



MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, June 27, 2017 – 12:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

<u>Board Members Present</u>	<u>Board Member Absent</u>	<u>Others Present</u>
Chris Noak, Chair Michael Benson Eyna Canales-Zarate Reagan David Francine Gertz Frank Merriman Leslie Pool Anthony B. Ross, Sr. Ed Van Eenoo Jim Williams	Elizabeth Gonzales <u>Presenters</u> Ryan Ball, Callan Associates Brady O'Connell, Callan Associates Butch Cliff, Callan Associates Ian Bray, RVK, Inc. Spencer Hunter, RVK, Inc. Marcia Beard, RVK, Inc.	<u>Staff:</u> Christopher Hanson Russell Nash Donna Boykin Michelle Mahaini Sarah McCleary <u>Guests:</u> Paige Saenz, General Counsel Kim Cass (Fin Daily) Dr. Harold Skaggs, M.D. Matthew Benson

Chair Chris Noak called the meeting to order at 12:37 p.m.

1. System member and citizen comments/correspondence

There were no citizen comments nor any correspondence.

2. Review order of business

Chair Noak reviewed the agenda with the Board members and there were no changes to the order.

3. Receive reports on the following Board administrative matters:
A. Ethics policy disclosure statements

Key Staff Declarations: Mr. Chris Hanson declared meetings with Steve Holmes of Summit Strategies; Paul McKiernan from Commonfund; Brian Greene from Zeno Consulting Group; Chad Williams and Tracy Tenpenny from Avison Young; Steve Voss and Mike Comstock from AON Hewitt; Gwelda Swilley-Burke and Brady O'Connell from Callan Associates, Inc.; John Linder, Neil Rue, and Colin Bebee from Pension

Consulting Alliance; Spencer Hunter, Ian Bray, and Marcia Beard from R.V. Kuhns, Inc.; Ed Hoffman and Scott Whalen from Verus; Pat Jakobson and Jeffrey Fox from JP Morgan Asset Management; Sunny Chu and Ryan Hayes from Hermes GPE; Brady O'Connell and Ryan Ball from Callan Associates Inc.; Steve Voss, Mike Comstock and Mike McCormick from Aon Hewitt; Warren DeKinder from INTECH; Avni Gandhi from Western Asset Management Company; Mike O'Brien from RSM; Jonathan Davidson from Kessler, Topaz, Meltzer, Check LLP; Andrew Miller from Acadian; David Parrish and Scott Cheskiewicz from Jackson Walker, and Robert Cagnati, Scott Essex and Dave Moen from Partners group; as well as attendance at the New America Alliance Emerging Manager Forum with lunch provided. Paige Saenz declared a meeting with Kessler, Topaz, Meltzer, and Check on securities litigation in COAERS offices.

Mr. Russell Nash declared meetings with David Kott of Control Solutions, Nathan Sportsman of Praetorian; John Bloodworth of Praetorian; David Burns of SecurIT360; Suzette Longfellow of KPMG; Josh Roddy of ViaWest Data Center; Matt Siciliano of MindSHIFT regarding hosted email.

Mr. David Veal declared meetings with Brian Engel from BMO Global Asset Management; Andrew Miller from Acadian Asset Management; Christopher Von Barga from Doubleline; Nate Paul from World Class Group; Lori Holland, Erik Knutzen, and Wai Lee from Neuberger Berman; Jeff Fox and Pat Jakobsen from JP Morgan Asset Management; Warren DeKinder from INTECH; Avni Gandhi from Western Asset Management; Melissa Charles from Silverstone; Dan Ransenberg from GMO; Tony Hass from KKR; Larry Epstein from Novarca; Todd Rittenhouse and Aidan Nicholson from Mondrian; Rick Kohly from Millennium Asset Management; Jessica Walter from Dimensional Fund Advisors; Peter Schmole from Standard Life; Mark Friedrich from Nuveen; Brian Greene from Zeno Consulting; Thorne Gregory, Joseph Griffin, and Edward Cong from Marathon Asset Management; Chad Kutney from Winton; J. Sulester from CrowdOut Capital; Ashley Hartmann, Fred Porzelt, and Melissa Galla from Northern Trust Asset Management; John Shearman from Albourne Partners; Steve Moen and Roberto Cagnati from Partners Group; Steve Holmes and Phinney Troy from Summit Strategies; Steve Voss and Mike Comstock from Aon Hewitt; Spencer Hunter, Marcia Beard, and Ian Bray from RVK; John Linder, Neil Rue, and Colin Bebee from Pension Consulting Alliance; Gwelda Swinney-Burke, Brady O'Connell, and Ryan Ball from Callan Associates; Ed Hoffman and Scott Whalen from Verus; Sunny Chu and Ryan Hayes from Hermes GPE; Paul McKiernan from Commonfund

Board Declarations: Ms. Eyna Canales-Zarate declared meetings with Danielle Beyer and other NAA Board members during a two-day event in Austin, TX; and a meeting with Gabriel Rodriguez, Empirical Institutional during the same meeting May 17 and 18.

