

Retirement News Update

A Newsletter for Members of the City of Austin Employees' Retirement System

2007 Financial Summary

Introduction

This edition of *Retirement News Update* provides summary financial information about the City of Austin Employees' Retirement System (COA ERS) based on the 2007 *Comprehensive Annual Financial Report* (CAFR). The complete report provides in-depth information about the financial, investment and actuarial aspects of the retirement plan. To obtain a copy of the entire 2007 CAFR, contact the Retirement Office by phone at (512) 458-2551, or, by email at info@coaers.org. You may also download a copy of the report from our website at www.coaers.org.

About COA ERS

The City of Austin Employees' Retirement System is a public employee retirement system established in 1941 by City ordinance and governed since 1991 by the State of Texas. The purpose of COA ERS is to provide retirement, disability, and death benefits for its Members.

As of December 31, 2007, COA ERS' plan net assets totaled \$1.69 Billion and its future obligations were 78.3% funded.

Membership

City of Austin regular employees working 30 or more hours per week become Members of COA ERS on their date of employment. Members employed on October 1, 1995 are given service credit for one prior probationary period of up to six months. Members do not include:

- * Temporary employees
- * Part-time employees working less than 30 hours per week
- * Civil service employees of the Fire Department and the Police Department
- * The Mayor and Members of the City Council

As of December 31, 2007, COA ERS had 8,358 Active Members, 3,633 Retired Members and 828 Inactive Vested Members.

Contributions

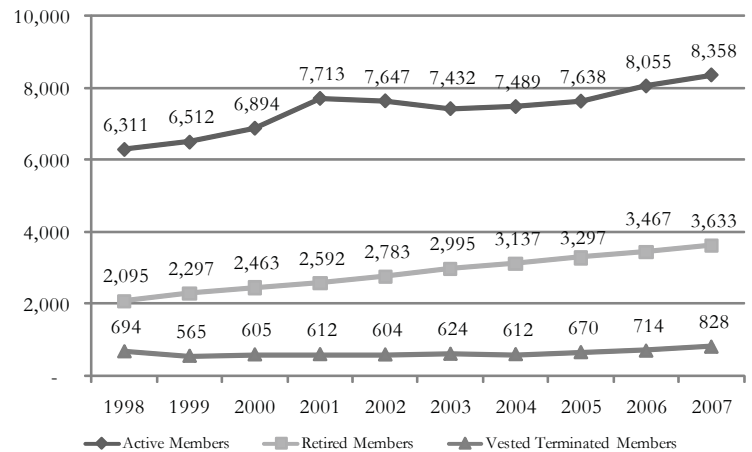
Members of COA ERS currently contribute 8% of their base pay, calculated on a 40-hour work week. Contributions are made through payroll deduction each pay period; the City of Austin currently contributes an amount equal to the amount contributed by Member employees plus a contribution subsidy, presently at 1%, pursuant to the Supplemental Funding Plan.

Retirement Eligibility

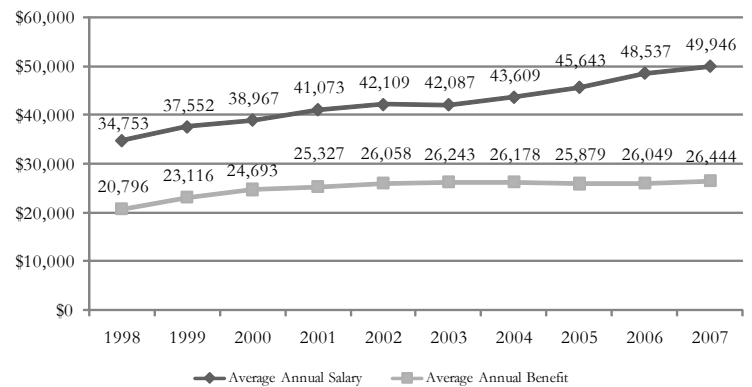
A participant may retire upon attaining age 62, or 23 years of creditable service, or attaining age 55 with 20 years of creditable service. Vesting occurs with 5 years of creditable service.

For more information about specific retirement benefits, please refer to your COA ERS Member Handbook or contact the Retirement Office at (512) 458-2551.

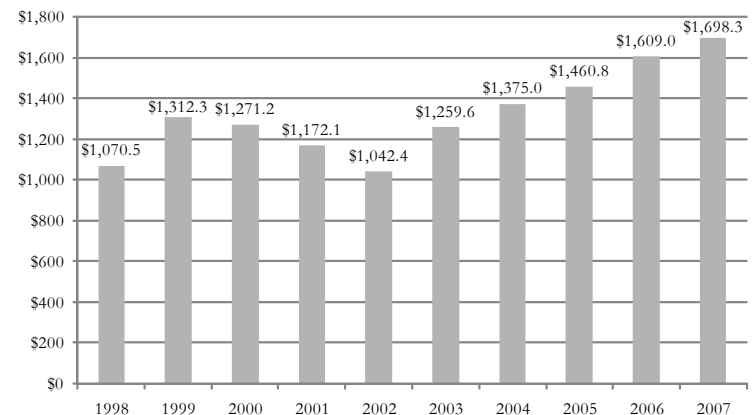
Membership Profile



Average Salary and Average Benefit

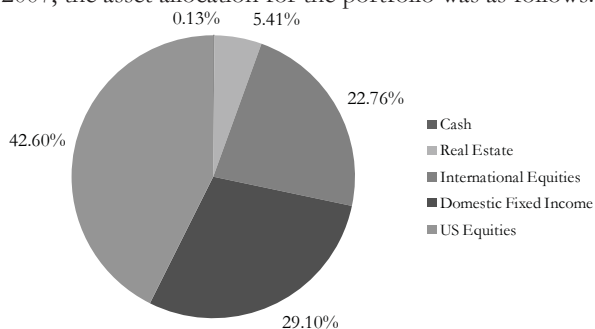


Total Plan Net Assets (Expressed in millions)



