

Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at www.coaers.org

3rd Quarter 2012

2011 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 2011 *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 2011 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 is a public employee retirement system originally established in 1941 by City ordinance and governed since 1991 by the State of Texas. The purpose of COAERS is to provide retirement, disability, and death benefits for its Members.

As of December 31, 2011, COAERS had assets totaling \$1.67 billion and its future obligations were 65.7% funded.

Membership

City of Austin regular employees working 30 or more hours per week become Members of COAERS 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, 2011, COAERS had 8,348 Active Members, 4,542 Retired Members and 922 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 contribution pursuant to the Amended Supplemental Funding Plan; the total employer contribution at December 31, 2011 was 16%.

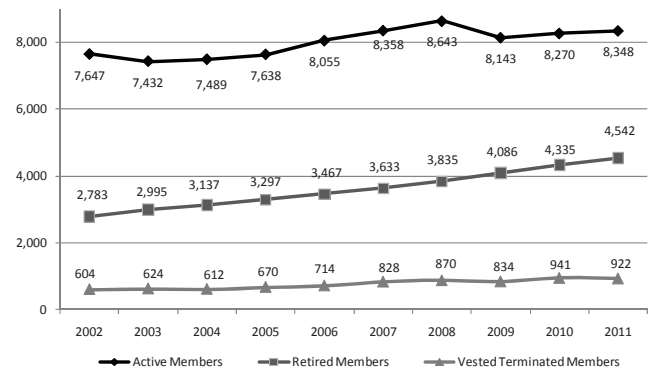
Retirement Eligibility*

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.

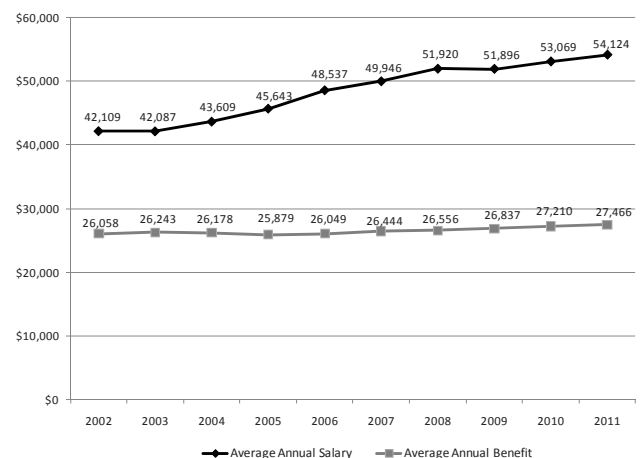
For more information about specific retirement benefits, please refer to your COAERS Member Handbook or contact the Retirement Office at (512) 458-2551.

* Group A plan provisions at December 31, 2011

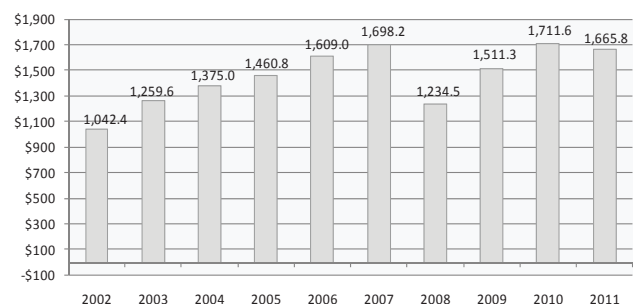
Membership Profile



Average Salary and Average Benefit

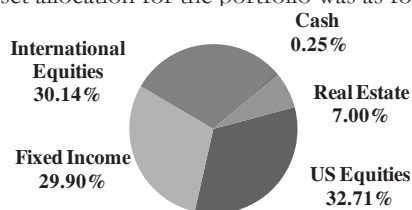


Total Plan Net Assets (\$ in millions)



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 has diversified the investment portfolio across four major asset classes: U.S. equities, international equities, fixed income, and real estate. The Board has retained 14 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, 2011, the asset allocation for the portfolio was as follows:



Investment performance for 2011 was (1.3%) net of fees.