B. 2017 Board and Committee meeting schedule

Chair Noak reviewed the administrative matters and referred Trustees to the packet for copies of the ethics policy disclosure statements.

Mr. Chris Hanson noted the Board and Committee schedule reflects an additional Policy Committee meeting in November which was scheduled after discussion with the Chair. He

also noted that the 2017 Members' meeting is in July and the Board workshop is in October, a change from previous years.

4. Consent items

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 Board Member.

A. March 28, 2017 Board meeting minutes

B. May 2, 2017 Board meeting minutes

C. Ratification of January, February, and March 2017 retirement and death benefits

Mr. Anthony Ross moved approval of the Consent items including March 28 and May 2, 2017 Board Meeting minutes and ratification of the January, February, and March 2017 retirement and death benefits. Ms. Eyna Canales-Zarate seconded, and the motion passed unanimously.

5. Audit & Finance Committee

A. Receive report from June 13, 2017 meeting

Mr. Ross reported on the June 13 meeting, which included the Committee acceptance of the audited financial statements and KPMG auditor's report, the review of the first quarter 2017 financial statements, discussion of the RSM US LLP engagement letter, and review of the annual travel and training report.

B. Consider acceptance of the December 31, 2016 auditor's report from KPMG

Mr. Ross reported on the audited 12/31/2016 financial statements and KPMG auditor's report. He reported that the opinion expressed on the audited statements was "unmodified"; that KPMG found no material weaknesses or significant deficiencies, nor any significant corrected or uncorrected adjustments identified during the 2016 audit. Ms. Francine Gertz moved acceptance of the December 31, 2016 financial statements and auditor's report from KPMG. Ms. Eyna Canales-Zarate seconded, and the motion passed unanimously.

C. Discuss and consider RSM US LLP engagement letter

Mr. Ross explained that Padgett Stratemann merged with RSM US LLP, thus the need for the new engagement letter, which was reviewed by both general counsel and by the Audit & Finance Committee. Ms. Gertz moved adoption of the RSM US LLP engagement letter. Ms. Canales-Zarate seconded, and the motion passed unanimously.

6. Investment Committee

A. Receive report from May 12, 2017 meeting

Mr. Mike Benson reported on the May 12, 2017 Investment Committee meeting, including discussions regarding fund performance, manager performance, portfolio rebalancing, strategic partnerships, the General Investment Consultant Request for Proposal process, the Investment Beliefs process, and future site visits.

B. Receive report from Staff on general investment consultant request for proposal (RFP) process

Mr. David Veal reviewed the process to date, which he noted began ten months ago. He stated that after receipt of the initial proposals Trustees formed a workgroup to

approve the scoring matrix and another that affirmed the integrity of the process. Mr. Veal discussed how Staff systematically evaluated all fourteen responses received and the Investment Committee selected five semi-finalists. After site visits to all five and additional due diligence, two finalists were chosen by the Investment Committee to present to the full Board. Mr. Veal concluded by explaining that Trustees were invited to receive presentations from both firms and then to consider choosing one of the presenting firms or to cancel the procurement exercise and maintain the status quo.

Trustees took a break from 1:35 pm until 1:46 pm

C. Receive presentations from general investment consultant finalists

1. Callan Associates Inc.

Ryan Ball, Brady O'Connell, and Butch Cliff spoke about Callan and why their firm would be a good fit for COAERS. They also gave a presentation on risk management and answered questions from Trustees.

Trustees took a break from 3:18 pm to 3:25 pm

2. RVK, Inc.

Ian Bray, Spencer Hunter, and Marcia Beard spoke about RVK and why their firm would be a good fit for COAERS. They also gave a presentation on risk management and answered questions from Trustees.

Trustees took a break from 4:55 pm to 5:01 pm

Mr. Van Eenoo left at 5:00 pm

D. Discuss and consider responses to general investment consultant services request for proposal, including action on investment consultant service agreements

Each Trustee was given the opportunity to provide their opinions about the consulting investment consulting finalists.

