

Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at www.coaers.org

3rd Quarter 2015

2014 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 2014 *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 2014 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, 2014, COAERS' net position totaled \$2.21 billion, and its current and future obligations were 70.9% funded.

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, 2014, COAERS had 9,028 active members, 5,396 retired members, and 990 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.

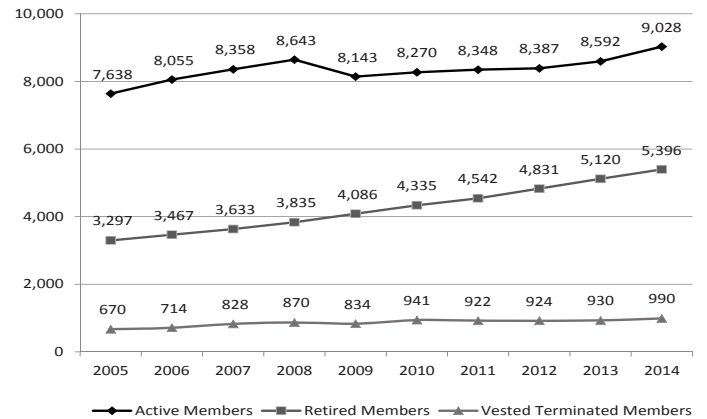
Retirement Eligibility

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.

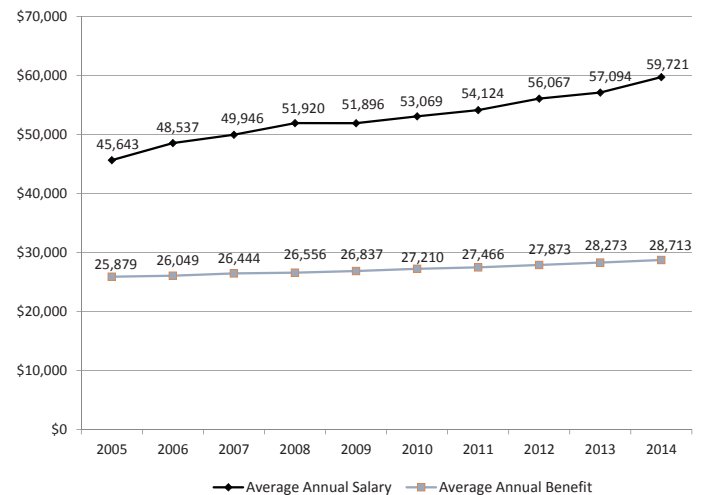
Group A members qualify for normal retirement benefits at age 62; age 55 with 20 years of creditable service; or any age with 23 years of creditable service. Group B members qualify for normal retirement benefits at age 65, with five years of service; age 62, with 30 years of creditable service excluding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

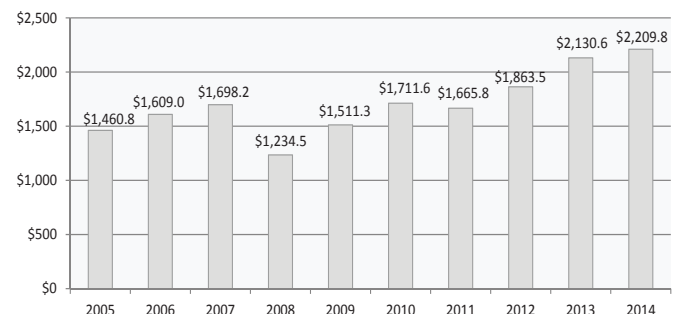
Membership Profile



Average Salary and Average Benefit

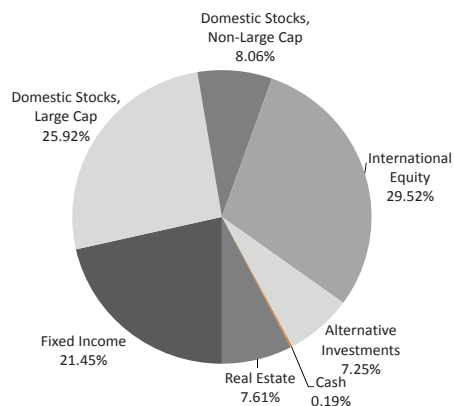


Total Net Position Restricted for Pensions (in millions)



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, a 2014 addition, alternative investments. The Board has retained 16 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, 2014, the asset allocation for the portfolio was as follows:



Investment performance for 2014 was 4.72% net of fees.

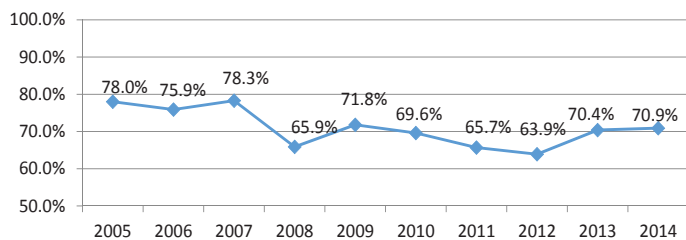
Funding Status and Actuarial Overview

The Actuarial Funding Valuation for the plan year ending December 31, 2014, reports an unfunded liability of \$900 million, an increase from \$862 million in 2013. The System's recently adopted funding policy 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 25 years.

Currently, the funding objective is being met - at December 31, 2014, the funding period was 24 years, compared to 26 years at the end of 2013.

The financial condition of the System continues to improve due to increased contributions and the enactment of the new benefit tier in 2011.

Funded Ratio



Summary of Fiduciary Net Position December 31, 2014 and 2013

Assets			\$	%
	2014	2013	Change	Change
Cash and receivables	\$ 29,427,801	\$ 27,598,892	\$ 1,828,909	6.6%
Investments	2,195,189,470	2,113,757,425	81,432,045	3.9%
Invested securities lending collateral	177,128,773	187,326,074	(10,197,301)	(5.4%)
Capital assets (net)	1,149,272	948,937	200,335	21.1%
Total assets	2,402,895,316	2,329,631,328	73,263,988	3.1%
Liabilities				
Total liabilities	193,075,637	198,986,878	(5,911,241)	(3.0%)
Net position restricted for pensions	\$ 2,209,819,679	\$ 2,130,644,450	\$ 79,175,229	3.7%

Summary of Changes in Fiduciary Net Position Years Ended December 31, 2014 and 2013

			\$	%
	2014	2013	Change	Change
Additions:				
Contributions	\$ 143,959,262	\$ 134,161,929	\$ 9,797,333	7.3%
Investment income (depreciation)	106,077,708	293,289,672	(187,211,964)	(63.8%)
Investment expenses	6,377,080	6,216,050	161,030	2.6%
Net investment income (depreciation)	99,700,628	287,073,622	(187,372,994)	(65.3%)
Other income	3,471	995	2,476	248.8%
Total additions	243,663,361	421,236,546	(177,573,185)	(42.2%)
Deductions:				
Benefit payments and contribution refunds	161,856,915	151,518,750	10,338,165	6.8%
General and administrative expenses	2,631,217	2,561,407	69,810	2.7%
Total deductions	164,488,132	154,080,157	10,407,975	6.8%
Net increase (decrease)	79,175,229	267,156,389	(187,981,160)	(70.4%)
Net position restricted for pensions:				
Beginning of year	2,130,644,450	1,863,488,061	267,156,389	14.3%
End of year	\$ 2,209,819,679	\$ 2,130,644,450	\$ 79,175,229	3.7%

2015 Legislative Session

While there were a few pension-related bills passed this legislative session, none directly impacted COAERS members.