



MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Friday, December 16, 2016 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Michael Benson
Reagan David
Francine Gertz
Elizabeth Gonzales
Sam Jones
Chris Noak
Leslie Pool
Anthony B. Ross, Sr.
Ed Van Eenoo
Jim Williams

Board Members Absent

Russ Sartain

Others Present

Staff:

Christopher Hanson
Russell Nash
Donna Boykin
David T. Veal
Sarah McCleary

Guests:

Kenneth Herbold
Gaye Brewer
Bob May
Eyna Canales-Zarate

Chair Jim Williams called the meeting to order at 1:33 p.m.

1. System member and citizen comments/correspondence

There were no citizen comments nor any correspondence to share.

2. Review order of business

Ms. Gonzales and Mr. Ross both indicated a need to leave before 3 p.m.

3. Receive reports on Ethics Policy Disclosure Statements

Chair Williams reminded all key staff and Trustees to fill out and return the Ethics Policy disclosure statements.

Key Staff Declarations: Ms. Paige Saenz declared a meeting with representatives of the law firm Cohen Milstein (Richard Lorant and David Sommers) regarding security litigation monetary services;

David Veal declared meetings with Andrew Keller of Baillie Gifford; Brian Greene from Zeno Consulting; Brad Haughey and Craig Merrigan of Sprucegrove; Ryan Green and David Andryc of LGT Partners; Scott Soler and Harris Britt of Ezra Partners; Dan Ransenberg and Tina Vandersteel of GMO; Joelle Wyser-Pratte of OCP Capital; Tim Stidham of American Century; Robert Kiernan of APM; Warren DeKinder and Vassillos

Papathanakos of INTECH; Todd Bitzer of Legal & General Investment Management; Reston Blumwest and Marek Merchel of AlpInvest; Benjamin Lazarus of Parametric; Shane Shepherd of Brandon Kunz of Research Affiliates; and Frances D'Alessio of Thornburg;

Russell Nash declared meetings with Chad Williams, Avison Young, Erich Kelly, MMRO; and Kathryn Gleesing, IFEBP

Chris Hanson declared a meeting with Chad Williams of Avison Young.

4. Consider approval of the November 22, 2016 Board meeting minutes

Mr. Chris Noak moved to approve the minutes of the November 22, 2016 Board meeting. Mr. Anthony Ross, Sr. seconded and the motion passed unanimously.

5. Certification of Retired Member Place 10 official election results as announced by the Nominating and Election Committee

Mr. Russell Nash introduced Ms. Gaye Brewer, Chair of the Nominating and Election Committee, who announced the official results of the election. Ms. Brewer announced Ms. Eyna Canales-Zarate as the apparent winner. A tabulation of the votes cast was as follows:

- 996 votes for Ms. Eyna Canales-Zarate
- 346 votes for Mr. Mark Walsh
- 1 vote for Tommie Friar
- 1 vote for Franklin Habley

5,275 ballots were mailed and 52 ballots were undeliverable. A total of 1,344 votes were cast. Twenty-one ballots were considered invalid.

Trustees thanked Ms. Brewer and the Committee; Ms. Brewer thanked the Staff for their expertise and guidance. Ms. Francine Gertz moved to certify the election results and declare the official winner as Ms. Eyna Canales-Zarate. The motion was seconded by Ms. Gonzales and passed unanimously.

Item 6 was taken out of order, after item 7.

6. Oath of Office for Retired Member Place 10 Trustee

Mr. Chris Hanson administered the oath of office to Ms. Canales-Zarate.

Item 7 was taken out of order, before item 6.

7. Recognition of outgoing Board Trustee, Sam Jones

Chair Williams spoke of Ms. Sam Jones service to the City and to the Board. He noted that Mr. Jones had served on the Board since 2009, served on every Board committee, and served as both Vice Chair and Chair of the Board. All trustees shared their thoughts and thanked Mr. Jones for his service. Chair Williams then presented Mr. Jones with a plaque in recognition of his service.

8. Discuss Investment Beliefs and trustee survey

Mr. David Veal followed up on a discussion from the November Investment Committee meeting highlighting the potential benefits from developing a set of investment beliefs. The Committee suggested identifying areas of consensus, areas of disagreement, and areas requiring additional education. At the direction of the Committee, Staff provided copies of the book “Investment Beliefs: A Positive Approach to Institutional Investing” by Kees Koedijk and Alfred Slager to Trustees. Mr. Veal noted that the next steps in this process will include an initial survey of Trustees in January, the results of which will be reviewed and discussed by the Investment Committee in February.

