# FINANCIAL SERVICES DEPARTMENT

CITY OF AUSTIN · FOUNDED 1839

Austin Police Retirement System (APRS) Funding Policy
Audit and Finance Committee 3/29/2023

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# Purpose and Background

| | APRS |
|---|---|
| Texas Pension Review Board Guidelines | Texas Government Code requires the governing body of a public retirement system and its associated governmental entity to jointly develop and adopt a written funding policy. The policy should:<br><br>▪ Establish funding objectives<br><br>▪ Detail actuarial methods<br><br>▪ Provide a plan for achieving funding objectives including actions that will be taken to address actual experience that diverges from assumptions |
| HB 4368 (87th Legislature) | During the 87th Texas State Legislature session, the City and the Austin Police Retirement System (APRS) collaborated on making essential reforms to APRS through the passage of House Bill 4368. The recommended funding policy is in full alignment with HB 4368. |

# Funding Model

| | APRS |
|---|---|
| Actuarially Determined Employer Contributions (ADEC) | ▪ Legacy liability payments set on a fixed 30-year repayment schedule<br>▪ Remaining City contribution rate actuarially determined within a corridor<br>　○ Corridor midpoint equals normal cost of benefit less employee contribution rate<br>　○ ADEC can fluctuate ± 5% from the corridor midpoint depending on system performance<br>▪ Contribution increase phased in over 3 years |
| Employee Contributions | ▪ Employee contribution rate of 15%<br>▪ Up to an additional 2% if upper ADEC corridor breached |

# Funding Model

| | APRS |
|---|---|
| City Contributions can Vary from the ADEC Dependent on the System's Funded Ratio | <ul><li>City contribution rate can fluctuate ± 5% from the corridor midpoint depending on system performance</li><li>Funded ratio < 90%: City Contribution Rate is the greater of the ADEC or the corridor midpoint, but not more than the corridor maximum</li><li>Funded ratio > 90%: City Contribution Rate is equal to the ADEC, but not less than the corridor minimum</li></ul> |

# Questions?

City of Austin | Financial Services Department