | | |
| Service Cost | 32,138,760 | - | 32,138,760 |
| Interest | 76,999,651 | - | 76,999,651 |
| Differences between Expected and Actual Experience | (6,318,435) | - | (6,318,435) |
| Changes of assumptions | 3,903,538 | - | 3,903,538 |
| Changes of benefit terms | (4,079,852) | - | (4,079,852) |
| Contributions - Employer | - | 33,239,271 | (33,239,271) |
| Contributions - Employee | - | 20,060,610 | (20,060,610) |
| Contributions - Buy Back | 4,648,271 | 4,648,271 | - |
| Net Investment Income | - | (321,704) | 321,704 |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (50,005,439) | - |
| Administrative Expense | - | (1,465,939) | 1,465,939 |
| Net Changes | 57,286,494 | 6,155,070 | 51,131,424 |
| Reporting Period Ending September 30, 2016 | $1,028,909,430 | $ 644,174,137 | $ 384,735,293 |

*Sensitivity of the Net Pension Liability to changes in the Discount Rate.*

| | 1% Decrease 6.80% | Current Discount Rate 7.80% | 1% Increase 8.80% |
|---|---|---|---|
| Sponsor's Net Pension Liability | $ 500,406,758 | $ 384,735,293 | $ 286,545,356 |

*Pension Plan Fiduciary Net Position.*

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

## PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2016, the Sponsor will recognize a Pension Expense of $49,518,839.
On September 30, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between Expected and Actual Experience | - | 5,686,592 |
| Changes of assumptions | 14,823,183 | - |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 47,822,301 | - |
| Employer contributions subsequent to the measurement date | TBD | - |
| Total | TBD | $ 5,686,592 |

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016.
Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

| Year ended September 30: | |
|---|---|
| 2017 | $ 13,714,289 |
| 2018 | $ 13,714,291 |
| 2019 | $ 13,714,292 |
| 2020 | $ 11,368,470 |
| 2021 | $ 1,172,260 |
| Thereafter | $ 3,275,290 |

Payable to the Pension Plan

On December 31, 2015, the Sponsor reported a payable of $452,253 for the outstanding amount of contributions of the Pension Plan required for the year ended December 31, 2015.

GASB 68

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

| Reporting Period Ending | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|---|---|---|---|
| Measurement Date | 12/31/2015 | 12/31/2014 | 12/31/2013 |
| Total Pension Liability | | | |
| Service Cost | 32,138,760 | 30,253,628 | 28,769,060 |
| Interest | 76,999,651 | 72,442,934 | 68,919,471 |
| Changes of benefit terms | (4,079,852) | (11,015,618) | - |
| Differences between Expected and Actual Experience | (6,318,435) | - | - |
| Changes of assumptions | 3,903,538 | 14,137,496 | - |
| Contributions - Buy Back | 4,648,271 | 2,207,398 | - |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (45,403,126) | (42,825,265) |
| Net Change in Total Pension Liability | 57,286,494 | 62,622,712 | 54,863,266 |
| Total Pension Liability - Beginning | 971,622,936 | 909,000,224 | 854,136,958 |
| Total Pension Liability - Ending (a) | $1,028,909,430 | $971,622,936 | $909,000,224 |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 33,239,271 | 32,399,740 | 31,160,764 |
| Contributions - Employee | 20,060,610 | 19,457,407 | 19,467,960 |
| Contributions - Buy Back | 4,648,271 | 2,207,398 | - |
| Net Investment Income | (321,704) | 35,574,317 | 49,524,150 |
| Benefit Payments, including Refunds of Employee Contributions | (50,005,439) | (45,403,126) | (42,825,265) |
| Administrative Expense | (1,465,939) | (1,327,071) | (1,114,856) |
| Net Change in Plan Fiduciary Net Position | 6,155,070 | 42,908,665 | 56,212,753 |
| Plan Fiduciary Net Position - Beginning | 638,019,067 | 595,110,402 | 538,897,649 |
| Plan Fiduciary Net Position - Ending (b) | $ 644,174,137 | $638,019,067 | $595,110,402 |
| | | | |
| Net Pension Liability - Ending (a) - (b) | $ 384,735,293 | $333,603,869 | $313,889,822 |
| | | | |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 62.61% | 65.67% | 65.47% |
| | | | |
| Covered Employee Payroll | $ 154,243,493 | $149,790,754 | $144,089,468 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 249.43% | 222.71% | 217.84% |