9. General investment consultant services request for proposal

A. Receive Staff report

Mr. Veal reviewed the responses to the recent Request for Proposal (RFP) process, including executive summaries from the bidding firms and a preliminary example scorecard for discussion. Quantitative factors being compiled for the initial analysis include assets under advisement, total clients, and both the number and proportion of clients that are public plans. Also noted are primary and secondary consultants’ years of experience both in total and at the current firm as well as their proximity to one another. Mr. Veal noted that Staff is also gathering data from third party sources, such as SEC Form ADVs to assess transparency in recommendations for investment products in which a firm may have a commercial interest. The Board discussed the expansion into OCIO (outsourced Chief Investment Officer) services by many firms within the consulting industry in recent years, and noted the conflicts of interest that can potentially result if these activities are not properly disclosed and/or monitored.

B. Discuss and consider subcommittee for proposal evaluation

Trustees discussed the possibility and mechanics of setting up a subcommittee to help design the scoring matrix and to help review the proposals. After some discussion, Trustees opted not to form a subcommittee but to instead form two workgroups to advise on these activities, and directed Staff to poll interest and availability of Trustees to serve. Chair Williams will choose the participants. Staff will set up a secure account online to share all RFPs. Staff will also create a tentative schedule with deadlines for key decisions.

Ms. Gonzales left at 2:45 p.m.

Mr. Ross left at 2:56 p.m.

10. 2017 Board and Committee Calendar

Mr. Hanson presented two versions of a proposed 2017 calendar. In both versions, annual members’ meeting and the Board Workshop were swapped as previously discussed. The preference was for version B, the calendar with no full Board meeting in November and later Committee meetings in November. It was noted that if a called Board meeting is needed for November, one can be added. Trustees discussed the option of evening meetings and decided to try the June 27 meeting as an evening meeting as a test. Also noted, was the fact that the Board meeting on December 12 requires a change to BAP E-1 “Election Policy for Active-Contributory and Retired Board Members” from a ten day to a seven day challenge period.

It was also noted that specific times do not appear on the calendar and will be confirmed in advance of all meetings.

Ms. Leslie Pool left at 3:04 p.m.

11. Executive Director Report

A. Pensions in the News

Mr. Hanson presented news stories on pension systems including a story in the *Austin Business Journal* and a story about Dallas that appeared in the *New York Times*.

B. Public Pension Reports including the Arnold Foundation and Moody's

Mr. Hanson shared a recent report by the Laura and John Arnold Foundation. He noted that the authors of that study did not reach out to COAERS or to the City prior to the report being published, and there were several incorrect and/or misleading portions. He reminded trustees that COAERS and the City of Austin proactively enacted local pension reform in 2012 and that the Board had adopted a funding policy that imposes self-discipline, restricting future cost-of-living adjustments, benefits enhancements, and contribution decreases. Mr. Hanson noted that the City and COAERS have a history of working cooperative to address pension issues and the existing governance structure has not been an obstacle to pension reform, nor has it limited the City's ability to make additional contributions to the fund. Mr. Hanson also discussed a report by Moody's utilizing a different discount rate to calculate pension liabilities and noted that Austin still maintains the highest credit rating.

C. Update on 85th Legislature

Mr. Hanson shared information on five bills pre-filed for the 85th Legislative Session which could have a potential impact on COAERS. He stated that the legislative session convenes January 10, 2017. Mr. Hanson noted that he will keep the Board informed on issues that arise during the session and that he has been working with the new Intergovernmental Affairs Officer for the City of Austin, Ms. Brie Franco.

12. Board self-evaluation

Trustees discussed what they perceived the strengths and the weaknesses of the current Board to be, and reflected on how to improve both individually and as a Board.

13. Executive Session

A. Convene into Executive Session Pursuant to Tex. Government Code 551.074 to Deliberate the Evaluation, Employment, and/or Duties of the Executive Director.

The Board convened into Executive Session at 3:27 p.m.

B. Reconvene into Public Session and Take Action, if any, as Determined Appropriate

The Board reconvened into public session at 4:20 p.m. Ms. Gertz moved to increase the \$180,000 annual salary of the Executive Director four percent in light of the excellent work he has done since he was hired. Mr. Jones seconded, and the motion carried unanimously.

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14. Call for future agenda items


As there were no further items to address, the meeting adjourned at 4:21 p.m.



Chris Noak, Board Chair

2-1-17

Date



Christopher Hanson, Executive Director

2/1/2017

Date