



***Summit Strategies Group***

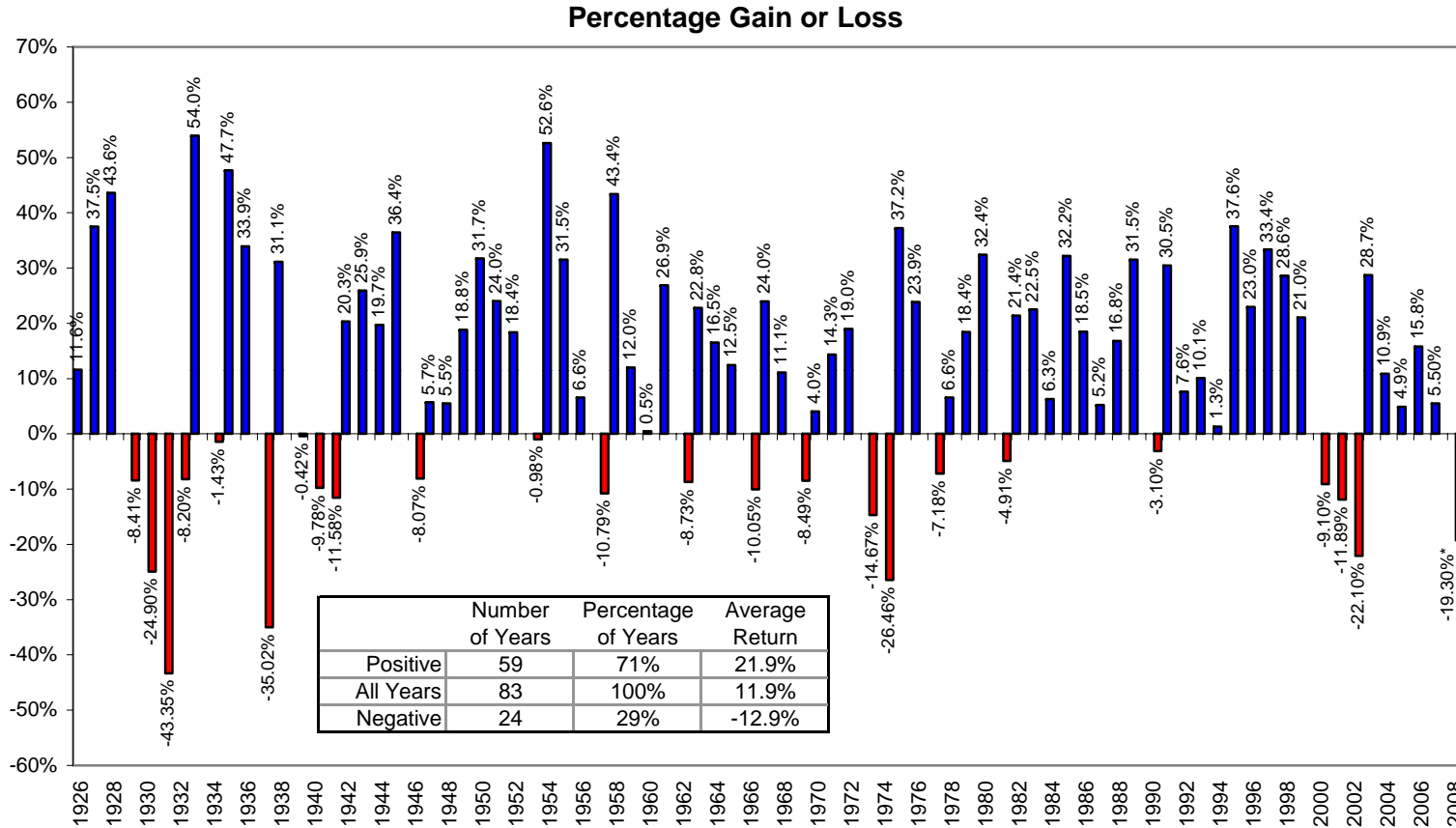
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St. Louis, Missouri 63105  
314.727.7211*

**Annual Members' Meeting  
City of Austin Employees'  
Retirement System**

October 15, 2008

Standard & Poor's 500 Index

Total Return: Calendar Years 1928-2008\* (YTD through 9/30/08)

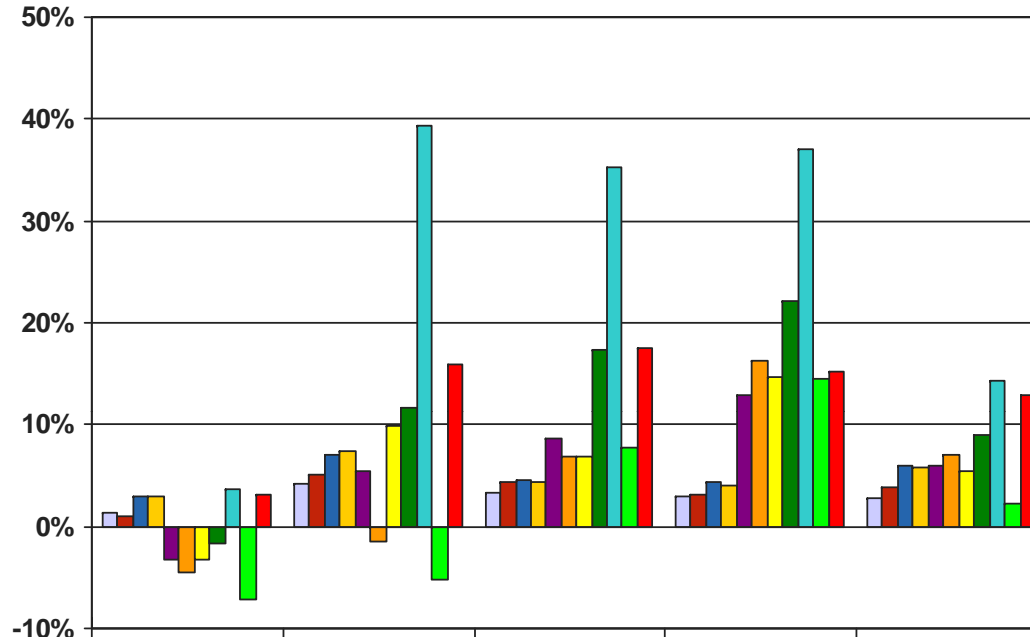


	1 Year	5 Years	10 Years	15 Years	20 Years	30 Years
Best Case	54.0%	28.6%	20.1%	18.9%	17.9%	13.7%
Worst Case	-43.4%	-12.5%	-0.9%	0.6%	3.1%	8.5%

\* Year-to-date through September 30, 2008.

Sources: Standard & Poor's Corporation; Crandall, Pierce & Company; Alliance Bernstein.

