Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at *www.coaers.org* 3rd Quarter 2016

2015 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 2015 Comprehensive Annual Financial Report (CAFR). The complete report provides in-depth information about the financial, investment, and actuarial aspects of the retirement plan (the Plan). To obtain a copy of the full 2015 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.

About COAERS

The City of Austin Employees' Retirement System (COAERS or System) is a public employee retirement system originally established in 1941 by city ordinance, and governed since 1991 by the laws of the State of Texas. The purpose of COAERS is to provide retirement, disability, and death benefits for its members. As of December 31, 2015, COAERS' net position totaled $2.14 billion.

Membership

Regular employees working thirty or more hours per week become members of COAERS on their date of employment. Civil service police officers, firefighters, and cadets do not participate in COAERS. Furthermore, the mayor and members of the City Council are excluded from membership. As of December 31, 2015, COAERS had 9,063 active members, 5,679 retired members, and 985 vested terminated members.

Contributions

Members of COAERS 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 contributes 8% of base pay plus an additional 10% contribution pursuant to City Council resolution.

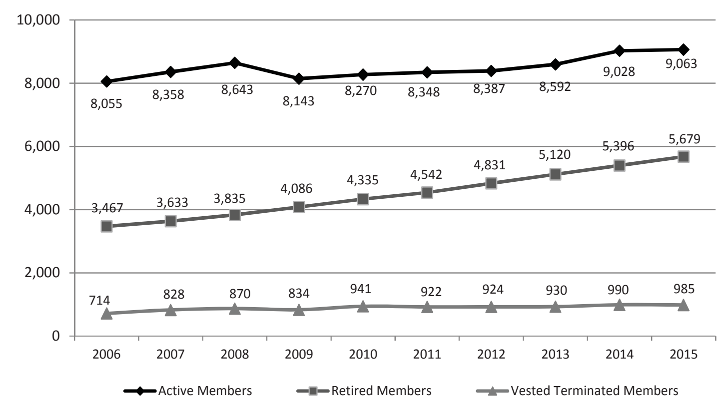
Retirement Eligibility

Eligibility for retirement depends upon the group to which a member belongs. Members hired before January 1, 2012 are in Group A. Members hired on and after January 1, 2012 are in Group B.

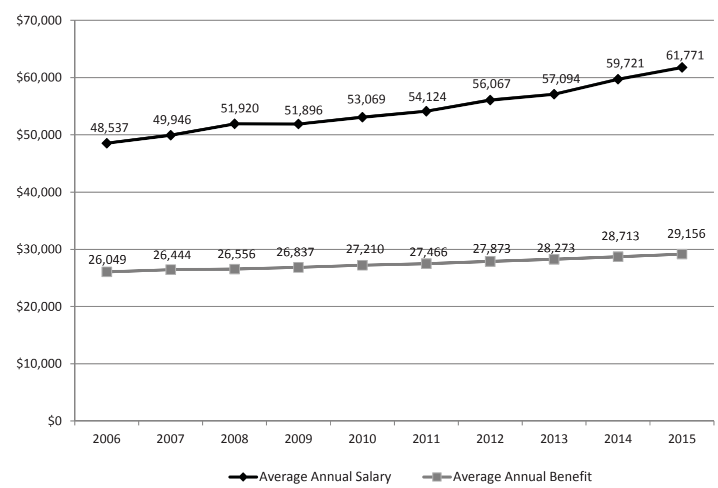
Group A members qualify for normal retirement benefits at age 62; age 55 with 20 years of creditable service; or any age with 23 years of creditable service. Group B members qualify for normal retirement benefits at age 65, with five years of service; age 62, with 30 years of creditable service excluding supplemental service credit; or reduced early benefits at age 55, with ten years of creditable service excluding supplemental service credit. Vesting occurs at 5 years of creditable service for both Group A and Group B members.