**Notes to Schedule:**

*Changes of benefit terms:*

For the 2015 Reporting Period Ending year amounts reported as changes of benefit terms were resulted from:

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

For the 2016 Reporting Period Ending year, amounts reported as changes of benefit terms were resulted from approved changes by the Board to the design of the Forward-DROP program. For members with less than 23 years of APRS service as of February 17, 2016, the following changes were made for future retirees who elect to utilize the Forward-DROP:
- Member contributions will continue to be required during the DROP participation period, but these contributions will be retained by the System.
- DROP balances will no longer receive interest crediting during the DROP participation period.
- A fee/charge will be applied on a graduated scale during the DROP participation period based on the below schedule. Please

| Year of DROP Participation | Fee/Charge Applied to Monthly Benefit in DROP |
|---|---|
| 1 | 25% |
| 2 | 20% |
| 3 | 15% |
| 4 | 10% |
| 5 | 5% |
| 6 | 5% |
| 7 | 5% |

Please note members who had completed 23 or more years of APRS service as of February 17, 2016 and elect to utilize Forward-DROP will be allowed the option to choose the previous 5-year DROP (not subject to the changes described) or the 7-year DROP as described above.

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

For the 2016 Reporting Period Ending year ending, amounts reported as changes of assumptions were resulted from:
- The investment return assumption has been decreased from 7.90% to 7.80% per year compounded annually, net of all expenses.
- The withdrawal rate table was modified slightly.

## SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | | | |
|---|---|---|---|
| Reporting Period Ending | 09/30/2016 | 09/30/2015 | 09/30/2014 |
| Measurement Date | 12/31/2015 | 12/31/2014 | 12/31/2013 |
| Actuarially Determined Contribution | N/A | N/A | N/A |
| Contributions in relation to the Actuarially Determined Contributions | N/A | N/A | N/A |
| Contribution Deficiency (Excess) | N/A | N/A | N/A |
| Covered Employee Payroll | TBD by City | TBD by City | TBD by City |
| Contributions as a percentage of Covered Employee Payroll | 21.55% | 21.63% | 21.63% |

Notes to Schedule

Methods and assumptions used to determine liabilities:

| | |
|---|---|
| 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: | 7.90% per year, compounded annually, net of investment related expenses. |
| Core inflation: | 3.25% per year. |
| Payroll Growth: | 3.50% 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 2.25%. |
| Marital Status: | 85% of actives are assumed to be married at time of benefit commencement. Females |
| 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 table on next page. |
| Termination Rates: | See table on next page. |
| Disability Rates: | See table on next page. 55% of disablements are assumed to be service related. |
| Salary Increases: | See table on next page. |
| Pre-Retirement Death Payment Form: | Married: Joint and 100% to Survivor.<br>Single: 15-Year Certain and Life Annuity. |

Retirement Rates:

| For Entry Ages Under 32[1] | | | |
|---|---|---|---|
| **APRS Service** | 22 & Under | 23-27 | 28-32 |
| **0-22** | 0.0625 | 0.1250 | 0.1250 |
| **23** | 0.1875 | 0.1875 | 0.28125 |
| **24** | 0.1250 | 0.1250 | 0.1875 |
| **25** | 0.1250 | 0.1250 | 0.1875 |
| **26** | 0.1875 | 0.1875 | 0.3125 |
| **27** | 0.1875 | 0.1875 | 0.3125 |
| **28** | 0.3125 | 0.3125 | 0.3125 |
| **29** | 0.3125 | 0.3125 | 0.3750 |
| **30** | 0.3750 | 0.3750 | 0.5000 |
| **31** | 0.3750 | 0.3750 | 0.6250 |
| **32** | 0.3750 | 0.3750 | 1.00[2] |
| **33** | 0.3750 | 0.3750 | 0.0% |
| **34** | 0.5000 | 0.5000 | 0.0% |
| **35** | 0.5000 | 0.6250 | 0.0% |
| **36** | 0.5000 | 0.6250 | 0.0% |
| **37** | 0.6250 | 1.00[2] | 0.0% |
| **38** | 0.6250 | 0.0% | 0.0% |
| **39** | 0.6250 | 0.0% | 0.0% |
| **40** | 0.6250 | 0.0% | 0.0% |
| **41** | 0.6250 | 0.0% | 0.0% |
| **42** | 1.00[2] | 0.0% | 0.0% |