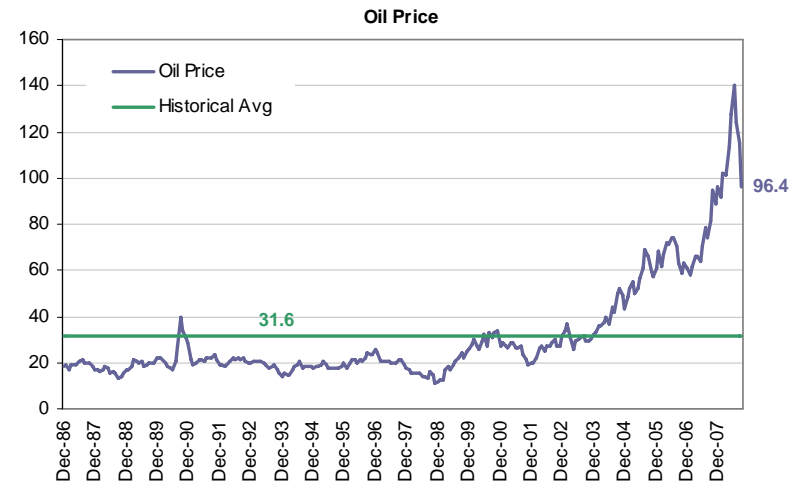
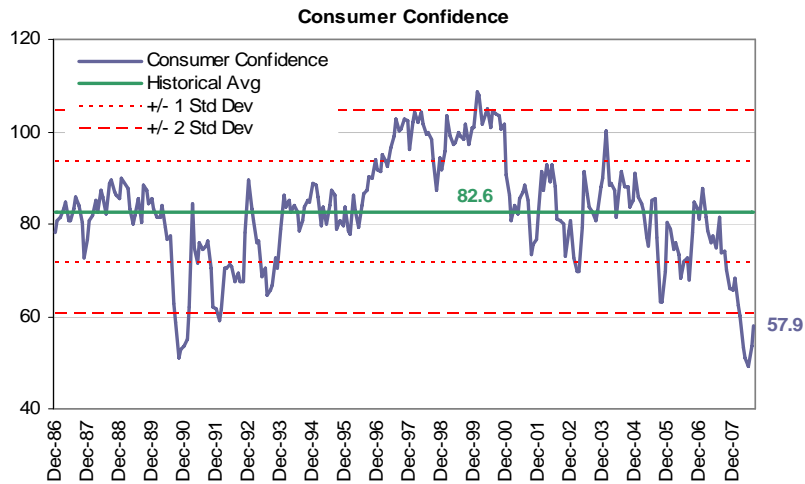
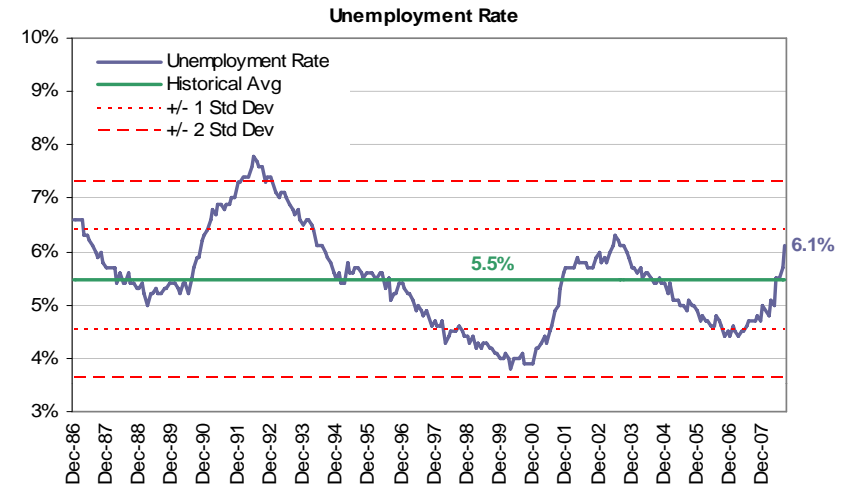
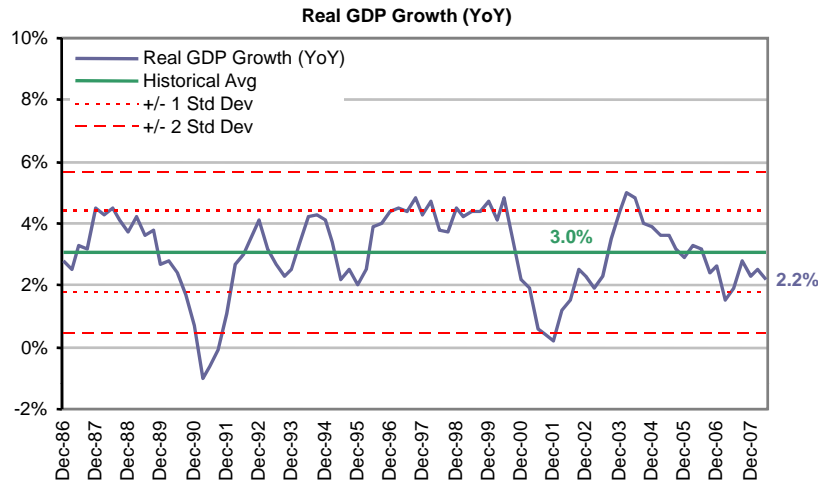
**Market Environment**  
**Periods Ending December 31, 2007**



	1 Qtr.	1 Year	3 Years	5 Years	10 Years
□ CPI	1.4%	4.1%	3.4%	3.0%	2.7%
■ Treasury Bills	1.1%	5.0%	4.3%	3.1%	3.8%
■ Lehman Aggregate	3.0%	7.0%	4.6%	4.4%	6.0%
■ Lehman Intermediate G/C	2.9%	7.4%	4.3%	4.1%	5.8%
■ S&P 500	-3.3%	5.5%	8.6%	12.8%	5.9%
■ Russell 2000	-4.6%	-1.6%	6.8%	16.3%	7.1%
■ NASDAQ	-3.3%	9.8%	6.9%	14.7%	5.4%
■ MSCI EAFE	-1.7%	11.6%	17.3%	22.1%	9.0%
■ MSCI Emerging Mkts	3.6%	39.4%	35.2%	37.0%	14.3%
■ NIKKEI	-7.1%	-5.2%	7.8%	14.5%	2.3%
■ NCREIF	3.2%	15.8%	17.5%	15.1%	12.9%

