



City of Austin Employees' Retirement System

Retirement Benefits & Cost-of-Living Adjustments

It is the responsibility of your Board of Trustees to maintain a strong retirement system which provides reliable *lifetime* retirement benefits for City of Austin employees. Because this is a *defined benefit* retirement system, your benefits are calculated based on a formula. The formula is 3% times your calculated final average earnings times your years of creditable service.

Some things to keep in mind:

- Your COA ERS retirement benefit formula is among the best in the country; however, your retirement plan is not designed or funded to provide automatic cost-of-living adjustments or extra one-time payments. Instead, adjustments are “ad hoc”, which means they are authorized on a one-at-a-time basis and only when certified by the retirement system’s actuary that they are financially sustainable. At this time, they are not.
- Contributions to the retirement system are structured to finance and pay your lifetime benefit, but are not structured to pay for future adjustments to your annuity. Therefore, cost-of-living adjustments can only be authorized and paid when there is funding beyond what is necessary to pay the current benefits to COA ERS annuitants. Although the City is contributing more to the retirement system under a special agreement, it is not enough to provide any adjustments to current annuities.
- *If you are a retiree*, please know that your current annuity is secure and, in fact, protected from reduction by the Texas Constitution. However, there is no certainty or requirement for your retirement benefit to be adjusted in the future. It is doubtful that adjustments can be granted for the foreseeable future.
- *If you are an active employee contemplating retirement*, you should remember that adjustments are not guaranteed or automatic and you should factor this into your retirement decision. It is important that you consider all sources of retirement income, including Social Security and personal savings, such as the City of Austin Deferred Compensation Program, when making the decision when to retire.

Loss of purchasing power is a significant issue for many retirees and this is of concern to the Board of Trustees; but the first obligation is to maintain and preserve a retirement system that can pay the lifetime benefits that are promised under the plan.