

Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at www.coaers.org

1st Quarter 2017

Board Election Results

Ms. Eyna Canales-Zarate was elected to Retired Member Place 10 on the COAERS Board of Trustees. Her four-year term runs from January 2017 through December 2020. The Nominating and Election committee met on December 5, 2016 to tabulate the ballots for this election. The Board of Trustees certified the results during their December 16, 2016 meeting. Ms. Canales-Zarate received 996 votes, Mr. Mark Walsh received 346 votes, and two write-in candidates received one vote each. The response rate was 25%. The Nominating and Election Committee was commended for their dedication to this important process.

Congratulations to Ms. Canales-Zarate!

Board Chair & Vice Chair

The Board elected Mr. Chris Noak to serve as the 2017 Board Chair and Mr. Michael Benson as the Board Vice Chair at their January meeting.

Pensions in the News

Over the last several months, there has been extensive coverage of public pension plans in the news. You might have seen stories about other plans in Texas, as well as stories about COAERS. While events in other Texas cities have left certain plans in trouble, COAERS is not in jeopardy of failing to meet its obligations to our retirees. COAERS has been proactive in addressing prior funding challenges through benefit modifications, contribution increases, and restrictions on future benefits increases. Today, COAERS continues to responsibly manage its commitments to ensure promises made to our retirees are met.



Recognition of Sam Jones

We would like to recognize the outstanding service of our outgoing Board Member, Mr. Sam Jones. Mr. Jones has worked tirelessly over the last eight years, including serving on all five committees. He has served twice as Board Chair, served as Vice Chair, and chaired both the Disability Committee and the Policy Committees.

Mr. Jones had more than 30 years of City of Austin service before retiring from Austin Energy in 1996. We thank him for his dedication to the City of Austin and to COAERS.

Legislative Update

The 85th Texas Legislature is currently in session. During the session, which runs until May 29th, the House and Senate will consider bills on a wide array of issues, including pensions. Before bills can be passed by the House and Senate, committees within each chamber must hear and pass those bills. In the House, the Pensions Committee is charged with hearing pension legislation. In the Senate, the State Affairs Committee hears pension legislation. The bill filing deadline is March 10th. COAERS Board and Staff will monitor bills filed through the legislative process. The Board will act as necessary to protect the system and our participants. You can find more information about the Texas Legislature and the legislative process at the Texas Legislature Online website: www.capitol.state.tx.us.

Update on COAERS Investments

With investment returns of 8.1% net of expenses, 2016 was a good year for the COAERS trust fund and the best one since 2013. In addition, the fund beat its policy benchmark by 0.54% due to strong performance by its investment managers, particularly in international equity markets. These gains allowed the fund to end the year at \$2.279 billion, the highest level in its 75-year history. Even so, the low interest rate environment since the global financial crisis of 2008-2009 has continued to put pressure on the long-term results. Over the last ten years the fund has gained an average of 5.2% annually, which is above the median of all public plans but below the assumed long-term rate of return of 7.5%. While the realized level of return is low by historical standards, it represents a significant improvement over the meager 0.7% that owning US Treasury bills would have delivered during this time.

As part of our continuing commitment to best-in-class stewardship of the fund, last year we undertook several important strategic initiatives with respect to investments. First, COAERS issued a request for proposal (RFP) for investment consulting services, a process that seeks to ensure that the fund receives top-quality strategic advice that is free from conflicts. Second, we conducted a review of the fund's external managers to ensure that each is adding value for the fees they are paid, a process that has resulted in the reallocation of 20% of the fund last year to better performing options. As a result of these efforts and others that remain in the works, the fund expects to save several million dollars in fees annually while improving its ability to serve as a secure source of retirement income for all beneficiaries.

Member News and Notes

Annual Member Statements

Each year, COAERS mails Member Account Statements to all members with funds on deposit with the System. These statements include information regarding your retirement membership date, contributions you made during 2016, interest credited as of December 31, 2016, and both taxable and non-taxable service purchases made during 2016. For active-contributing members, the year-end balance on your annual statement will not match the retirement contribution balance on your City of Austin pay stub. The City does not include any interest, creditable service purchases, or prior refunds when calculating lifetime-to-date retirement contributions. Please review your statement carefully and contact COAERS if you have any questions or concerns about your statement. The statement is provided for information purposes only and allows you to verify our records. It is not a guarantee of benefits.