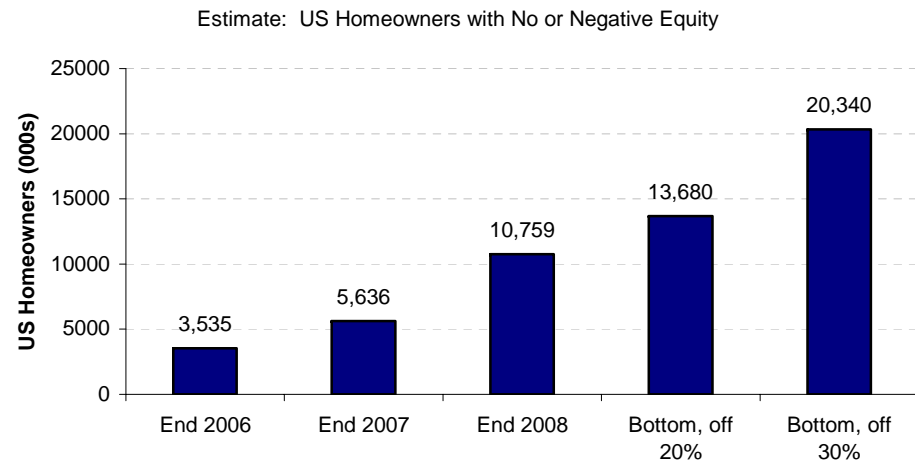
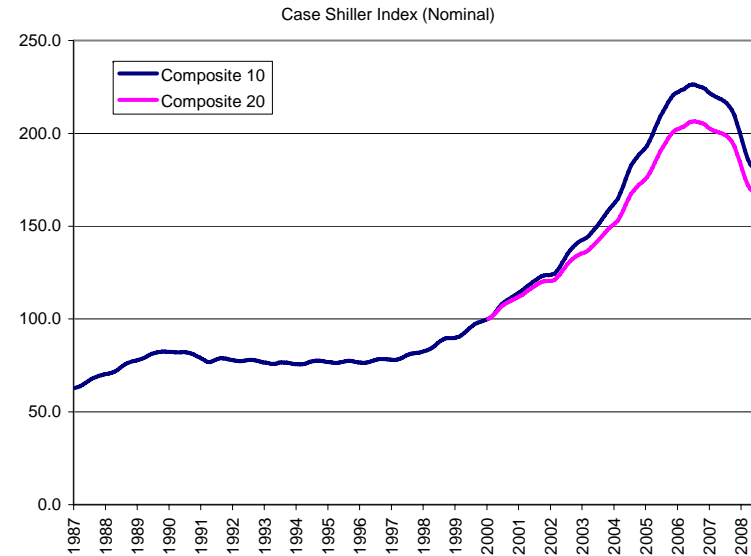
- Inflation
- Cash
- Core Bonds
- Intermediate Bonds
- Domestic Large Cap Stocks
- Domestic Small Cap Stocks
- Domestic OTC Stocks
- International Developed Stocks
- Emerging Markets Stocks
- Japanese Stocks
- Real Estate

Are We In A Recession? (9/30/08)



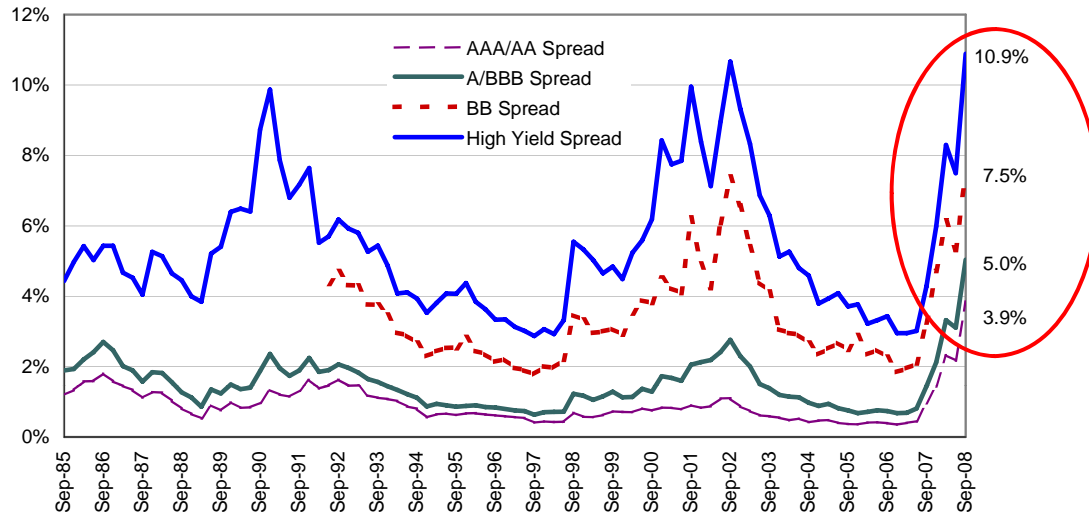
U.S. Real Estate Markets (9/30/08)

- US Real Estate composites show continued decline in prices of single family homes.
  - Composites are off approximately 20% from their peaks.
- It is expected that US homeowners with no or negative equity will reach almost 14 million by year end.
  - This is quadruple the value at the end of 2006.

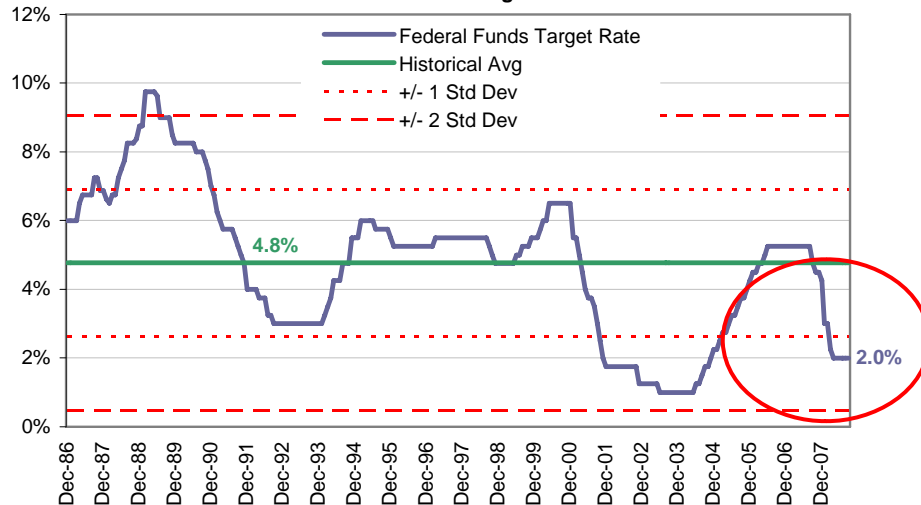


Fixed Income Environment (9/30/08)

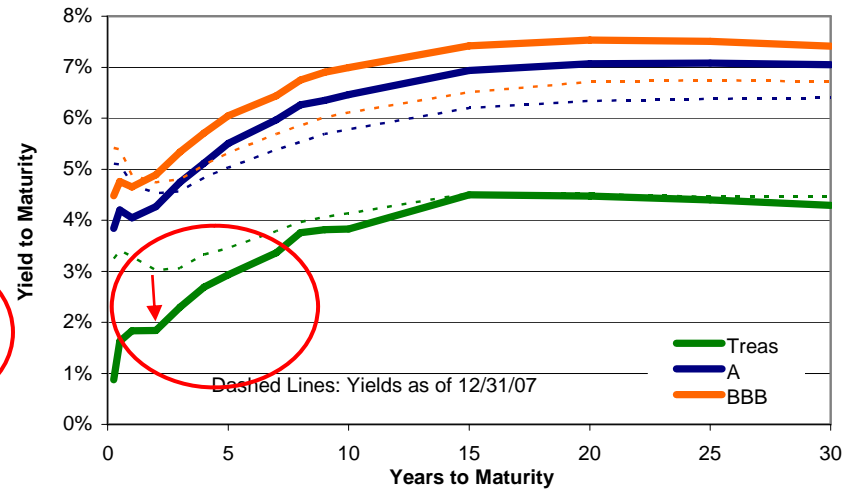
Corporate Yield Spreads Relative to U.S. Treasuries 1-10 Years