Funding Status and Actuarial Overview

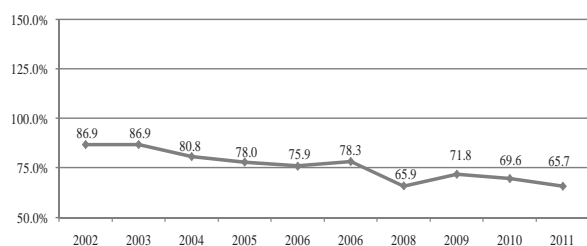
The Actuarial Valuation for the plan year ending December 31, 2011, reports an unfunded liability of \$932 million, an increase from \$749 million in 2010. The funding objective of the System is for contribution rates to be sufficient to cover the normal cost of the Plan and to amortize any unfunded actuarial accrued liabilities over a period not to exceed the GASB 25 standard of 30 years. This was last achieved in 2002. In the 2011 valuation, additional contributions and the early effects of a new benefit structure have resulted in the funding period being decreased from infinite to 27.1 years, and in significant reductions to both the normal cost and the annual required contribution (ARC) to the System.

In September 2010, the Austin City Council approved an amendment to their original supplemental funding plan (SFP) adopted in 2005. The amended supplemental funding plan (ASFP) provides for additional contributions by the City of Austin beyond what was contained in the SFP. Under the provisions of the ASFP, the total employer contribution rate would be 14% of compensation effective October 1, 2010; 16% effective October 1, 2011; and 18% effective October 1, 2012, and thereafter.

In June, 2011, the Texas State Legislature approved an amendment to Article 6243n, COAERS' plan document. This modification establishes a new benefit tier (identified as Group B), which, generally, will include employees hired on and after January 1, 2012. There were no Group B members at December 31, 2011. The benefit structure for employees hired prior to January 1, 2012, whose contributions are being held by COAERS on that date (identified as Group A), are unaffected by the Group B provisions.

The combination of the ASFP and the enactment of the new benefit tier improves the long-term financial outlook for the System.

Funded Ratio



Summary of Plan Net Assets December 31, 2011 and 2010

| | 2011 | 2010 | \$ Change | % Change |
|--|----------------------|----------------------|---------------------|---------------|
| Assets | | | | |
| Cash and receivables | \$ 15,755,686 | \$ 15,226,146 | \$ 529,540 | 3.5% |
| Investments | 1,655,406,896 | 1,704,103,736 | (48,696,840) | (2.9%) |
| Invested securities lending collateral | 148,049,689 | 172,456,784 | (24,407,095) | (14.2%) |
| Capital assets, net | 1,004,177 | 1,053,137 | (48,960) | (4.6%) |
| Total assets | 1,820,216,448 | 1,892,839,803 | (72,623,355) | (3.8%) |
| Liabilities | | | | |
| Total liabilities | 154,427,025 | 181,247,574 | (26,820,549) | (14.8%) |
| Net assets held in trust for pension benefits | \$ 1,665,789,423 | \$ 1,711,592,229 | \$(45,802,806) | (2.7%) |

Summary of Changes in Plan Net Assets Years Ended December 31, 2011 and 2010

| | 2011 | 2010 | \$ Change | % Change |
|--|--------------------|--------------------|----------------------|----------------|
| Additions: | | | | |
| Contributions | \$ 108,221,083 | \$ 94,204,820 | \$ 14,016,263 | 14.9% |
| Investment income (depreciation) | (15,132,730) | 234,521,815 | (249,654,545) | (106.5%) |
| Investment expenses | 6,832,369 | 4,419,964 | 2,412,405 | 54.6% |
| Net investment income (depreciation) | (21,965,099) | 230,101,851 | (252,066,950) | (109.5%) |
| Other income | 965 | 765 | 200 | 26.1% |
| Total additions | 86,256,949 | 324,307,436 | (238,050,487) | (73.4%) |
| Deductions: | | | | |
| Benefit payments and contribution refunds | 129,841,775 | 121,882,744 | 7,959,031 | 6.5% |
| General & administrative expenses | 2,217,980 | 2,113,013 | 104,967 | 5.0% |
| Total deductions | 132,059,755 | 123,995,757 | 8,063,998 | 6.5% |
| Net increase (decrease) | (45,802,806) | 200,311,679 | (246,114,485) | (122.9%) |
| Net assets held in trust for pension benefits, beginning of the year | 1,711,592,229 | 1,511,280,550 | 200,311,679 | 13.3% |
| Net assets held in trust for pension benefits, end of year | \$ 1,665,789,423 | \$ 1,711,592,229 | \$(45,802,806) | (2.7%) |