Investments

COA ERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our Members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. The Board of Trustees has retained eleven professional investment managers to help maximize returns and control risk for the fund. In determining an appropriate asset allocation and selection of investment managers, the Board is assisted by an independent investment consultant. At December 31, 2007, the asset allocation for the portfolio was as follows:



Investment performance for the year ending 2007 was 7.3% net of fees. For actuarial purposes, the System's annual investment performance is measured over a five-year period, thereby smoothing annual variations in return.

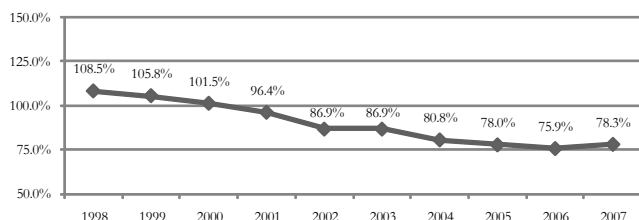
Funding Status

The Actuarial Valuation for the plan year ending December 31, 2007, reports a decrease in the Plan's unfunded liability. COA ERS' unfunded accrued actuarial liability decreased from \$476 million for 2006 to \$459 million for 2007. Current contributions are not sufficient to amortize the System's liabilities over a 30-year period as prescribed by standards of the Governmental Accounting Standards Board. To address this issue, the Austin City Council approved a supplemental funding plan for COA ERS in May 2005.

Supplemental Funding Plan

The Supplemental Funding Plan was designed to ultimately achieve a 30-year amortization of the unfunded liability of the System. The initial funding subsidy under the plan started in October 2006 at one percent of covered payroll. Subject to certain conditions, the subsidy would increase by one percent each year up to a maximum subsidy of four percent. If in any year the investment earnings are 12 percent or greater, the increase in the subsidy is delayed by a year. Because of this provision, the subsidy did not change in October 2007, but will increase to a total of 2% in October 2008. A subsidy (up to four percent) will stay in effect as long as it is needed reach and maintain a 30-year amortization period. As part of the plan, the City Manager and City Council become a part of the process for consideration of future benefit enhancements, including cost-of-living increases. The Supplemental Funding Plan does not require additional contributions from employees. The adoption of this plan by the Austin City Council signals their support of a financially sound retirement system.

Funded Ratio



Summary of Plan Net Assets December 31, 2007 and 2006

	2007 Total	2006 Total	\$ Change	% Change
Assets:				
Cash, receivables and prepaids	\$ 11,166,212	\$ 9,981,192	\$ 1,185,020	11.9%
Investments	1,691,385,280	1,600,703,760	90,678,520	5.7%
Invested securities lending collateral	194,210,934	183,981,546	10,229,388	5.6%
Capital assets, net	1,137,228	1,181,333	(44,105)	-3.7%
Total assets	1,897,896,654	1,795,847,831	102,048,823	5.7%
Liabilities:				
Total liabilities	199,684,762	186,889,587	12,795,175	6.8%
Net assets held in trust for pension benefits	\$ 1,698,211,892	\$ 1,608,958,244	\$ 89,253,648	5.5%

Summary of Changes in Plan Net Assets Years Ended December 31, 2007 and 2006

	2007 Total	2006 Total	\$ Change	% Change
Additions:				
Contributions	\$ 76,491,770	\$ 66,400,877	\$ 10,090,893	15.2%
Investment income	118,935,687	184,039,268	(65,103,581)	-35.4%
Investment expenses	4,006,190	4,089,091	82,901	2.0%
Net investment income	114,929,497	179,950,177	(65,020,680)	-36.1%
Other income	1,340	1,654	(314)	-19.0%
Total additions	191,422,607	246,352,708	(54,930,101)	-22.3%
Deductions:				
Benefit payments and contribution refunds	100,392,924	96,490,275	(3,902,649)	-4.0%
General & administrative expenses	1,776,035	1,670,792	(105,243)	-6.3%
Total deductions	102,168,959	98,161,067	(4,007,892)	-4.1%
Net increase	89,253,648	148,191,641	(58,937,993)	-39.8%
Net assets held in trust for pension benefits, beginning of year	1,608,958,244	1,460,766,603	148,191,641	10.1%
Net assets held in trust for pension benefits, end of year	\$ 1,698,211,892	\$ 1,608,958,244	\$ 89,253,648	5.5%

Retirement News Update is a publication of the City of Austin Employees' Retirement System and is distributed for the information of COA ERS active, vested, and retired members, and their beneficiaries.