Federal Funds Target Rate



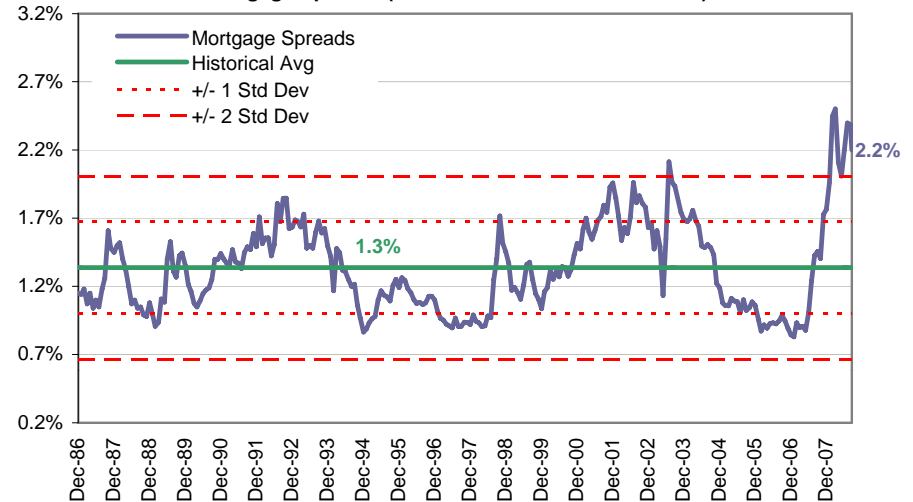
Yield Curves



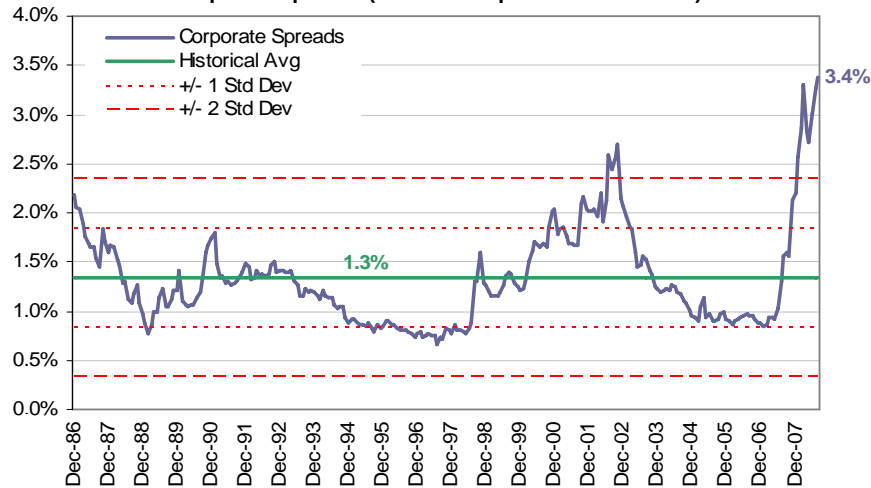
Fixed Income Environment (9/30/08) – Continued

- There are good buying opportunities in most spread sectors, as spreads have widened.
  - High quality mortgage-backed securities and corporate spreads are greater than two standard deviations from the long-term average spread.
  - High yield spreads have widened, and are approaching two standard deviations from the long-term average of 5.4%.

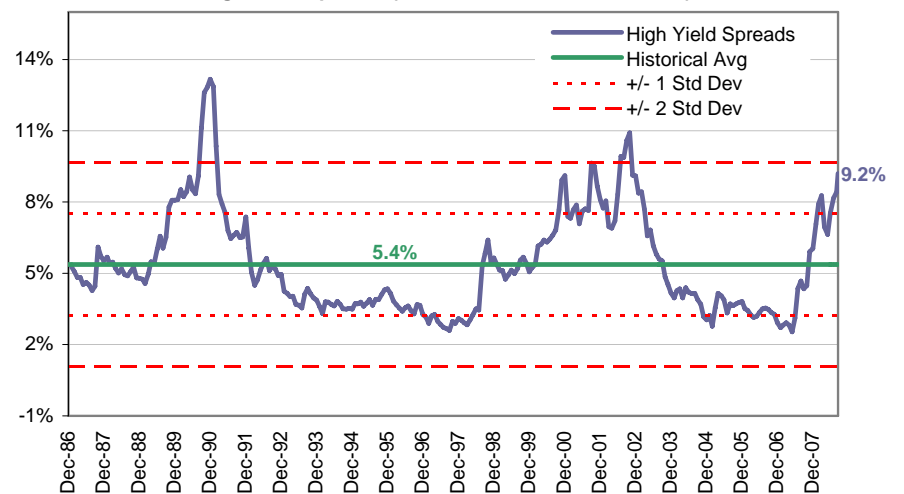
Mortgage Spreads (Lehman MBS vs. Lehman Treas)



Corporate Spreads (Lehman Corp vs. Lehman Treas)

