

# Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at [www.coaers.org](http://www.coaers.org)

3rd Quarter 2014

## 2013 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 2013 *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 full 2013 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](http://www.coaers.org).

### About COAERS

The City of Austin Employees' Retirement 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, 2013, COAERS' net position totaled \$2.13 billion, a historic high, and its current and future obligations were 70.4% funded.

### Membership

Regular employees working 30 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, 2013, COAERS had 8,592 Active Members, 5,120 Retired Members, and 930 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 a City Council resolution.

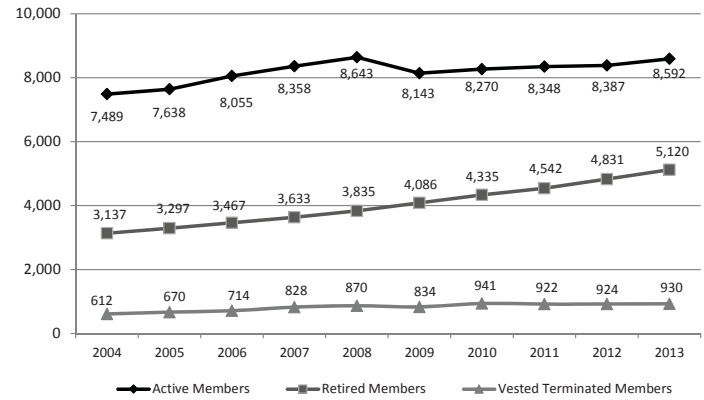
### Retirement Eligibility

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.

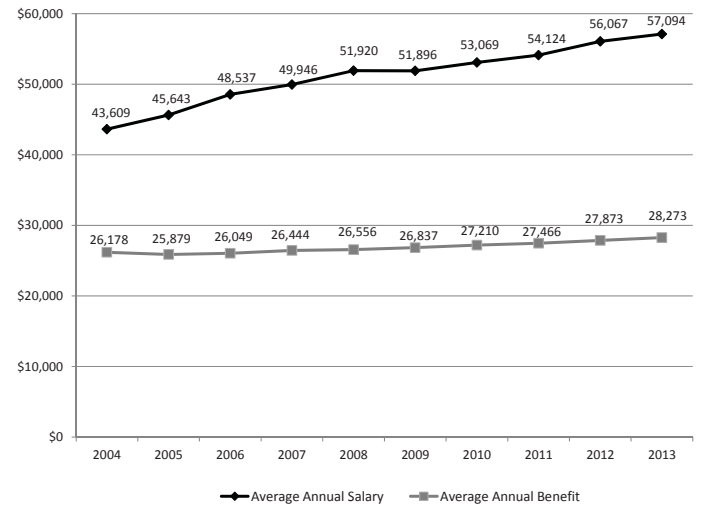
Group A Members qualify for normal retirement benefits at age 62; age 55 with 20 years of creditable service; or any age with 23 years of creditable service. Group B Members qualify for normal retirement benefits at age 65, with five years of service; age 62, with 30 years of creditable service excluding 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.

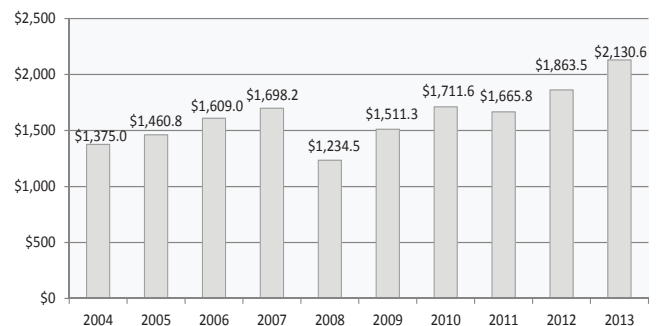
### Membership Profile



### Average Salary and Average Benefit

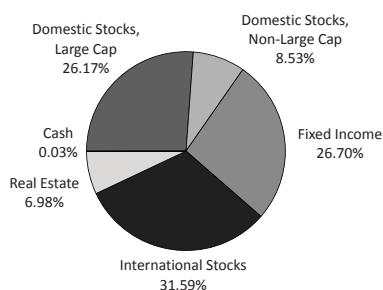


### Total Net Position (\$ in millions)



## 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 four major asset classes: U.S. (Domestic) equities, international equities, fixed income, and real estate. The Board has retained 14 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. At December 31, 2013, the asset allocation for the portfolio was as follows:



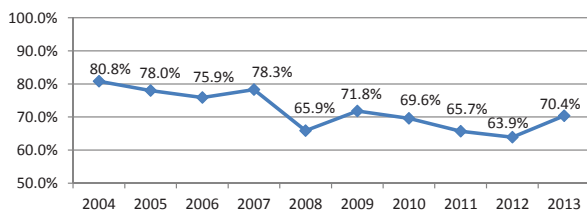
Investment performance for 2013 was 15.5% net of fees.

## Funding Status and Actuarial Overview

The Actuarial Valuation for the plan year ending December 31, 2013, reports an unfunded liability of \$0.86 billion, a decrease from \$1.07 billion in 2012. The funding objective of the System is for contribution rates to be sufficient to cover the normal cost of the Plan and to amortize any unfunded actuarial accrued liabilities over a period not to exceed the GASB 25 standard of 30 years. The funding period is 26 years, compared to 27 years at the end of 2012.

The financial condition of the System has greatly improved due to the impact of increased contributions and the enactment of the new benefit tier in 2011.

### Funded Ratio



## Summary of Net Position December 31, 2013 and 2012

	2013	2012	\$ Change	% Change
<b>Assets</b>				
Cash and receivables	\$ 27,598,892	\$ 17,540,228	\$ 10,058,664	57.3%
Investments	2,113,757,425	1,852,254,380	261,503,045	14.1%
Invested securities lending collateral	187,326,074	157,614,728	29,711,346	18.9%
Capital assets, net	948,937	965,542	(16,605)	(1.7%)
<b>Total assets</b>	<b>2,329,631,328</b>	<b>2,028,374,878</b>	<b>301,256,450</b>	<b>14.9%</b>
<b>Liabilities</b>				
<b>Total liabilities</b>	<b>198,986,878</b>	<b>164,886,817</b>	<b>34,100,061</b>	<b>20.7%</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 2,130,644,450</b>	<b>\$ 1,863,488,061</b>	<b>\$ 267,156,389</b>	<b>14.3%</b>

## Summary of Changes in Net Position Years Ended December 31, 2013 and 2012

	2013	2012	\$ Change	% Change
<b>Additions:</b>				
Contributions	\$ 134,161,929	\$ 120,138,912	\$ 14,023,017	11.7%
Investment income	293,289,672	226,780,192	66,509,480	29.3%
Investment expenses	6,216,050	6,579,477	(363,427)	(5.5%)
<b>Net investment income</b>	<b>287,073,622</b>	<b>220,200,715</b>	<b>66,872,907</b>	<b>30.4%</b>
Other income	995	2,986	(1,991)	(66.7%)
<b>Total additions</b>	<b>421,236,546</b>	<b>340,342,613</b>	<b>80,893,933</b>	<b>23.8%</b>
<b>Deductions:</b>				
Benefit payments and contribution refunds	151,518,750	140,364,366	11,154,384	7.9%
General & administrative expenses	2,561,407	2,279,609	281,798	12.4%
<b>Total deductions</b>	<b>154,080,157</b>	<b>142,643,975</b>	<b>11,436,182</b>	<b>8.0%</b>
<b>Net increase</b>	<b>267,156,389</b>	<b>197,698,638</b>	<b>69,457,751</b>	<b>35.1%</b>
<b>Net position held in trust for pension benefits, beginning of the year</b>	<b>1,863,488,061</b>	<b>1,665,789,423</b>	<b>197,698,638</b>	<b>11.9%</b>
<b>Net position held in trust for pension benefits, end of year</b>	<b>\$ 2,130,644,450</b>	<b>\$ 1,863,488,061</b>	<b>\$ 267,156,389</b>	<b>14.3%</b>