

# Retirement News Update

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

## 2009 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 2009 *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 2009 CAFR, contact the Retirement Office by phone at (512) 458-2551, or, by email at [info@coaers.org](mailto:info@coaers.org). You may also download a copy of the report from our website at [www.coaers.org](http://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, 2009, COA ERS had assets totaling \$1.5 billion and its future obligations were 71.8% 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, 2009, COA ERS had 8,142 Active Members, 4,086 Retired Members and 975 Vested Terminated Members.

### Contributions

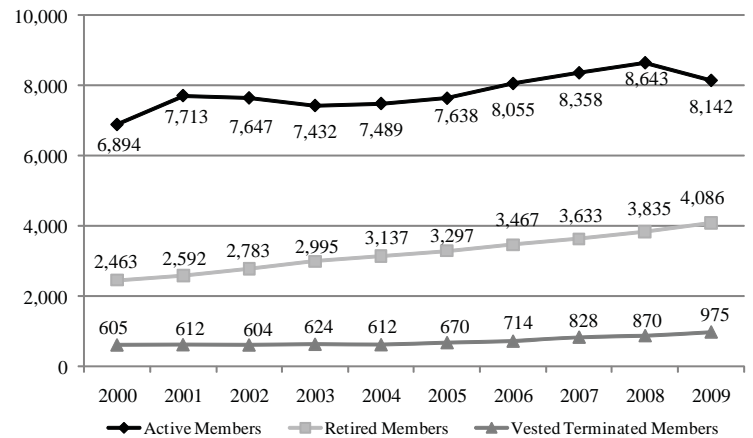
Members of COA ERS currently contribute 8% of their base pay, calculated on a 40-hour work week. Contributions are made through payroll deduction each pay period; the City of Austin currently contributes an amount equal to the amount contributed by Member employees plus a contribution subsidy, presently at 4%, pursuant to the Supplemental Funding Plan.

### Retirement Eligibility

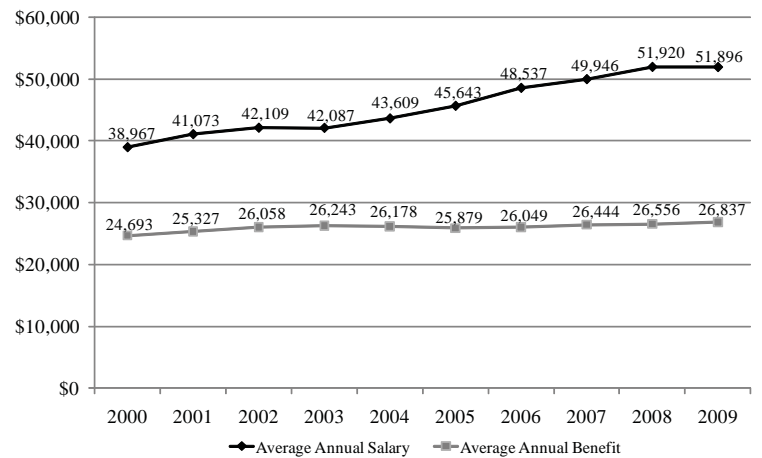
Members qualify for normal retirement benefits at age 62; age 55 with 20 years of creditable service; or any age with 23 years of creditable service. Vesting occurs at 5 years of creditable service.

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

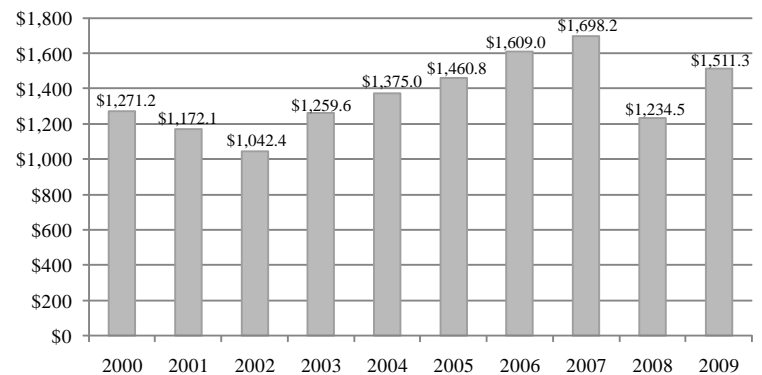
### Membership Profile



### Average Salary and Average Benefit

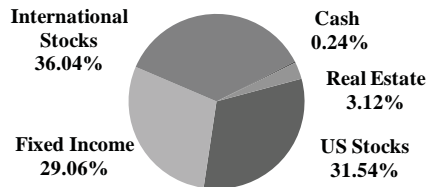


### Total Plan Net Assets (\$ in millions)



## Investments

COA ERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our Members with the sole purpose of providing pension benefits to Members and their beneficiaries. The Board of Trustees has diversified the investment portfolio across four major asset classes: US equities, international equities, fixed income, and real estate. The Board has retained 15 professional investment management firms to manage portfolios within the asset classes. The asset allocation decision and investment manager selection and retention decisions are made by the Board with the assistance of an internal Chief Investment Officer and an independent investment consultant. At December 31, 2009, the asset allocation for the portfolio was as follows:



Investment performance for the year ending 2009 was 25.6% 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.

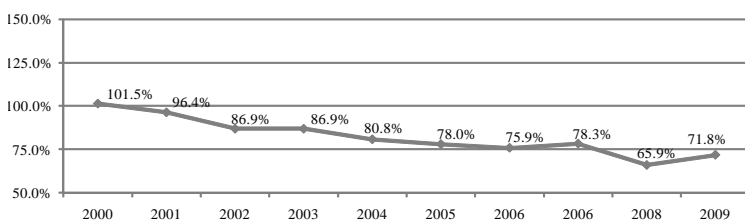
## Funding Status

The Actuarial Valuation for the plan year ending December 31, 2009, reports a decrease in the Plan's unfunded liability. COA ERS' unfunded accrued actuarial liability decreased from \$766 million for 2008 to \$658 million for 2009. 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 that would remain in effect as long as needed to reach and maintain a 30-year amortization period. If in any year the investment earnings were 12 percent or greater, there was no increase in subsidy. Because of the provision, the subsidy did not change in October 2007, but did increase to a total of 2% in October 2008; while scheduled to increase to 3% in October 2009, the city increased the subsidy to the 4% maximum. As part of the plan, the City Manager and City Council are included in the process for consideration of future benefit enhancements, including cost-of-living increases. The Supplemental Funding Plan is no longer expected to attain its objective of a 30-year amortization of unfunded liability within a reasonable period of time. Discussions with City management to develop new strategies to ensure the financial stability of the retirement system are underway.

## Funded Ratio



## Summary of Plan Net Assets December 31, 2009 and 2008

	2009 Total	2008 Total	\$ Change	% Change
<b>Assets</b>				
Cash and receivables	\$ 20,502,113	\$ 11,505,776	\$ 8,996,337	78.2%
Investments	1,507,265,750	1,234,411,659	272,854,091	22.1%
Invested securities lending collateral	158,114,387	112,377,575	45,736,812	40.7%
Capital assets (net)	1,067,584	1,099,465	(31,881)	(2.9)%
<b>Total assets</b>	<b>1,686,949,834</b>	<b>1,359,394,475</b>	<b>327,555,359</b>	<b>24.1%</b>
<b>Liabilities</b>				
Total liabilities	175,669,284	124,898,276	50,771,008	40.6%
Net assets held in trust for pension benefits	\$ 1,511,280,550	\$ 1,234,496,199	\$ 276,784,351	22.4%

## Summary of Changes in Plan Net Assets Years Ended December 31, 2009 and 2008

	2009 Total	2008 Total	\$ Change	% Change
<b>Additions:</b>				
Contributions	\$ 84,014,770	\$ 82,049,164	\$ 1,965,606	2.4%
Investment income (depreciation)	314,599,270	(432,091,929)	746,691,199	172.8%
Investment expenses	3,755,216	3,775,978	(20,762)	(0.5)%
Net investment income (depreciation)	310,844,054	(435,867,907)	746,711,961	171.3%
Other income	363	579	(216)	(37.3)%
<b>Total additions (deductions)</b>	<b>394,859,187</b>	<b>(353,818,164)</b>	<b>748,677,351</b>	<b>211.6%</b>
<b>Deductions:</b>				
Benefit payments and contribution refunds	116,043,021	108,014,690	8,028,331	7.4%
General & administrative expenses	2,031,815	1,882,839	148,976	7.9%
<b>Total deductions</b>	<b>118,074,836</b>	<b>109,897,529</b>	<b>8,177,307</b>	<b>7.4%</b>
Net increase (decrease)	276,784,351	(463,715,693)	740,500,044	159.7%
Net assets held in trust for pension benefits, beginning of the year	1,234,496,199	1,698,211,892	(463,715,693)	(27.3)%
Net assets held in trust for pension benefits, end of year	\$ 1,511,280,550	\$ 1,234,496,199	\$ 276,784,351	22.4%

*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.