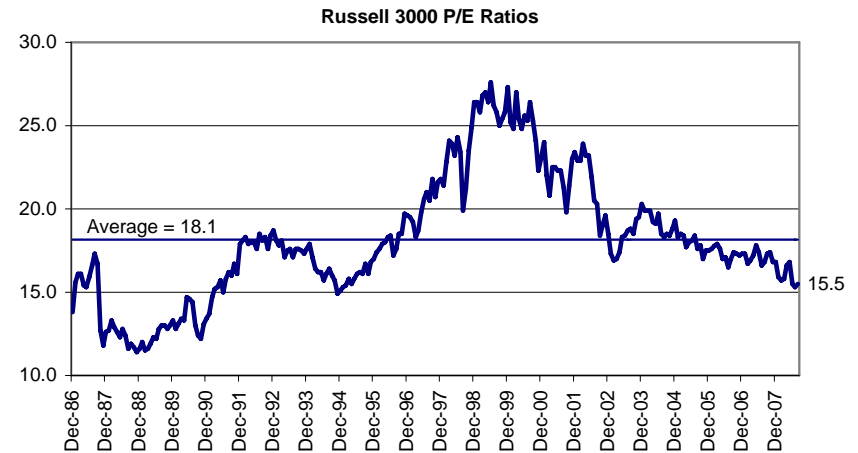
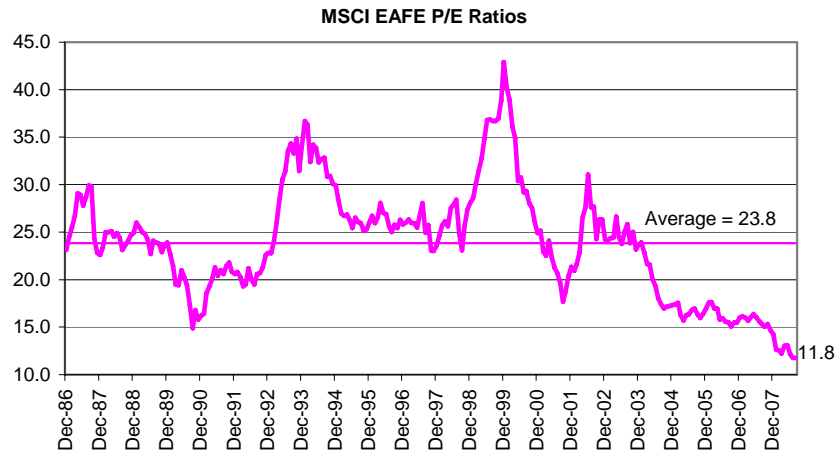
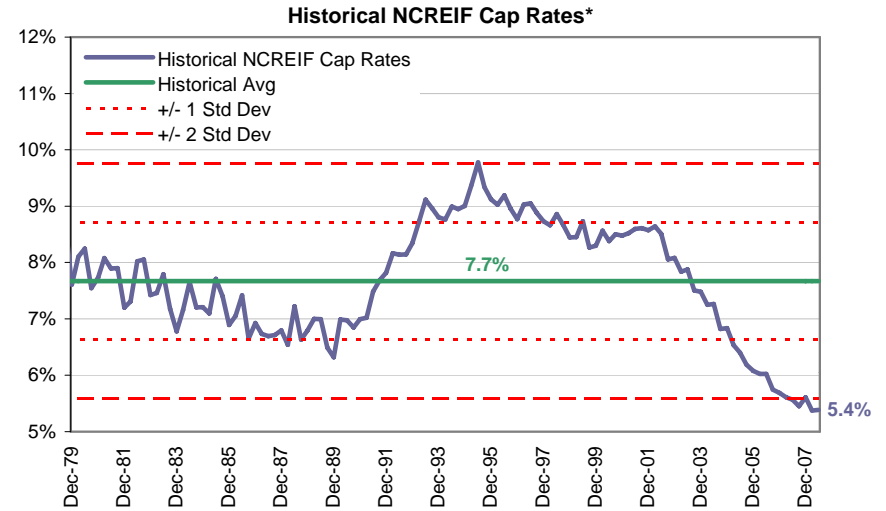


High Yield Spreads (Lehman HY vs. Lehman Treas)



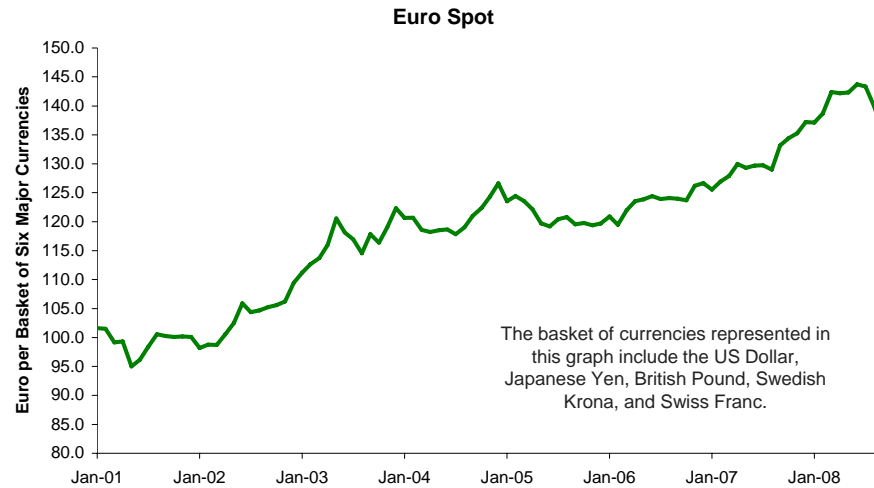
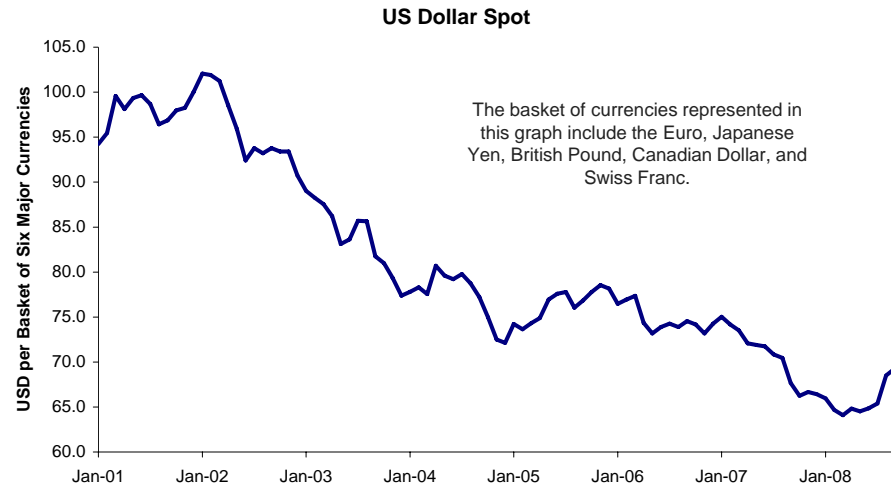
Equity Markets (9/30/08)

- Equities in general have seen a decline in performance over the past 12 months.
- Domestic and international equities are selling below their historic valuation levels.
- Lower earnings and recession can negatively impact equity returns over the next 12 months, however, the asset class is cheap and getting cheaper.
- Recent performance has created buying opportunities within equities.



