

Retirement News Update

A Publication of the City of Austin Employees' Retirement System

Available online at www.coaers.org

3rd Quarter 2013

2012 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 2012 *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 2012 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 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, 2012, COAERS' net position totaled \$1.86 billion, a historic high, and its current and future obligations were 63.9% funded.

Membership

City of Austin regular non-civil service employees working 30 or more hours per week become Members of COAERS on their date of employment. The Mayor and members of the City Council are excluded from membership.

As of December 31, 2012, COAERS had 8,387 Active Members, 4,831 Retired Members, and 924 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, 2012 was 18%.

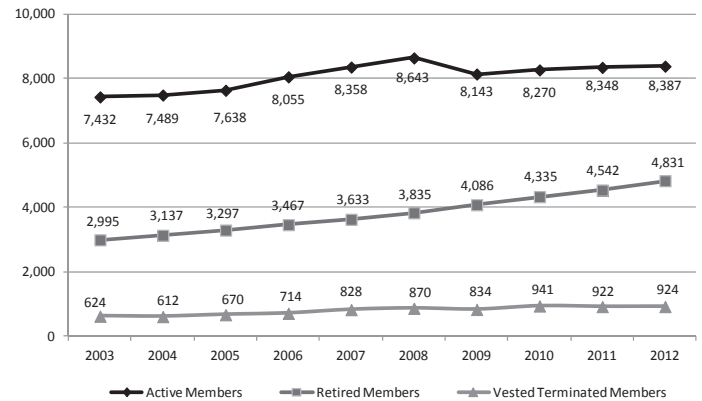
Retirement Eligibility

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.

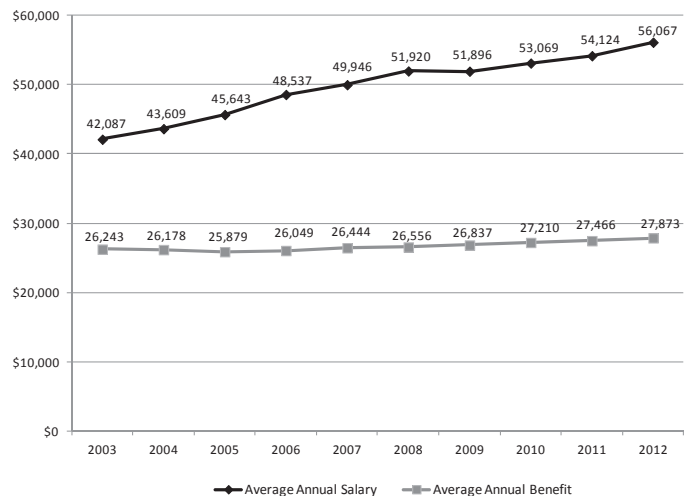
Group A Members qualify for normal retirement benefits at age 62; age 55 with 20 years of creditable service; or any age with 23 years of creditable service. Group B Members qualify for normal retirement benefits at age 65, with five years of service; age 62, with 30 years of creditable service excluding 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 more information, about specific retirement benefits, please refer to your COAERS Member Handbook or contact the Retirement Office at (512) 458-2551.

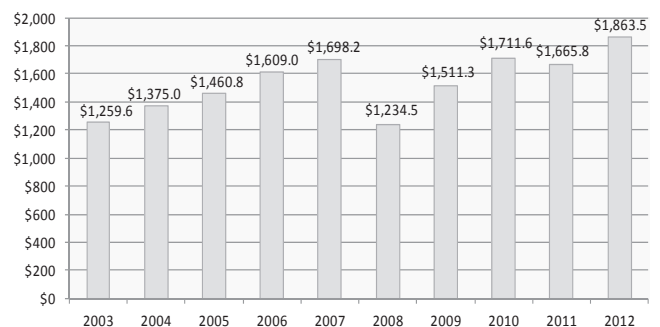
Membership Profile



Average Salary and Average Benefit

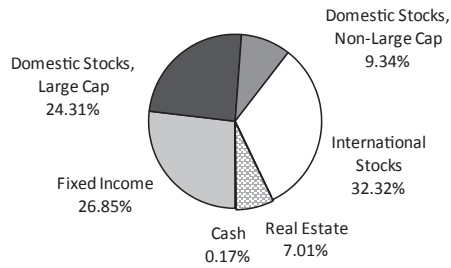


Total Net Position (\$ in millions)