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

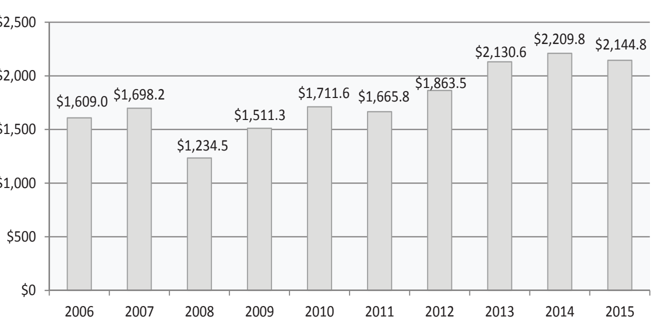
Membership Profile



Average Salary and Average Benefit

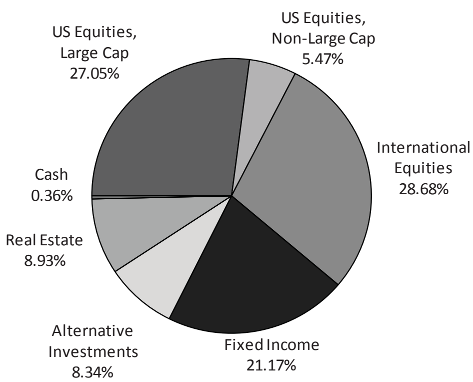


Total Net Position Restricted for Pensions (in millions)



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 15 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 2015 was -1.97% net of fees. At December 31, 2015, the asset allocation for the portfolio was as follows:

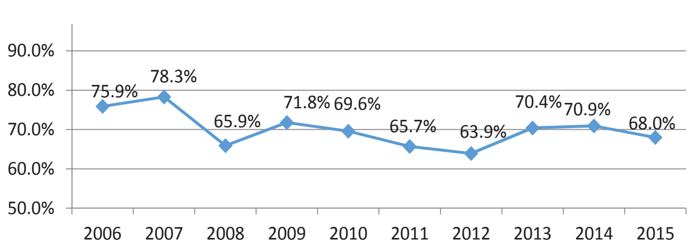


Funding Status and Actuarial Overview

The Actuarial Funding Valuation for the plan year ending December 31, 2015, reports an unfunded liability of $1.084 billion, an increase from $900 million in 2015. The funding period was 33 years, compared to 24 years at the end of 2014, and its current and future obligations were 68% funded.

An experience investigation was performed for the five-year period ending December 31, 2015. As a result of the study, revised assumptions were adopted by the Board effective with this valuation as of December 31, 2015.

Funded Ratio



Summary of Fiduciary Net Position December 31, 2015 and 2014

Assets	2015	2014	$ Change	% Change
Cash and receivables	$ 24,550,092	$ 29,427,801	$ (4,877,709)	(16.6%)
Investments	2,125,761,049	2,195,189,470	(69,428,421)	(3.2%)
Invested securities lending collateral	147,167,478	177,128,773	(29,961,295)	(16.9%)
Capital assets (net)	2,099,727	1,149,272	950,455	82.7%
Total assets	2,299,578,346	2,402,895,316	(103,316,970)	(4.3%)
Liabilities				
Total liabilities	154,754,224	193,075,637	(38,321,413)	(19.8%)
Net position restricted for pensions	$ 2,144,824,122	$ 2,209,819,679	$ (64,995,557)	(2.9%)

Summary of Changes in Fiduciary Net Position Years Ended December 31, 2015 and 2014

	2015	2014	$ Change	% Change
Additions:				
Contributions	$ 154,702,426	$ 143,959,262	$ 10,743,164	7.5%
Investment income (depreciation)	(40,810,744)	106,077,708	(146,888,452)	(138.5%)
Investment expenses	6,799,215	6,377,080	422,135	6.6%
Net investment income (depreciation)	(47,609,959)	99,700,628	(147,310,587)	(147.8%)
Other income	2,298	3,471	(1,173)	(33.8%)
Total additions	107,094,765	243,663,361	(136,568,596)	(56.0%)
Deductions:				
Benefit payments and contribution refunds	169,668,990	161,856,915	7,812,075	4.8%
General and administrative expenses	2,421,332	2,631,217	(209,885)	(8.0%)
Total deductions	172,090,322	164,488,132	7,602,190	4.6%
Net increase (decrease)	(64,995,557)	79,175,229	(144,170,786)	(182.1%)
Net position restricted for pensions:				
Beginning of year	2,209,819,679	2,130,644,450	79,175,229	3.7%
End of year	$ 2,144,824,122	$ 2,209,819,679	$ (64,995,557)	(2.9%)