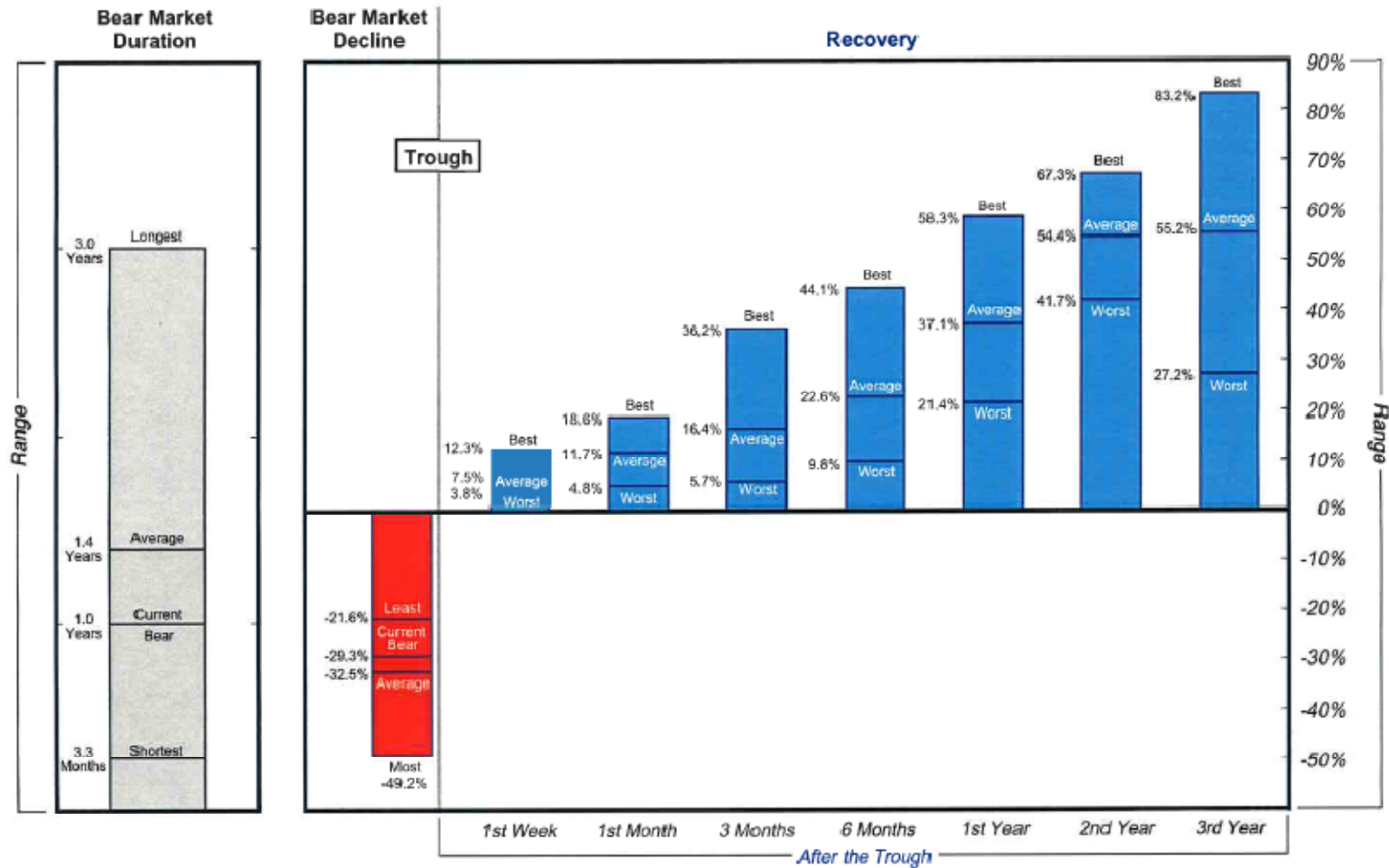
\*Data was not available at time of publication – data is previous month's.

Currency Movements (9/30/08)



\*Source: Bloomberg – Deutsche Bank Trade Weighted Indices.

When Bear Markets End – The Standard & Poor's 500 Stock Index



Note: Data for the Current Bear Market is preliminary through 9/30/2008.  
 Data includes post-WWII Bear Markets as defined by the Standard & Poor's 500 Stock Index.  
 Sources: Standard & Poor's Corporation; Copyright © 2008 Crandall, Pierce & Company

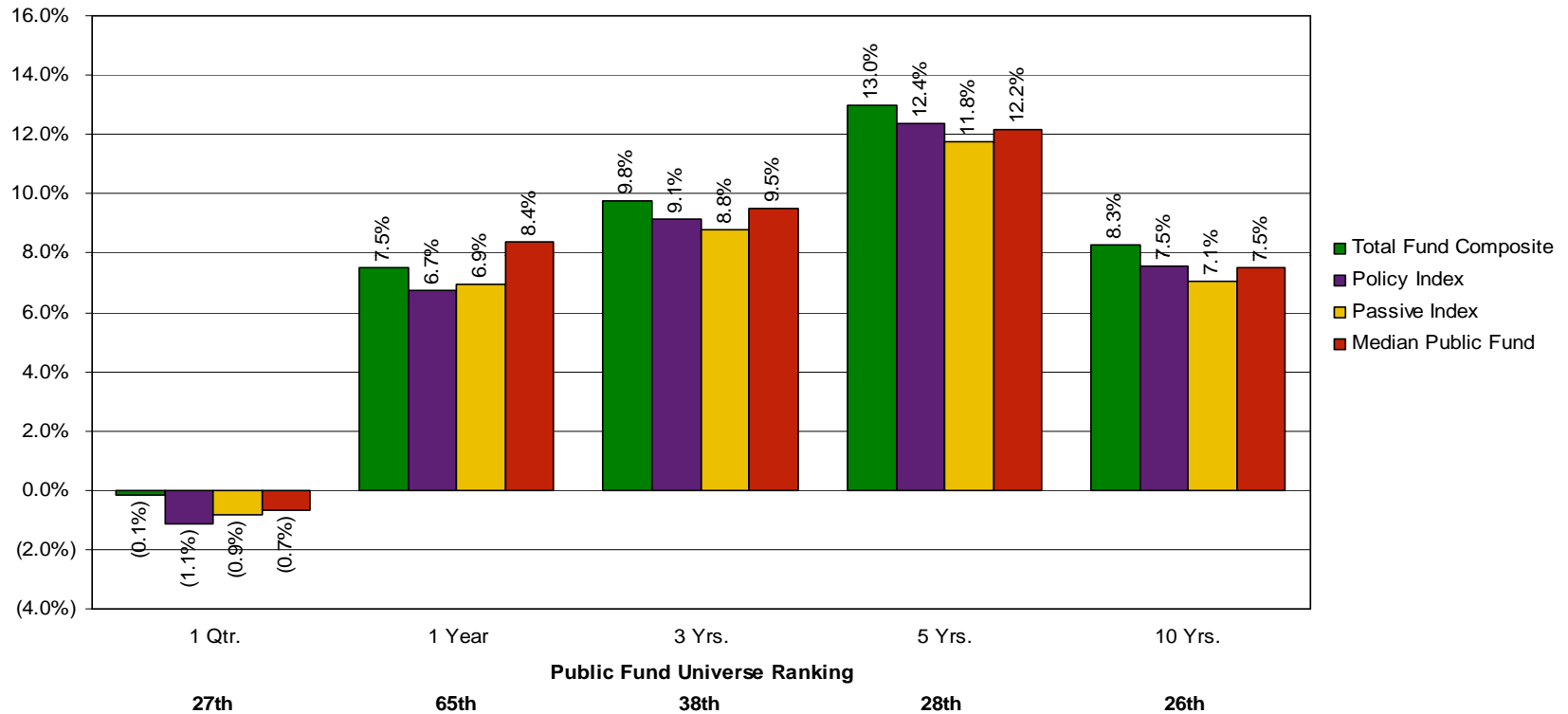
Style Performance Ranking: One-Year Time Periods

