

Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at www.coaers.org

3rd Quarter 2017

2016 Financial Summary

Introduction

This edition of Retirement News Update provides summary financial information about the City of Austin Employees' Retirement System (COAERS) based on the 2016 Comprehensive Annual Financial Report (CAFR). The complete report provides information about the financial, investment and actuarial aspects of the retirement plan. To obtain a copy of the full 2016 CAFR, contact the retirement office by phone at (512) 458-2551, or download a copy of the report from our website at www.coaers.org.

As of December 31, 2016, COAERS' net position totaled \$2.3 billion.

Summary of Fiduciary Net Position December 31, 2016 and 2015

	2016	2015
Assets		
Cash and receivables	\$ 87,126,461	\$ 24,550,092
Investments	2,274,600,237	2,125,761,049
Invested securities		
lending collateral	102,574,024	147,167,478
Capital assets, net	3,370,047	2,099,727
Total assets	<u>2,467,670,769</u>	<u>2,299,578,346</u>
Liabilities		
Total liabilities	167,962,383	154,754,224
Net position restricted for pensions	<u>\$ 2,299,708,386</u>	<u>\$ 2,144,824,122</u>

Summary of Changes in Fiduciary Net Position December 31, 2016 and 2015

	2016	2015
Additions:		
Contributions	\$ 165,289,544	\$ 154,702,426
Investment income (depreciation)	176,689,033	(40,810,744)
Investment expenses	5,050,013	6,799,215
Net investment income (depreciation)	171,639,020	(47,609,959)
Other income	995	2,298
Total additions	<u>336,929,559</u>	<u>107,094,765</u>
Deductions:		
Benefit payments and contribution refunds	179,344,379	169,668,990
General and administrative expenses	2,700,916	2,421,332
Total deductions	<u>182,045,295</u>	<u>172,090,322</u>
Net increase (decrease) in net position	154,884,264	(64,995,557)
Net position restricted for pensions:		
Beginning of year	2,144,824,122	2,209,819,679
End of year	<u>\$ 2,299,708,386</u>	<u>\$ 2,144,824,122</u>

Actuarial Overview and Funding Status

Each year, the COAERS actuary presents to the Board of Trustees (Board) the results of the actuarial valuation. The actuarial valuation provides the costs of the plan's liabilities, assesses the adequacy of contributions paid to the plan, and provides a snapshot of the plan's funded status as of December 31st of the previous year.

The Actuarial Valuation for the plan year ending December 31, 2016, reports an unfunded liability of \$1.168 billion, an increase from \$1.084 billion in 2015. The funding period was 31 years, compared to 33 years at the end of 2015, and its current obligations were 67.5% funded.

Key Actuarial Valuation Results

	December 31, 2016	December 31, 2015
Members		
Actives	9,364	9,063
Retirees (including disabled) and beneficiaries	5,934	5,679
Vested - terminated	981	985
Total	<u>16,279</u>	<u>15,727</u>
Covered Payroll	\$599,574,934	\$559,829,504
Contributions		
Employee Contribution Rate	8.00%	8.00%
Employer Contribution Rate	18.00%	18.00%
Normal Cost as % of payroll	18.01%	18.49%
Actuarial accrued liability	\$3,591,376,306	\$3,391,796,116
Actuarial value of assets	\$2,423,269,015	\$2,308,087,140
Unfunded actuarial accrued liability	\$1,168,107,291	\$1,083,708,976
Amortization period of unfunded liability	31 years	33 years
Funding Policy employer contribution rate	19.61%	19.84%
Funded Ratio	67.50%	68.00%

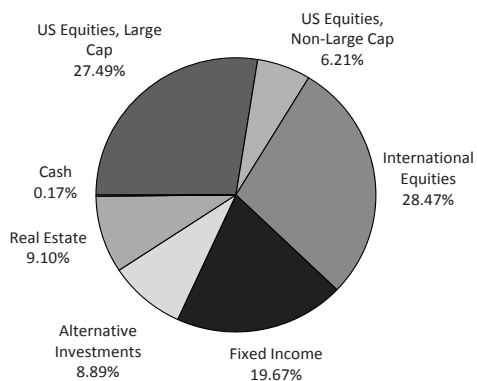
The actuarial valuation results for COAERS this year show strong market returns and new active membership growth. Both of these factors have had a positive impact decreasing the Plan's amortization period of unfunded actuarial accrued liability from 33 to 31 years. While the overall funded position of COAERS decreased slightly from 68.0% to 67.5%, the long-term trajectory for the plan's funded status is positive as more Group B members are hired in the years to come. So, the good news is that COAERS current financial condition doesn't pose any threats to the benefits of current retirees.

