

# Retirement News Update

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

## 2010 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 2010 *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 2010 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 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, 2010, COAERS had assets totaling \$1.7 billion and its future obligations were 69.6% 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, 2010, COAERS had 8,270 Active Members, 4,335 Retired Members and 941 Vested Terminated Members.

### Contributions

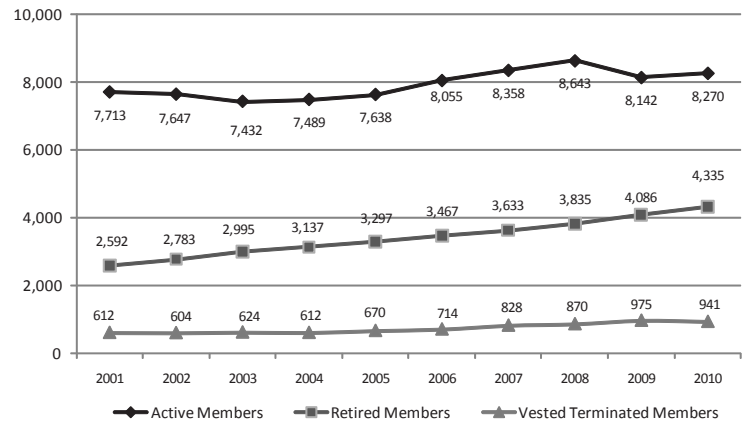
Members of COAERS currently contribute 8% of their base pay, calculated on a 40-hour work week. Contributions are made through payroll deduction each pay period; the City of Austin currently contributes an amount equal to the amount contributed by Member employees plus a contribution subsidy, presently at 6%, pursuant to the Amended Supplemental Funding Plan.

### Retirement Eligibility

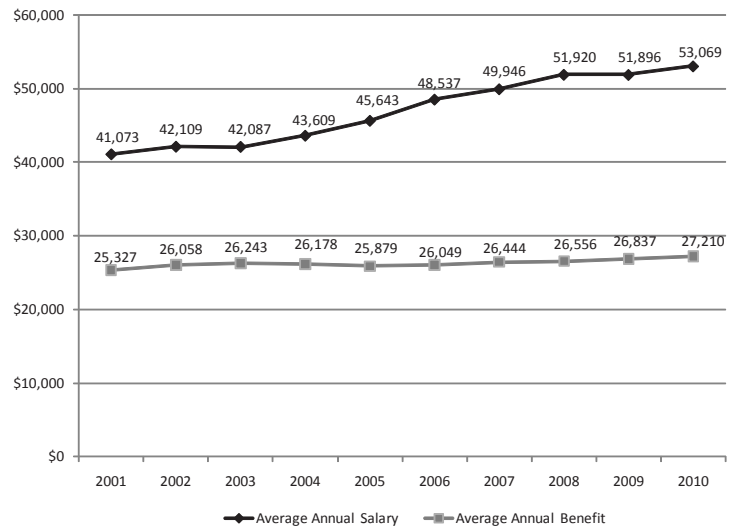
Members qualify for normal retirement benefits at age 62; age 55 with 20 years of creditable service; or any age with 23 years of creditable service. Vesting occurs at 5 years of creditable service.

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

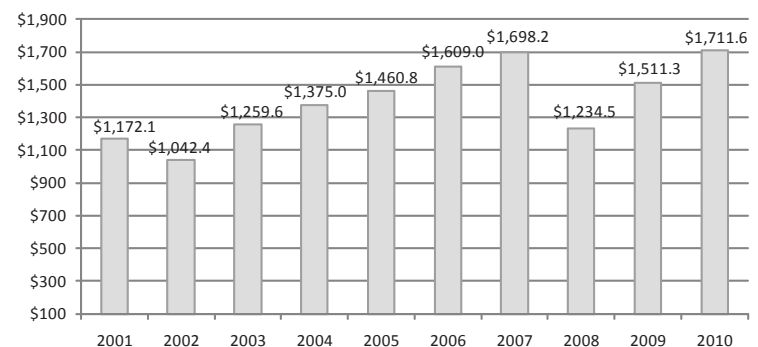
### Membership Profile



### Average Salary and Average Benefit

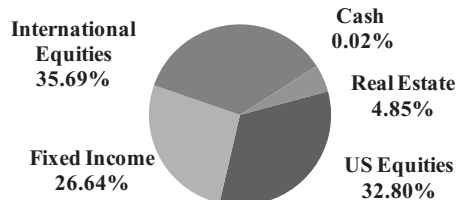


### Total Plan Net Assets (\$ in millions)



## Investments

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: US equities, international equities, fixed income, and real estate. The Board has retained 16 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, 2010, the asset allocation for the portfolio was as follows:



Investment performance for 2010 was 15.5% net of fees.

