

On Monday, February 27, 2023, the City of Austin Employees' Retirement System closed on the acquisition of a commercial office property which will serve as the site of its new headquarters.

### **Property Location and Information:**

- The property is located at 4700 Mueller in the Mueller community.
- The building is a three-story, 49,084 square foot space that sits on a 1.91-acre tract.
- The property is part of the Mueller Master Plan Planned Unit Development.
- The property location also aligns with future transit hubs, commercial centers, and other amenities – characteristics which boast the potential for increased tenant demand in this area.

### **About the Acquisition**

- The acquisition does not create any material impact on the actuarial valuation of the Fund.
- The property's purchase transitions COAERS from a rent-paying, negative cash-flow position to a positive cash-flow position as owner. The net result is approximately an \$11 million total increase to COAERS financial net position over the next ten years.
- The property is a better fit to serve the operational needs and long-term staffing plans of COAERS.

### ***Why did COAERS purchase this property?***

- In 2022, the Board of Trustees approved actions necessary to weigh options and review COAERS' long-term facilities plans ahead of its lease term slated to end in early 2024.
- After an extensive search process with a local real estate firm, the Board was presented with finalists for commercial office spaces that could best serve the COAERS membership and their accessibility to services and be a long-term capital asset for COAERS. The property at 4700 Mueller serves both of those purposes.
- The property's space will allow COAERS to bring expanded events, resources, and services to stakeholders.
- The office space will also consolidate the COAERS staff in one building, which was not feasible in the current space the COAERS occupies.

***Will this purchase impact the fund's financial status?***

- The purchase of this property does not and will not have any material impact on the fund's actuarial valuation, either the amortization period or the funded ratio.
- With the addition of this appreciating real asset to the System, the System's financial models project nearly \$6 million in additional net income over the next ten years, which adds value to the pension fund and puts COAERS in a better financial position in the long term.
- By shifting away from being a renter/lessee to an owner/occupier, COAERS also expects to save approximately \$5.1 million in administrative expenses over the next ten years.

***Where's the money coming from to pay for this building?***

- The funds are being allocated from pension assets. While the Trust is allocating funds upfront, they effectively remain within the pension in the form of a capital asset. This transfer is from cash assets to a real estate asset, which does not impact the actuarial soundness of the Fund, and the value of the property is expected to increase over time.

***Will this affect retirees from getting a COLA?***

- This will not affect the actuarial soundness of COAERS and has no impact on the ability of COAERS to provide a COLA. COAERS' ability to provide a COLA is determined by actuarial standards of practice and State of Texas funding guidelines. The Texas Pension Review Board "Funding Guidelines" state that "Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years". Texas actuaries utilize the PRB "Funding Guidelines" to meet their industries standards of practice. According to the actuary's most recent valuation report, the amortization period of COAERS is 33 years.
- However, the legislative proposal between COAERS and the City will set the System on the pathway to actuarial soundness, bringing COAERS closer to the feasibility of considering future cost-of-living adjustments.