Retirement Rates:

| For Entry Ages 33 andAbove[3] | | | |
|---|---|---|---|
| **Age** | 33-37 | 38-42 | 43 & Over |
| **33-37** | 0.05 | 0.0% | 0.0% |
| **38-42** | 0.05 | 0.10 | 0.0% |
| **43-47** | 0.05 | 0.10 | 0.10 |
| **48** | 0.05 | 0.10 | 0.10 |
| **49** | 0.05 | 0.10 | 0.10 |
| **50** | 0.05 | 0.10 | 0.10 |
| **51** | 0.05 | 0.10 | 0.10 |
| **52** | 0.20 | 0.10 | 0.10 |
| **53** | 0.35 | 0.10 | 0.10 |
| **54** | 0.75 | 0.10 | 0.10 |
| **55** | 0.20 | 0.10 | 0.10 |
| **56** | 0.25 | 0.10 | 0.10 |
| **57** | 0.30 | 0.10 | 0.10 |
| **58** | 0.35 | 0.10 | 0.10 |
| **59** | 0.50 | 0.10 | 0.10 |
| **60** | 1.00 | 0.50 | 0.10 |
| **61** | 0.00 | 0.35 | 0.10 |
| **62** | 0.00 | 0.35 | 0.80 |
| **63** | 0.00 | 0.35 | 0.40 |
| **64** | 0.00 | 0.35 | 0.40 |
| **65** | 0.00 | 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 | |

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

Disability Rates:

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

Salary Increases:

| 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 3.50% increase per year due to general wage increases.

## COMPONENTS OF PENSION EXPENSE
CITY'S FISCAL YEAR SEPTEMBER 30, 2016

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|---|---|---|---|
| Beginning balance | $ 333,603,869 | $ - | $ 46,162,515 | $ - |
| Employer Contributions made after 12/31/2015 | - | - | TBD* | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 32,138,760 | - | - | 32,138,760 |
| Interest | 76,999,651 | - | - | 76,999,651 |
| Changes in benefit terms | (4,079,852) | - | - | (4,079,852) |
| Contributions - Buy Back | 4,648,271 | - | - | 4,648,271 |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (6,318,435) | 6,318,435 | - | - |
| Current year amortization of experience difference | - | (631,843) | - | (631,843) |
| Change in assumptions about future economic or demographic factors or other inputs | 3,903,538 | - | 3,903,538 | - |
| Current year amortization of change in assumptions | - | - | (1,804,102) | 1,804,102 |
| Benefit Payments | (50,005,439) | - | - | (50,005,439) |
| Net change | 57,286,494 | 5,686,592 | 2,099,436 | 60,873,650 |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 33,239,271 | - | (24,055,479) | - |
| Contributions - Employee | 20,060,610 | - | - | (20,060,610) |
| Contributions - Buy Back | 4,648,271 | - | - | (4,648,271) |
| Net Investment Income | 50,659,339 | - | - | (50,659,339) |
| Difference between projected and actual earnings on Pension Plan investments | (50,981,043) | - | 50,981,043 | - |
| Current year amortization | - | - | (12,542,031) | 12,542,031 |
| Benefit Payments | (50,005,439) | - | - | 50,005,439 |
| Administrative Expenses | (1,465,939) | - | - | 1,465,939 |
| Net change | 6,155,070 | - | 14,383,533 | (11,354,811) |
| Ending Balance | $ 384,735,293 | $ 5,686,592 | TBD | $ 49,518,839 |

* Employer Contributions subsequent to the measurement date made after December 31, 2015 but made on or before September 30, 2016 needs to be added.

# AMORTIZATION SCHEDULE - INVESTMENTS

| Plan Year Ending | Differences Between Projected and Actual Earnings | Recognition Period (Years) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments | | | | | | | | | | |
| 2014 | $ 11,729,112 | 5 | $ 2,345,823 | $ 2,345,823 | $ 2,345,822 | $ 2,345,822 | $ 2,345,822 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | $ 50,981,043 | 5 | $ - | $10,196,208 | $10,196,208 | $10,196,209 | $10,196,209 | $10,196,209 | $ - | $ - | $ - | $ - | $ - |
| 2016 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2017 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2018 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2019 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2020 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2021 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2022 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2023 | $ - | 5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Increase (Decrease) in Pension Expense | | | $ 2,345,823 | $12,542,031 | $12,542,030 | $12,542,031 | $12,542,031 | $10,196,209 | $ - | $ - | $ - | $ - | $ - |

## AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

| Year | Changes of Assumptions | Recognition Period (Years) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions | | | | | | | | | | |
| 2014 | $ 14,137,496 | 10 | $ 1,413,749 | $ 1,413,749 | $ 1,413,749 | $ 1,413,749 | $ 1,413,750 | $ 1,413,750 | $ 1,413,750 | $ 1,413,750 | $ 1,413,750 | $ 1,413,750 | $ - |
| 2015 | $ 3,903,538 | 10 | $ - | $ 390,353 | $ 390,353 | $ 390,354 | $ 390,354 | $ 390,354 | $ 390,354 | $ 390,354 | $ 390,354 | $ 390,354 | $ 390,354 |
| 2016 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2017 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2018 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2019 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2020 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2021 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2022 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2023 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Increase (Decrease) in Pension Expense | | | $ 1,413,749 | $ 1,804,102 | $ 1,804,102 | $ 1,804,103 | $ 1,804,104 | $ 1,804,104 | $ 1,804,104 | $ 1,804,104 | $ 1,804,104 | $ 1,804,104 | $ 390,354 |

| Year | Differences Between Expected and Actual Experience | Recognition Period (Years) | Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 2014 | $ - | 10 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | $ (6,318,435) | 10 | $ - | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) |
| 2016 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2017 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2018 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2019 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2020 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2021 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2022 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2023 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Increase (Decrease) in Pension Expense | | | $ - | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) |

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

| Year | Differences Between Expected and Actual Experience | Recognition Period (Years) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | $ - | 10 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | $ (6,318,435) | 10 | $ - | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) |
| 2016 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2017 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2018 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2019 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2020 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2021 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2022 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2023 | $ - | 1 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Increase (Decrease) in Pension Expense | | | $ - | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,843) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) | $ (631,844) |

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# HISTORICAL INFORMATION SECTION

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# Improvements to the System

**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

**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

**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% .

**February 2015**

Effective February 18, 2015, eliminate the opportunity to purchase permissive service in conjunction with utilizing the Forward or Retro-DROP.

Effective February 18, 2015, permissive service credit factors shall be determined based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality.

Effective April 1, 2015, eliminate Retro-DROP for members with less than 23 years of APRS service.

Effective August 1, 2015, the Forward DROP interest rate will be set annually in the same manner as the PROP interest rate, except for those with 23 years of APRS service as of July 31, 2015 who will not be affected.

New hires beginning February 1, 2016 will be required to pay the full actuarial cost for purchase of military service. All others will continue to pay 25% of the actuarial cost, which will be based on an interest rate that is 50 basis points lower than the valuation assumption and generational mortality.

# Interest Paid On Member Contributions

| Year | Interest Paid |
|---|---|
| 2015 | 0.0% |
| 2014 | 0.0% |
| 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% |

*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

| Year | COLA Paid |
|---|---|
| 2015 | 0.0% |
| 2014 | 0.0% |
| 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% |

**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

| | | 2015 | 2014 |
|---|---|---|---|
| **ACTIVE MEMBERS** | | | |
| Total Number of Members, January 1 | | 1,777 | 1,732 |
| Add: | New Members | 83 | 128 |
| Deduct: | Members Terminated | (26) | (27) |
| | Deceased Members | (2) | (6) |
| | Members Transferred to Retiree System | (71) | (50) |
| TOTAL ACTIVE MEMBERS, DECEMBER 31 | | 1,761 | 1,777 |
| **VESTED TERMINATED** | | | |
| TOTAL VESTED TERMINATED MEMBERS, DECEMBER 31 | | 41 | 27 |
| **RETIREE MEMBERS** | | | |
| Total Number of Members, January 1 | | 727 | 683 |
| Add: Retired Members Transferred to System | | 71 | 50 |
| Deduct: Retired Members Deceased | | (3) | (6) |
| TOTAL RETIRED MEMBERS, DECEMBER 31 | | 801 | 727 |
| **TOTAL APRS MEMBERS DECEMBER 31** | | **2,603** | **2,531** |

# BENEFIT GUIDE SECTION

As amended on February 17, 2016

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## 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 the 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, or withdraws by terminating and/or retiring.