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 makes all investment-related 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, 2012, the asset allocation for the portfolio was as follows:



Investment performance for 2012 was 13.3% net of fees.

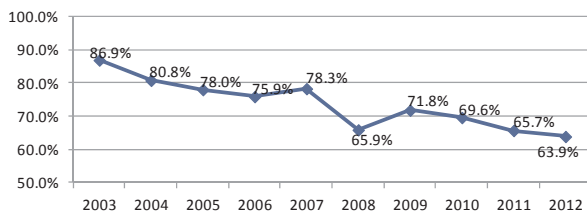
Funding Status and Actuarial Overview

The Actuarial Valuation for the plan year ending December 31, 2012, reports an unfunded liability of \$1.07 billion, an increase from \$932 million in 2011. 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 27-year funding period achieved in 2011 was relatively unchanged at the end of 2012.

In September 2010, the Austin City Council approved an amendment to their original supplemental funding plan adopted in 2005. The amended supplemental funding plan (ASFP) provides a schedule of total contributions by the City of Austin as follows: 14% of compensation effective October 1, 2010; 16% effective October 1, 2011; and 18% effective October 1, 2012, and thereafter.

The combination of the ASFP and the enactment of the new benefit tier in 2011 have greatly improved the financial condition of the System.

Funded Ratio



Summary of Net Position December 31, 2012 and 2011

	2012	2011	\$ Change	% Change
Assets				
Cash and receivables	\$ 17,540,228	\$ 15,755,686	\$ 1,784,542	11.3%
Investments	1,852,254,380	1,655,406,896	196,847,484	11.9%
Invested securities lending collateral	157,614,728	148,049,689	9,565,039	6.5%
Capital assets, net	965,542	1,004,177	(38,635)	(3.8%)
Total assets	2,028,374,878	1,820,216,448	208,158,430	11.4%
Liabilities				
Total liabilities	164,886,817	154,427,025	10,459,792	6.8%
Net position held in trust for pension benefits	<u>\$ 1,863,488,061</u>	<u>\$ 1,665,789,423</u>	<u>\$ 197,698,638</u>	<u>11.9%</u>

Summary of Changes in Net Position Years Ended December 31, 2012 and 2011

	2012	2011	\$ Change	% Change
Additions:				
Contributions	\$ 120,138,912	\$ 108,221,083	\$ 11,917,829	11.0%
Investment income (depreciation)	226,780,192	(15,132,730)	241,912,922	1,598.6%
Investment expenses	6,579,477	6,832,369	(252,892)	(3.7%)
Net investment income (depreciation)	220,200,715	(21,965,099)	242,165,814	1,102.5%
Other income	2,986	965	2,021	209.4%
Total additions	340,342,613	86,256,949	254,085,664	294.6%
Deductions:				
Benefit payments and contribution refunds	140,364,366	129,841,775	10,522,591	8.1%
General & administrative expenses	2,279,609	2,217,980	61,629	2.8%
Total deductions	142,643,975	132,059,755	10,584,220	8.0%
Net increase (decrease)	197,698,638	(45,802,806)	243,501,444	531.6%
Net position held in trust for pension benefits, beginning of the year	1,665,789,423	1,711,592,229	(45,802,806)	(2.7%)
Net position held in trust for pension benefits, end of year	<u>\$ 1,863,488,061</u>	<u>\$ 1,665,789,423</u>	<u>\$ 197,698,638</u>	<u>11.9%</u>