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Past Qtr	YTD 2008	*10 Yr ROR	*20 Yr ROR
Best Performing	EM 40.4%	EM 65.0%	LB Int Treas 9.5%	EM 59.9%	Small Value 29.1%	EM 74.8%	EAFE 8.1%	Large Value 38.4%	Large Growth 23.1%	Large Value 35.2%	Large Growth 38.7%	EM 66.4%	Small Value 22.8%	Small Value 14.0%	Core Bonds 10.3%	EM 55.8%	EM 25.6%	EM 34.1%	EM 32.2%	EM 39.4%	Small Value 5.0%	LB Int Treas 4.6%	EM 14.6%	EM 11.9%
	Small Value 29.5%	Large Growth 35.9%	Core Bonds 9.0%	Small Growth 51.2%	Small Cap 18.4%	EAFE 32.9%	Large Growth 2.7%	S&P 500 37.6%	S&P 500 23.0%	S&P 500 33.4%	S&P 500 28.6%	Small Growth 43.1%	Core Bonds 11.6%	Core Bonds 8.4%	LB Int Treas 9.6%	Small Growth 48.5%	Small Value 22.3%	EAFE 14.0%	EAFE 26.9%	Large Growth 11.8%	LB Int Treas 2.2%	Core Bonds 0.6%	Small Value 10.1%	Small Value 11.5%
	EAFE 28.6%	S&P 500 31.7%	Large Growth -0.3%	LB HY 46.2%	LB HY 15.8%	Small Value 23.8%	S&P 500 1.3%	Large Growth 37.2%	Large Value 21.6%	Small Value 31.8%	EAFE 20.3%	Large Growth 33.2%	LB Int Treas 10.3%	LB Int Treas 8.2%	LB HY -1.4%	Small Cap 47.3%	EAFE 20.7%	Large Value 7.1%	Small Value 23.5%	EAFE 11.6%	Core Bonds -0.5%	Small Value -5.4%	Small Cap 7.8%	Large Value 10.6%
	Small Cap 24.9%	Large Value 25.2%	S&P 500 -3.1%	Small Cap 46.1%	Large Value 13.8%	Small Cap 18.9%	LB HY -1.0%	Small Growth 31.0%	Small Value 21.4%	Large Growth 30.5%	Large Value 15.6%	EAFE 27.3%	Large Value 7.0%	LB HY 5.3%	EM -6.0%	Small Value 46.0%	Small Cap 18.3%	Large Growth 5.3%	Large Value 22.2%	LB Int Treas 8.8%	Small Cap -1.1%	LB HY -10.1%	Large Value 5.5%	S&P 500 9.9%
	Large Value 23.2%	Small Growth 20.2%	Large Value -8.1%	Small Value 41.7%	EM 11.4%	Large Value 18.1%	Small Value -1.5%	Small Cap 28.4%	Small Cap 16.5%	Small Cap 22.4%	Core Bonds 8.7%	Small Cap 21.3%	Small Cap -3.0%	Small Cap 2.5%	Small Value -11.4%	EAFE 39.2%	Large Value 16.5%	S&P 500 4.9%	Small Cap 18.4%	Small Growth 7.1%	Large Value -6.1%	Small Cap -10.4%	EAFE 5.4%	Small Cap 9.5%
Worst Performing	Small Growth 20.4%	Small Cap 16.2%	LB HY -9.6%	Large Growth 41.2%	Small Growth 7.8%	LB HY 17.1%	Small Cap -1.8%	Small Value 25.8%	LB HY 11.4%	Small Growth 12.9%	LB Int Treas 8.6%	S&P 500 21.0%	LB HY -5.9%	EM -2.4%	Large Value -15.5%	Large Value 30.0%	Small Growth 14.3%	Small Value 4.7%	S&P 500 15.8%	Core Bonds 7.0%	Small Growth -7.0%	Small Growth -15.3%	Core Bonds 5.2%	Large Growth 9.0%
	S&P 500 16.6%	Core Bonds 14.5%	EM -10.6%	S&P 500 30.5%	S&P 500 7.6%	Small Growth 13.4%	LB Int Treas -1.8%	LB HY 19.2%	Small Growth 11.3%	LB HY 12.7%	LB HY 1.9%	Large Value 7.4%	S&P 500 -9.1%	Large Value -5.6%	EAFE -15.7%	Large Growth 29.8%	LB HY 11.1%	Small Cap 4.6%	Small Growth 13.4%	S&P 500 5.5%	S&P 500 -8.4%	S&P 500 -19.3%	LB Int Treas 5.0%	LB HY 7.5%
	LB HY 12.5%	LB Int Treas 12.7%	Small Growth -17.4%	Large Value 24.6%	Core Bonds 7.4%	S&P 500 10.1%	Large Value -2.0%	Core Bonds 18.5%	EAFE 6.4%	Core Bonds 9.7%	Small Growth 1.2%	LB HY 2.4%	EAFE -14.0%	Small Growth -9.2%	Small Cap -20.5%	LB HY 29.0%	S&P 500 10.9%	Small Growth 4.1%	LB HY 11.9%	LB HY 1.9%	LB HY -8.9%	Large Value -18.9%	Small Growth 4.7%	Core Bonds 7.2%
	Large Growth 11.3%	Small Value 12.4%	Small Cap -19.5%	Core Bonds 16.0%	LB Int Treas 7.0%	Core Bonds 9.8%	Small Growth -2.4%	LB Int Treas 14.4%	EM 6.0%	LB Int Treas 7.7%	Small Cap -2.5%	LB Int Treas 0.4%	Large Growth -22.4%	S&P 500 -11.9%	S&P 500 -22.1%	S&P 500 28.7%	Large Growth 6.3%	LB HY 2.7%	Large Growth 9.1%	Large Value -0.2%	Large Growth -12.3%	Large Growth -20.3%	LB HY 4.4%	Small Growth 6.9%
	Core Bonds 7.9%	EAFE 10.8%	Small Value -21.8%	LB Int Treas 14.1%	Large Growth 5.0%	LB Int Treas 8.2%	Core Bonds -2.9%	EAFE 11.6%	LB Int Treas 4.0%	EAFE 2.1%	Small Value -6.5%	Core Bonds -0.8%	Small Growth -22.4%	Large Growth -20.4%	Large Growth -27.9%	Core Bonds 4.1%	Core Bonds 4.3%	Core Bonds 2.4%	Core Bonds 4.3%	Small Cap -1.6%	EAFE -20.5%	EAFE -28.9%	S&P 500 3.1%	LB Int Treas 6.7%
LB Int Treas 6.3%	LB HY 0.8%	EAFE -23.2%	EAFE 12.5%	EAFE -11.8%	Large Growth 2.9%	EM -7.3%	EM -5.2%	Core Bonds 3.6%	EM -11.6%	EM -25.3%	Small Value -1.5%	EM -30.6%	EAFE -21.2%	Small Growth -30.3%	LB Int Treas 2.1%	LB Int Treas 2.0%	LB Int Treas 1.6%	LB Int Treas 3.5%	Small Value -9.8%	EM -27.0%	EM -35.5%	Large Growth 0.6%	EAFE 5.4%	

\*As of September 30, 2008

Source: Standard & Poors, Frank Russell, Lehman Brothers, MSCI

**Total Fund Performance  
December 31, 2007**



Total Fund Policy Index is comprised of 33% S&P 500, 14% Russell 2500 Growth, 15% FTAWI Ex-US, 38% Lehman Aggregate, thru 8/00; 33% S&P 500, 14% Russell 2500 Growth, 15% EAFE, 38% Lehman Aggregate, 9/00 thru 9/01; 33% S&P 500, 14% Russell 2500, 15% EAFE, 38% Lehman Aggregate, 10/01 thru 12/02; 33% S&P 500, 16% Russell 2500, 16% EAFE, 35% Lehman Aggregate, 1/03 thru 3/05; and 33% S&P 500, 16% Russell 2500, 16% EAFE, 30% Lehman Aggregate, 5% NCREIF, 4/05 to present. Passive Index is comprised of 47% R3000, 15% EAFE, 38% LB Aggregate through 12/02; 49% R3000, 16% EAFE, and 35% LB Aggregate from 1/03 to present.

