



MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING

Public Meeting held telephonically on March 31, 2020 at 11:00 am CT
Pursuant to Texas Govt. Code 551.15 – COVID-19 2020 circumstances

Board Members Present

Stephanie Beach
Michael Benson
Eyna Canales-Zarate, Chair
Amy Hunter
Yuejiao Liu
Frank Merriman
Chris Noak
Leslie Pool
Anthony B. Ross, Sr.
Randy Spencer
Ed Van Eenoo, Vice-Chair

Board Members Absent

None

Guests:

Paige Saenz, General
Counsel
Eddie Solis, HillCo
Ian Bray, RVK
Spencer Hunter, RVK
Lewis Ward, GRS
James King, PRB
512-560-3037
512-815-7024
Julie Barschow

Staff:

Christopher Hanson
Russell Nash
Donna Boykin
Sarah McCleary
David Veal
David Stafford
Ty Sorrel
Kelly Doggett
Yun Quintanilla
Jenni Bonds
Michelle Mahaini
Mehrinn Rahman
Amy Kelley

1. Call meeting to order – Chair Canales-Zarate

Chair Canales-Zarate called the meeting to order at 11:05 a.m. and outlined the structure of the telephonic meeting.

2. Call roll of Trustees – Chair Canales-Zarate

The secretary called the roll and the following Trustees were present: Pool, Merriman, Spencer, Benson, Hunter, Noak, Liu, Canales-Zarate, and Ross.

3. Review order of business and establish meeting objectives – Chair Canales-Zarate

Chair Canales-Zarate reviewed the order of business and goals of the meeting. Ms. Leslie Pool requested that Agenda Item #6 be considered when Mr. Van Eenoo could

join the meeting. Mr. Ross suggested that the Consent Agenda could be taken earlier in the meeting.

4. Receive System member and public comments – Chair Canales-Zarate

There were no public comments.

5. Discuss and consider operations, risk management, and other matters related to the COVID-19 pandemic including: – Christopher Hanson

A. Report on COAERS operations and risk management actions

Mr. Christopher Hanson delivered a report on operations. He reported that all Staff began working remotely on March 17, a week before Mayor Adler issued a shelter-in-place order on March 24. Mr. Hanson outlined the measures put in place to ensure continuity of operations and noted that the March retiree payroll ran successfully. Mr. Hanson also outlined changes in the succession plan with the naming of Mr. Russell Nash as Interim Deputy Executive Director, ensuring a clear successor on an interim basis should the Executive Director be incapable of performing their duties.

Ms. Beach joined the meeting at 11:29 a.m.

Mr. Van Eenoo joined the meeting at 11:43 a.m.

B. Cash management and resolution authorizing line of credit with operating bank

Mr. Hanson outlined contingency plans for liquidity to allow for retiree benefit payments in the unlikely event that the City could not meet its contribution obligations and financial markets were closed. Ms. Leslie Pool moved to authorize a line of credit with COAERS' operating bank as necessary to fulfill COAERS' cash obligations, adding language to the proposed Resolution #2020-0331 to address the possible absence of the Executive Director and Deputy Executive Director. Mr. Randy Spencer seconded, and the motion passed 11-0.

C. Authorization to amend timeline related to Request for Proposal for custodial banking services

Mr. Hanson reminded Trustees that on March 3 the Board approved the issuance of the Request for Proposal (RFP), which occurred on March 6 with a response due date of April 7. Given the events related to the COVID-19 pandemic for Staff, RVK, and bidders, Mr. Hanson requested the authority to execute a temporary pause in the timeline if necessary.

Ms. Liu moved to grant authorization to the Executive Director to amend the timeline related to the Request for Proposal for custodial banking services if necessary. Mr. Spencer seconded, and the motion passed 11-0.

6. Investment Committee:

A. Receive update on COAERS portfolio – David Veal

Mr. Veal updated Trustees on the current state of the COAERS portfolio, and highlighted the truly historic nature of current financial markets and economic conditions. He outlined current Staff views on both the short and long-term potential economic effects of the pandemic and how those changes might impact the Fund's investment strategy over time. Mr. Ian Bray and Mr. Spencer Hunter shared a client letter from RVK's CEO and discussed the Firm's views on recent events.