Going forward, the Board plans to study its investment strategy and actuarial assumptions during 2018 to ensure that the plan is in the best position to meet all of its responsibilities long-term.

2016 Financial Summary (cont'd)

Investments

COAERS is responsible for the prudent management of funds held in trust for the exclusive benefit of its members, with the sole purpose of providing pension benefits to members and their beneficiaries. The Board of Trustees approves all strategic investment decisions and has diversified the investment portfolio across five major asset classes: U.S. (domestic) equities, international equities, fixed income, real estate, and alternative investments. The Board has retained 13 professional investment management firms to manage portfolios within the approved asset classes. Board decision-making is assisted by an internal chief investment officer and an independent investment consultant. Investment performance for 2016 was 8.1% net of fees. At December 31, 2016, the asset allocation for the portfolio was as follows:



COAERS Annual Members' Meeting

The 2017 Annual Members' Meeting was held on July 18th and was attended by over 35 COAERS active and retired members. The meeting included presentations from COAERS staff that covered topics such as the 85th legislative session, COAERS investment program, and current COAERS initiatives. COAERS actuary from GRS Consulting presented the results of the December 31, 2016 actuarial valuation. In addition, Mr. Stefan Wray made a presentation about climate risk and fossil fuel investment and Mr. George Oswald made a presentation about retiree health insurance costs. COAERS would like to thank everyone who came out and participated in the 2017 Annual Members' Meeting. A link to the presentations can be found on our website at www.coaers.org.



COAERS Board of Trustees Selects RVK as General Investment Consultant

The Board of Trustees of the City of Austin Employees' Retirement System (COAERS) announced the selection of RVK, Inc. as its General Investment Consultant at their June 27, 2017 Board Meeting. By a unanimous vote, the Board authorized the signing of a contract with RVK that is effective July 1 and runs for an initial term of three years plus two potential extensions of two years each.

"We look forward to working with RVK as we continue to evaluate the important aspects of our investment strategy, including our investment beliefs, asset allocation approach, and tolerance for risk" said Mike Benson, Trustee and Chair of the Board's Investment Committee.

Chris Noak, Board Chair, said "COAERS would like to recognize Summit Strategies for its service to the plan as its consultant since 1999. During this time the plan's assets more than doubled and we are grateful for the many helpful recommendations that were provided by Summit."

This decision concludes this Request For Proposal (RFP) process, which was completed on schedule and included a number of key milestones:

- September 2016: Issuance of RFP authorized by the Board
- December 2016: Fourteen proposals received in response to the RFP, which were evaluated using a rigorous analytical process performed by Staff.
- February 2017: Investment Committee narrowed the list to a group of five semifinalists and authorized additional diligence on these firms including site visits.
- May 2017: Investment Committee selected two finalists to present to the Board.
- June 2017: RVK selected by the Board to provide this strategic service.

Among the key factors that contributed to the decision were governance, alignment, resources, experience with public pension plans, as well as the strength and cohesiveness of the proposed consulting team. Contract execution brings to a close the "No Contact Period" associated with the RFP that was announced on December 15, 2016.

Active & Retired Member News

Call for Candidates Active Member Election Places 8 & 9

Are you interested in serving as a Trustee on the COAERS Board? We will be gearing up for the upcoming COAERS Active Member Election for Places 8 & 9. Currently, Place #8 is held by Jim Williams and Place #9 is held by Chris Noak. Their terms expire at the end of December 2017. The new terms will begin January 2018 and continue through December 2021.

To be an eligible candidate, you must be an active member of COAERS. Employees from Health and Human Services and Financial Services department are already represented on the Board of Trustees and are not eligible for this election. Applications will be available at the Retirement Office or on the website at www.coaers.org, and will be due by close of business on Friday, September 8, 2017.

A Candidates Training Workshop is scheduled for Friday, September 15, 2017 to inform candidates of Trustee duties and responsibilities. Candidates may withdraw their application after the session if they are unable to make the necessary commitments.

HealthyConnections Health & Lifestyle Expo in September

You are invited to the Health & Lifestyle Expo on Tuesday, September 26 from 7:30 a.m. to 2:00 p.m. at the Palmer Events Center, 900 Barton Springs Rd. Free parking is available in the garage.

The Health Expo is presented by the City's HealthyConnections. A wide range of services, activities, and giveaways are available. These include nutrition coaching, spinal screening, injury assessment, vision screening, massage, home improvement products and healthy food samples.

