



Austin Police Retirement System

May 28, 2021

Update to APRS Members on House Bill 4368:

Final legislative action for the passage of HB 4368 (the APRS bill) occurred on Friday, May 28, and it is now headed to the Governor. The legislation will address the underfunded status of the System and better ensure the long-term sustainability of its trust fund for the protection of APRS members and beneficiaries that rely on their retirement income.

Key provisions include the basic provisions adopted unanimously by the APRS Board in September:

- Lower benefits for new hires beginning 1/1/2022
 - 2.5% multiplier
 - Retirement eligibility at age 50 and 25 years of service
 - Average salary calculated on the highest 60 months
- Member contributions increase from 13% to 15% of pay beginning 1/1/2022
- City contributions increase with two components:
 - Carve out of the legacy unfunded liability existing as of 12/31/2020, with a separate City payment plan beginning 1/1/2022, to pay off this amount in a 30-year period
 - Contribution rate based on an ADEC (Actuarially Determined Employer Contribution) keeping the rate within a certain corridor to ensure long-term funding but moderating volatility

Other key changes made by the 87th Legislature include:

- APRS Board composition: One active member seat will be replaced with a citizen appointed by the City Council; requires experience in finance and/or investments.
- Board authority to change plan provisions such as benefits and eligibility, including an ad hoc COLA, is eliminated; as well as Board authority to recommend a change in the contribution rate paid by members. Future changes would have to be done by the legislature.
- Determination of actuarial assumptions remains the Constitutional duty of the Board. However, the bill adds a process by which the city can provide input to the Board.
- If the ADEC corridor is breached and the city rate is therefore capped, member contributions increase as needed up to a maximum rate of 17%. At that point, the member rate is capped, and the city and Board must enter discussions about how to resolve funding.
- City contribution increases required by the legislation are phased in over three years.