B. Discuss and consider investment strategy and governance, including: – David Veal

- 1. Strategic Asset Allocation**
- 2. Investment Risk Framework**
- 3. Investment Policy Statement**
- 4. Investment Implementation Policy**

Mr. Veal recapped the efforts of the Board and Staff since 2016 to build a better investment process dubbed the "Austin model" aimed at delivering top quartile long-term results for the Fund. He outlined the challenges of the low and declining return environment, noting that rising outflows are also reducing the risk tolerance of the System. He reviewed the proposed investment strategy that had been developed in recent years in consultation with the Board, and noted how its key building blocks work to bridge the gap to the Board's assumed rate of return. The proposals recommended by the Investment Committee were discussed in detail by Trustees.

Mr. Noak moved to approve the Investment Risk Framework, the proposed Investment Policy Statement, and the proposed Investment Implementation Policy. Ms. Hunter seconded. Trustees discussed the appropriate level of delegation for the System and how best to provide oversight in areas where such authority is provided to Staff.

Ms. Leslie Pool moved to consider the approvals by subject and vote separately. Mr. Ed Van Eenoo seconded, and the motion to vote on each element passed 11-0.

Ms. Stephanie Beach moved to approve the Investment Risk Framework (IRF) as proposed. Mr. Benson seconded, and the motion passed 9-2 with Mr. Van Eenoo and Ms. Pool dissenting.

Mr. Van Eenoo moved to update the Strategic Asset Allocation bands in the Investment Policy Statement (IPS) to reduce target allocation to US credit by 4%, increasing allocation to US Treasuries by the same amount. Ms. Pool seconded, and the motion passed 11-0.

Mr. Noak moved to update the IPS by renaming the infrastructure allocation to “Infrastructure & Other” to capture a small proposed allocation to gold in real assets. Ms. Liu seconded, and the motion passed 11-0.

Mr. Noak moved to update the IPS by constraining rebalancing within asset classes and sub-asset classes to Board-approved bands rather than the fixed 2.5 percent. Mr. Spencer seconded, and the motion passed 9-2 with Mr. Van Eenoo and Ms. Pool dissenting.

Mr. Noak moved to update the Investment Implementation Plan (IIP) by empowering Staff to rebalance between all approved Premier List managers regardless of whether active or passive. Ms. Liu seconded, and the motion passed 9-2 with Mr. Van Eenoo and Ms. Pool dissenting.

Mr. Noak moved to update the IIP by constraining movements within the Premier List to Board-approved target and maximum allocations rather than a fixed 2.5%. Mr. Spencer seconded, and the motion passed 9-2 with Mr. Van Eenoo and Ms. Pool dissenting.

Mr. Noak moved to update the IIP by adding options for permissible investments in cash and equivalents to enhance risk-management capabilities. Ms. Liu seconded, and the motion passed 11-0.

Mr. Michael Benson moved to approve remaining technical edits to the IPS and IIP. Mr. Noak seconded, and the motion passed 9-0 with Ms. Pool and Mr. Van Eenoo abstaining.

C. Discuss and consider Premier Lists, including: – David Veal

- 1. Fixed Income**
- 2. Cash and Equivalents**
- 3. Real Assets**

Mr. Sorrel outlined the recommendations to the Premier Lists as follows:

- Fixed Income – add 30-year Treasury futures and increase the maximum for Hoisington;
- Cash & Equivalents – add an alternative for US dollar deposits
- Real Assets – add gold futures

An implementation plan for these changes was reviewed. Mr. Michael Benson moved to approve the Premier Lists for Fixed Income, Cash & Equivalents, and Real Assets. Mr. Anthony Ross seconded, and the motion passed 10-0 (Ms. Beach not present for the vote).

7. Benefits and Services Committee:

A. Discuss and consider the December 31, 2019 actuarial valuation results – Lewis Ward, GRS Retirement Consulting

Mr. Lewis Ward of GRS provided a report of the December 31, 2019 actuarial valuation. It was noted that the valuation is a snapshot in time, and results would look differently if run again this quarter. Mr. Van Eenoo moved to accept the December 31, 2019 actuarial valuation results. Ms. Liu seconded, and the motion passed 10-0 (Ms. Beach not present for the vote).