Visit this year's Expo to:

- Get a fingerstick screening which includes a check for cholesterol, glucose, triglycerides and blood pressure as well as height and weight. To register for an appointment, call Onsite Health Diagnostics at (877) 366-7483.
- Get a free flu shot, no appointments needed.
- Register for the City's new weight loss program, Real Appeal. The program offers online health coaching and much more! Participate in weekly group coaching sessions using your smartphone, tablet or laptop. Retirees, spouses and employees on the City's medical plan with a BMI > 23 are eligible to participate.
- Make your health a priority by taking steps to manage your diabetes or prediabetes! HealthyConnections offers free Tier 1 medication and supplies for eligible participants.

If you have questions call (512) 974-3284 and speak with a Wellness Consultant.

With Deepest Sympathy

We extend our condolences to the family and friends of those members of COAERS who have passed away since our last publication:*

Retirees

Austin Energy
Roger Growden
Barbara Hardin
Glenn Warren

Austin Resource Recovery

Darryl Roberts

Austin Water Utility

Aubry Bolding
Thurman Hill
Mae Hudson

Brackenridge

Wilma Beauchot
Bette Morgan
Lora Segura
Patricia Wurtz

Communications & Tech Mgmt.

Wayne Savoie

Convention Center

Domingo Fabian

Financial Services

Salvador Solis

Health & Human Services

Yolanda Garcia
Diane Palmer
Jo Plumley
Susan Walchak

Law Department

Charles Jones
Dickie Wills

Planning, Environmental & Conservation Svcs

Robert Russell
Leonard Whittle

Police

Floyd McDowell
Joe Medearis

Public Works

Tarras Godbolt
James Kampa
John McKee
Francisco Rios Maldonado
Antonio Mendoza

Actives

LaTonya Burton
Austin Energy

Ahmed Hassan
Dev. Review & Inspection

Leticia Kopas
Austin Police

Tom Stribling
Labor Relations

* Please note, this list only includes those deaths of which COAERS has been notified.

COAERS Board of Trustees

Chris Noak - Chair
Mike Benson - Vice-Chair
Eyna Canales-Zarate
Reagan David
Francine Gertz
Elizabeth S. Gonzales
Frank Merriman
Leslie Pool
Anthony B. Ross, Sr.
Ed Van Eenoo
Jim Williams

Diabetes Classes for Retirees in October

Are you living with Type 1 or Type 2 diabetes? Join the HealthyConnections Diabetes Program and get your medication and supplies at no cost. Classes will be conducted for retirees by Seton Diabetes Education Center on October 11 and 25 from 12:30 – 4:30 pm at 314 E. Highland Mall Blvd, Suite 209. Contact Seton at (512) 324-1891 (choose Option 2) to register for the eight hour education class.

AUGUST

- 17 Pre-Retirement Seminar
- 31 Retiree Payday

SEPTEMBER

- 4 Observance of Labor Day Holiday
- 21 Pre-Retirement Seminar
- 26 Board Meeting
- 29 Retiree Payday

OCTOBER

- 17 Board Workshop
- 19 Pre-Retirement Seminar
- 31 Retiree Payday



City of Austin Employees' Retirement System

418 E. Highland Mall Blvd. • Austin, Texas 78752-3720
tel: (512) 458-2551 • fax: (512) 458-5650

www.coaers.org

FSC LOGO HERE
PMS 654 @ 70%

Printed on FSC®-certified recycled stock,
10% post-consumer waste, with soy-based inks.

ANNUAL RETIREMENT GATHERING FOR AUSTIN ENERGY RETIREES

When: **Friday, September 22, 2017**
6:00 P.M.

Where: **Good Luck Grill**
14605 N. FM 973
Manor, TX 78653
(512) 272-8777
<http://goodluckgrill.com>

Hope to see you there. Come early, people don't usually stay too late.

This is not a COAERS sponsored activity.

Opportunity for Retirees: Austin Airport Ambassador Volunteer Program

Austin-Bergstrom International Airport is looking for Airport Ambassador Volunteers to provide excellent customer service to airport passengers and visitors regarding the Airport or Austin and surrounding areas. For more information, e-mail: volunteeratabia@austintexas.gov, call (512) 530-7516, or visit <http://www.austintexas.gov/department/airport-volunteer-program>.

Upcoming 2017 Retiree Pay Dates

August 31st, September 29th, October 31st
November 30th, and December 29th

Expect monthly benefit payments to be available on the last business day of each month

Retirement News Update is a publication of the City of Austin Employees' Retirement System and is distributed for the information of COAERS Active, Vested, and Retired Members and their beneficiaries. While COAERS has made every attempt to provide correct information, it does not guarantee the accuracy of the information contained or referenced herein.