The City of Austin contributes 21% of every member's base pay bi-weekly and 21% 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. Contributions and investments earnings also help pay lifetime benefits to the surviving beneficiaries of deceased retirees according to their selected option, and help 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"). The City currently contributes a total of 21.313%, including the adjustment for the PRP. Subsequent adjustments may be made based on the 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 monthly retirement benefits and potential 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 for 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. *Effective 2/1/16 new members may purchase by paying the full actuarial cost at retirement.*

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 that can be purchased at the full actuarial cost by members with at least 20 years of creditable service, excluding pre-membership military service, for up to 60 months with immediate retirement. **Cannot be used in Deferred Retirement Option Plans.*

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. **Cannot be used in Deferred Retirement Option Plans.*

## PROPORTIONATE RETIREMENT PROGRAM SERVICE

PROPORTIONATE SERVICE

Participating System's include:

- 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 System's covering municipal employees who have qualified plans and have elected to participate in the Proportionate Retirement Program

Participating System's recognize service from other participating System's. 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 eligibility before withdrawing member deposits in any of these Systems.

## RETIREMENT BENEFIT LIFE ANNUITY CALCULATION

The basic retirement benefit Life Annuity is calculated using the following formula. The monthly annuity benefit payment begins the month following the member's retirement from the System.

$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 average monthly salary for the highest 36 months of the last ten years of contributing service.

## 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. Permissive Service Credit is not allowed for the DROP program.

**Effective April 1, 2015, the Retro DROP program will only apply to members with 23 years of credible service (including purchased academy service ) on or before March 31, 2015.*

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 PLANS (Forward DROP)

The forward DROP allows active police officers to freeze their retirement benefit calculation, but continue working 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 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. **Permissive Service Credit is not allowed for the DROP program.*

Membership with 23 years of creditable service as of February 17, 2016:

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, member contributions and a 5% simple interest calculation on December 31st for balances on deposit as of January 1st of the same calendar year. **Effective July 1, 2015, the interest rate for new DROP members interest will be the same as PROP.*

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.

Membership with 23 years of creditable service after February 17, 2016:
A member's election to participate in the Forward DROP is irrevocable. During the period that a member participates in Forward DROP, employee contributions will be collected but not credited to the member's Forward DROP account. There will be no interest applied to the member's Forward DROP account. In addition, a fee is applied to the participants monthly Forward DROP amount.

*Graduated fee structure:

| DROP Year | DROP Fee Applied to Monthly DROP Amount |
|---|---|
| 1 | 25% |
| 2 | 20% |
| 3 | 15% |
| 4 | 10% |
| 5 | 5% |
| 6 | 5% |
| 7 | 5% |

### 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 a one-time period of deferral that would cease at the earliest of: (1) the date payment on the monthly benefit is requested, or (2) age 70½ is attained, at which time IRS requires distribution.

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 upon the death of the member. The amount equal to the excess, if any, of the member's 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 of the System's Board of Trustees, whose recommendations are reported to the 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 the 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 the 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 Board of Trustees.

## 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 amount if the member retired under the Proportionate Retirement Program) is paid to the designated beneficiary(ies) or the retiree's 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 the member's 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.

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).

**Death of a Vested Member Not Yet Retired:**

Upon the death of a vested member who has terminated employment but left their contributions in the Fund waiting for retirement eligibility, their designated beneficiary would receive a lump sum amount twice the deceased vested member's accumulated deposits.

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

Retirees have several choices of insurance carriers and coverage options. Any questions about carriers and plan coverage choices should be directed to the City of Austin Benefits Office at www.austintexas.gov/retirees 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 have attained ten years of creditable service which can include approved Proportionate Service Credit if applicable, 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 creditable years of service. 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 to do so under the Proportionate Retirement Program.

RETIREMENT REFUND CHECKS ISSUED AFTER WITHDRAWING CONTRIBUTIONS

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

LEAVING THE CITY AND WITHDRAWING ACCUMULATED DEPOSITS

Every payday the City contributes an amount to the retirement fund that is 19% (20% effective 10/1/2011, 21% effective 10/1/2012) 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 team will prepare a schedule of your benefits under each of the options and assist you in your preparation to retire.

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

CITY OF AUSTIN POLICE RETIREMENT SYSTEM

2520 S. IH-35
Suite 100
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Fax: 512-416-7138
Website: www.ausprs.org