B. Receive update on System long-term sustainability including City Retirement Study – Christopher Hanson

Mr. Hanson reviewed the steps taken by the Board to ensure the long-term sustainability of the System. Mr. Van Eenoo stated that the City was also doing a retirement study to include the Austin Police Retirement System through PFM, and their original presentation was slated for April 15. Mr. Hanson stated he wants to continue working with the sustainability issues, and this may necessitate a called Board meeting in April or May.

C. Discuss and consider the implementation of administrative changes related to new actuarial assumptions – Christopher Hanson

Mr. Hanson stated that actuarial assumption changes adopted after the 2019 Experience Study are due to go into effect July 1, 2020. He noted that those changes affect service purchase calculations, partial lump sum calculations, and early retirement reduction factors among other things. Mr. Hanson reported that due to the limited number of hours of Staff time for proper testing and the increase in member interactions historically observed ahead of assumption change deadlines, Mr. Hanson sought approval for a delay.

Mr. Van Eenoo moved to authorize the postponement of the administrative implementation of actuarial assumption changes until a future date when the Board can review this matter again. Mr. Spencer seconded. Trustees discussed their concern about the lack of specificity of a date to reconsider. Mr. Van Eenoo suggested the change could be included as part of a reform package; Ms. Hunter and Mr. Ross advocated for a December 31, 2020 revisit date. The original motion passed 8-2, with Mr. Ross and Ms. Hunter dissenting.

8. Consent Items – Chair Canales-Zarate:

All of the following items may be acted upon by one motion. No separate discussion or action on any of the items is necessary unless desired by a Trustee.

A. January 21, 2020 Board meeting minutes

B. March 3, 2020 Called Board meeting minutes

C. Ratification, confirmation, and approval of Disability Committee recommendation on disability application #2002

- D. Ratification, confirmation, and approval of Disability Committee recommendation on disability application #2004**
- E. Ratification of January 2020 retirements**
- F. Acceptance of “Evaluation of Investment Practices Pursuant to Texas Govt. Code 802.109” report**
- G. Approval of securities litigation engagement letters**
- H. Approval of scope of agreed-upon procedures audit by RSM**
- I. Approval of revisions to Board Approved Code of Ethics**

This item was taken out of order, after Agenda Item #4. Mr. Noak moved to approve the consent agenda as written. Mr. Ross seconded, and the motion passed 8-0 with Ms. Pool abstaining; Ms. Beach and Mr. Van Eenoo were not yet present.

9. Receive reports on the following Board administrative matters including – Chair Canales-Zarate:

A. Ethics policy disclosure statements

Chair Canales-Zarate reminded Trustees to submit their ethics policy disclosure statements via email.

B. 2020 Board and Committee meeting schedule

C. Report from the prior Committee meetings:

- 1. February 21, 2020 Investment Committee meeting**
- 2. March 27, 2020 Investment Committee meeting**
- 3. March 3, 2020 Benefits and Services Committee meeting**
- 4. March 3, 2020 Audit and Risk Committee meeting**
- 5. March 3, 2020 Policy Committee meeting**
- 6. March 3, 2020 Disability Committee meeting**

Chair Canales-Zarate indicated all reports were included in the packet; in the interest of time they were not reviewed.

D. Reports from the Executive Director including:

1. 2019 administrative budget expenditures

Mr. Hanson presented the final expenditures and comparison to budget for calendar year 2019.

2. Update on COAERS staffing

Mr. Hanson introduced two new Staff members. Mr. Jay Inghram joins part-time and will begin full-time in mid-April as Information Systems Administrator, a new position approved by the Board in the last budget cycle. Ms. Mehrin Rahman has started in the position of Communications Specialist in March.

10. Review key meeting takeaways and call for future agenda items – Chair Canales-Zarate

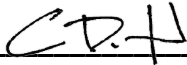
Chair Canales-Zarate reviewed the actions taken and direction to Staff. As there were no further items to address, the meeting adjourned at 4:59 p.m.



Eyna Canales-Zarate, Board Chair

July 8, 2020

Date



Christopher Hanson, Executive Director

July 8, 2020

Date