Interest Posting for 2016

At the November 22, 2016 Board Meeting, the COAERS Board of Trustees set the interest rate paid on member deposits at 1.83%. Interest is credited as of December 31, 2016, on deposits in members' accounts as of January 1, 2016.

Annual Members' Meeting

Please note that our Annual Members' Meeting will be held in July this year. We'll be posting more details soon on our website and in the next quarter's newsletter.

With Deepest Sympathy

We extend our condolences to the family and friends of the COAERS member who was an active City of Austin employee who has passed away:*

Santo Cilauro
Austin Energy

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

Member News and Notes

Retiree Cost of Living Adjustment

The ongoing loss of purchasing power continues to be of concern to retirees and the COAERS Board of Trustees. While current benefits for retirees are not in jeopardy, a cost of living adjustment is not likely in the short term. Each year, the Board obtains a report from its actuary concerning the feasibility of a cost of living adjustment. Again this year, the actuary could not recommend a cost of living adjustment. Accordingly, the Board and City Council cannot legally authorize an adjustment.

It is important to remember that contributions to the retirement system are structured to finance and pay your lifetime benefit, but this does not include financing to pay cost of living adjustments. Much has been done to improve the System's future financial condition. The City is currently contributing more to the Retirement System under a special agreement to strengthen the system. Additionally, the retirement plan was amended to provide lower benefits to employees hired on and after January 1, 2012. The Board has worked diligently to develop a comprehensive funding policy, maximize investment returns within a prudent risk tolerance level, and revise actuarial assumptions to ensure they are reasonable in light of our actual experience. All of these actions have stabilized our future financial situation, however cost of living adjustments remain uncertain. If you are still employed and contemplating retirement, you should keep this in mind when making your retirement decision. It is important to consider all sources of retirement income, including Social Security and personal savings, such as the City of Austin Deferred Compensation Program.

If you would like more financial information about COAERS, visit our website at www.coaers.org. If you would like to participate in discussions about COAERS, we invite you to the COAERS annual members meeting in July. Check our website for the location and time.

Tax Forms for Members (1099-R and 1095)

If you received a payment from COAERS during 2016, either as a retiree, terminated member, or beneficiary, you were mailed a 1099-R for your 2016 tax return at the end of January 2017. Form 1099-R, which reports your taxable pension earnings for the 2016 tax year, was mailed to the address on file with COAERS. The Form 1099-R provides information you will need to complete your tax return.

Some retirees will be receiving an additional tax form. The form is called "Form 1095" and it will be sent to retirees under age 65 who had health insurance coverage with the City during 2016. The Form 1095 will be mailed to arrive by March 2, 2017.

The IRS has a web page devoted to answering questions about Form 1095. Questions about Form 1095 can also be directed to the City's Employee Benefits Division at (512) 974-3284.

With Deepest Sympathy

We extend our condolences to the family and friends of those retirees of COAERS who have passed away since our last publication.

Aviation

Abraham Sims
Patricia Van Buren

Austin Energy

Harry Buerger
Audrey Gambell
Joe E. Johnson
Larry Johnson
James Pinson
Angel Vasquez

Austin Water Utility

Irvin W. Allen
Albert Davis, Jr.
Manuel A. Estrada
John Kistler
Lawrence Mackey
Willie Middleton
Edward Regalado

Brackenridge Hospital

Alice McCluskey
Waldine Pokorny
Naomi Shrader
Lela Thorne
Sylvia Tarver

Financial Services

Calvin Benson
Anne Forsey

Fleet Services

Charles Axelson
Stephan Browning

Health & Human Services

Teresa Fontenette
Lois Vanlaningham

Municipal Court

Maria Ortiz

Parks & Recreation

Donna Bohls
Herminio Gomez
Donald Moore
David Poston
Thomas Wood

Planning & Development

Betsy Berryman

Police Department

Wallace Kelm

Public Works

Ray Botello
Manuel Cavazos
Domingo Cantu
Leon Leeper
James Sneed, Sr.
Thelma Stephens

Transportation

James Lamprecht

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

Upcoming Events

FEBRUARY

16 Pre-Retirement Seminar
20 President's Day (Office closed)
28 Retiree Pay Day

MARCH

16 Pre-Retirement Seminar
28 Board Meeting
31 Retiree Pay Day

APRIL

20 Pre-Retirement Seminar
28 Retiree Pay Day

2017



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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.

2017 Retiree Pay Dates

January 31st	July 31st
February 28th	August 31st
March 31st	September 29th
April 28th	October 31st
May 31st	November 30th
June 30th	December 29th

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