## Funding Status and Actuarial Overview

Because the 2010 actuarial value of assets calculated under a five-year smoothing methodology was only \$12 million higher than the market value of assets, a decision was made by the Board of Trustees to reset the actuarial value of assets to market value at December 31, 2010. The reset resulted in a slightly lower funded ratio than would otherwise have been realized. COAERS' unfunded accrued actuarial liability for 2010 was \$749 million, an increase from \$658 million for 2009. Application of the smoothing methodology will resume at the next actuarial valuation.

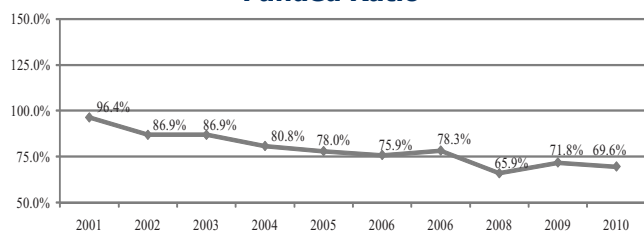
Current contributions are not sufficient to amortize the System's liabilities over a 30-year period as prescribed by standards of the Governmental Accounting Standards Board. Collaborative efforts have been undertaken to address this issue: an amendment to the supplemental funding plan, and the development of proposed legislation for an additional benefit tier.

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 is 14% of basic compensation effective October 1, 2010; 16% effective October 1, 2011; and 18% effective October 1, 2012, and thereafter.

Both the City Council and Board of Trustees endorsed proposed legislation establishing a new benefit structure for employees beginning employment on or after January 1, 2012.

While the effect of the additional contributions is reflected in the December 31, 2010, actuarial valuation, establishment of the new benefit tier was dependent upon approval of legislation introduced during the 82nd Texas Legislative Session in 2011. The combination of the ASFP and the enactment of the new benefit tier will significantly improve the financial outlook for the System.

### Funded Ratio



## Summary of Plan Net Assets December 31, 2010 and 2009

	2010	2009	\$ Change	% Change
<b>Assets</b>				
Cash and receivables	\$ 15,226,146	\$ 20,502,113	\$ (5,275,967)	(25.7%)
Investments	1,704,103,736	1,507,265,750	196,837,986	13.1%
Invested securities lending collateral	172,456,784	158,114,387	14,342,397	9.1%
Capital assets, net	1,053,137	1,067,584	(14,447)	(1.4%)
<b>Total assets</b>	<b>1,892,839,803</b>	<b>1,686,949,834</b>	<b>205,889,969</b>	<b>12.2%</b>
<b>Liabilities</b>				
Total liabilities	181,247,574	175,669,284	5,578,290	3.2%
<b>Net assets held in trust for pension benefits</b>	<b>\$ 1,711,592,229</b>	<b>\$ 1,511,280,550</b>	<b>\$ 200,311,679</b>	<b>13.3%</b>

## Summary of Changes in Plan Net Assets Years Ended December 31, 2010 and 2009

	2010	2009	\$ Change	% Change
<b>Additions:</b>				
Contributions	\$ 94,204,820	\$ 84,014,770	\$ 10,190,050	12.1%
Investment income	234,521,815	314,599,270	(80,077,455)	(25.5%)
Investment expenses	4,419,964	3,755,216	664,748	17.7%
<b>Net investment income</b>	<b>230,101,851</b>	<b>310,844,054</b>	<b>(80,742,203)</b>	<b>(26.0%)</b>
Other income	765	363	402	110.7%
<b>Total additions</b>	<b>324,307,436</b>	<b>394,859,187</b>	<b>(70,551,751)</b>	<b>(17.9%)</b>
<b>Deductions:</b>				
Benefit payments and contribution refunds	121,882,744	116,043,021	5,839,723	5.0%
General & administrative expenses	2,113,013	2,031,815	81,198	4.0%
<b>Total deductions</b>	<b>123,995,757</b>	<b>118,074,836</b>	<b>5,920,921</b>	<b>5.0%</b>
<b>Net increase</b>	<b>200,311,679</b>	<b>276,784,351</b>	<b>(76,472,672)</b>	<b>(27.6%)</b>
<b>Net assets held in trust for pension benefits, beginning of the year</b>	<b>1,511,280,550</b>	<b>1,234,496,199</b>	<b>276,784,351</b>	<b>22.4%</b>
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$ 1,711,592,229</b>	<b>\$ 1,511,280,550</b>	<b>\$ 200,311,679</b>	<b>13.3%</b>

*Retirement News Update* is a publication of the City of Austin Employees' Retirement System and is distributed for the information of COAERS' active, vested, and retired members, and their beneficiaries.