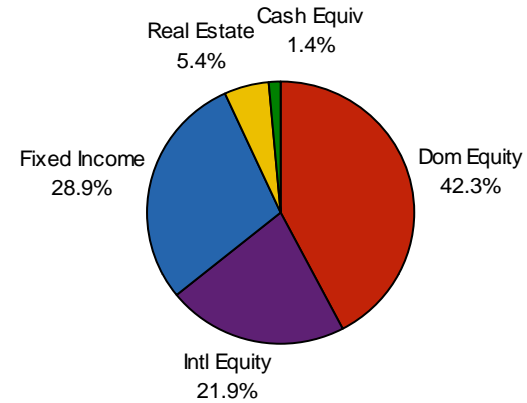
**Total Fund Asset Allocation Summary  
December 31, 2007**

**Actual Allocation**

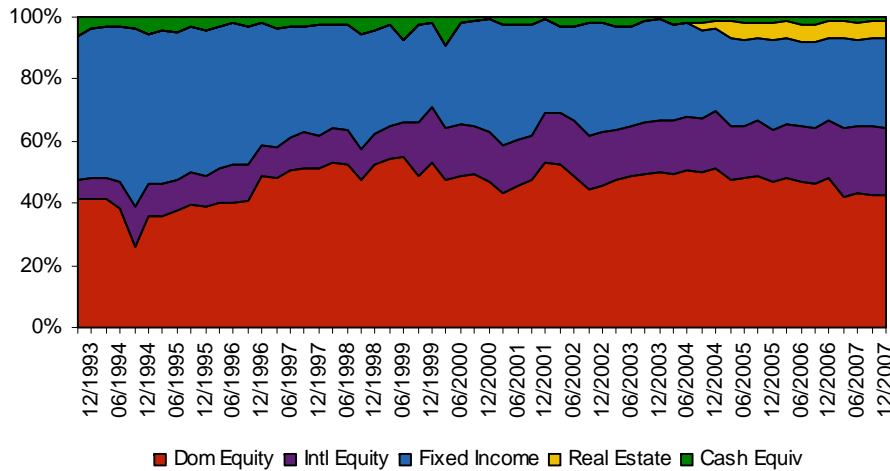
Dom Equity	\$716,813,135
Intl Equity	371,594,876
Fixed Income	489,762,058
Real Estate	91,622,081
Cash Equiv	<u>24,403,594</u>

Total: \$1,694,195,744

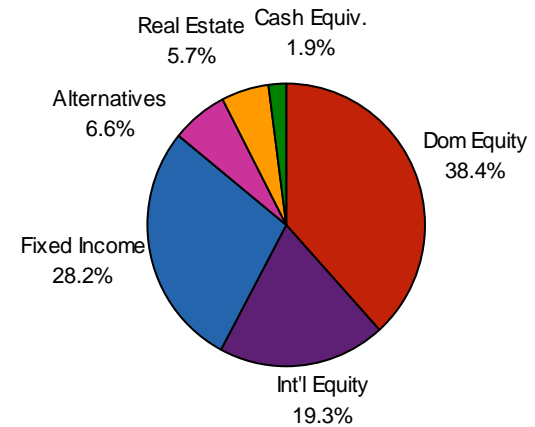
**COAERS' Asset Allocation**



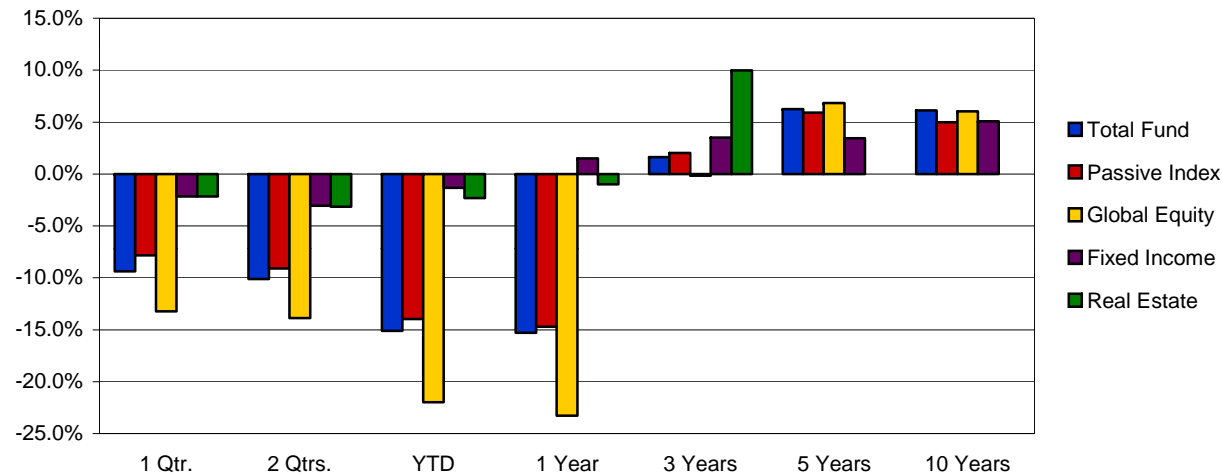
**Historical Asset Allocation**



**Median Public Fund Asset Allocation**



Net of Fees Performance Summary – Preliminary  
Periods Ending September 30, 2008



	Asset Values	1 Qtr.	2 Qtrs.	YTD	1 Year	3 Years	5 Years	10 Years
<b>Global Equity</b>	\$873,501,997	-13.2%	-13.9%	-22.0%	-23.3%	-0.2%	6.8%	6.0%
<b>Fixed Income</b>	\$469,239,223	-2.2%	-3.1%	-1.3%	1.5%	3.5%	3.4%	5.1%
<b>Real Estate</b>	\$77,061,590	-2.2%	-3.1%	-2.3%	-1.0%	10.0%	N/A	N/A
<b>Total Fund</b>	\$1,417,327,106	-9.4%	-10.1%	-15.1%	-15.3%	1.6%	6.3%	6.1%
<b>Passive Index</b>		-7.8%	-9.1%	-14.0%	-14.7%	2.0%	5.9%	5.0%

Note: Passive Index is comprised of 49% R3000, 16% EAFE, and 35% LB Aggregate from 1/03 to present.

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