After the Board's discussion, Mr. Benson moved to (1) authorize the Board Chair to sign the consulting services agreement with RVK, Inc. as proposed; (2) cancel the consulting services agreement with Summit Strategies effective August 4, 2017, and (3) close the process and no contact period for the general investment consultant services RFP. Ms. Leslie Pool seconded and the motion passed unanimously.

Chair Noak recognized and thanked Summit Strategies for its service to COAERS in this role since 1999.

Item 9 was taken before items 7 and 8 due to time constraints.

7. Policy Committee

A. Receive report from June 13, 2017 meeting

Mr. Russell Nash reported on the Policy Committee meeting that included consideration of revisions to the records management policy, discussion of a report from a focus group discussion with members of the Nominating and Elections

committee, a discussion regarding consolidating existing Board policies into one set of bylaws, and the evaluation approach for general counsel and investment counsel.

B. Discuss and consider records retention, including:

1. **Revisions to Board Approved Policy R-2 “Records Management Policy”**
2. **Repeal of Board Approved Policy R-3 “Records Retention Schedule”**

Ms. Gertz moved to adopt Board Approved Policy R-2 “Records Management Policy” as recommended by the Policy Committee, and to repeal Board Approved Policy R-3 “Records Retention Schedule.” Mr. Jim Williams seconded, and the motion passed unanimously.

C. Discuss and consider Board Approved Policy E-1 “Election Policy for Active-Contributory and Retired Board Members”

Trustees discussed what information to use on the candidates’ statements and what information to put on the ballot, and whether to use candidate photos. After reviewing the Staff’s choices for revising Board Approved Policy E-1, Ms. Pool moved the use of Option C for paragraph 11 of Section E of Board Approved Policy E-1 which in relevant part states, “. . . The only information about the candidates that will appear on the ballot will be the candidates’ name, department, position, and length of city employment. For retired members, the department from which the member retired and last position held will be listed. The candidate statement will be included with the ballots sent to voters on a separate document.” Mr. Ross seconded. This motion was tabled.

After further discussion, Ms. Pool moved to include only the following information with the active-contributory candidate statements: name, department, position, and length of city employment; and the following information on the retired candidate’s statements: the department from which the member retired and last position. Ms. Canales-Zarate seconded, and that motion passed with Mr. Ross voting no.

Ms. Gertz moved to allow the candidate to include a photo only on the active-contributory and retired candidate statement. Mr. Williams seconded, and the motion passed with Mr. Ross and Mr. Benson voting no.

Mr. Williams moved to include the photos with the candidate statement only and use Option C to specify what to include on the ballot, thus authorizing Staff to prepare the election ballot and coordinate ballot printing. Ballots for active-contributory member ballots will contain name, department, position, and length of city employment. Ballots for retired members will include the department from which the member retired and last position held. Ms. Canales-Zarate seconded, and the motion passed with Mr. Ross and Mr. Benson voting no.

Because the preceding motion incorporated Ms. Pool’s first motion, Ms. Pool and Mr. Ross withdrew their original motion and second.

Mr. Benson moved to adopt Board Approved Policy E-1 “Election Policy for Active-Contributory and Retired Members” with the language amended per the discussion. Ms. Canales-Zarate seconded, and the motion passed unanimously.

8. Consider appointment of Nominating and Election Committee for 2017

Mr. Reagan David moved to appoint committee members and alternates to the 2017 Nominating and Election Committee as proposed. Mr. Benson seconded, and the motion passed unanimously.

9. Disability Retirement applications

A. Convene into executive session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to consider and act on

- 1. Disability retirement appeal ref. # 2441**
- 2. Disability retirement application ref. # 0533**

B. Reconvene into public session and take action as determined appropriate by the Board regarding:

- 1. Disability retirement appeal ref # 2441**
- 2. Disability retirement application ref # 0533**

The Board convened into Executive Session at 5:28 p.m.

The Board re-convened into Public Session at 5:36 p.m.

Mr. Benson moved to deny disability retirement appeal #2441. Mr. Ross seconded, and the motion passed unanimously.

Mr. Benson moved to approve disability retirement application #0533. Ms. Gertz seconded, and the motion passed unanimously.

10. Receive report from June 13, 2017 Benefits & Services Committee meeting including issues related to the 85th Legislative Session

Ms. Gertz presented a report from the Benefits & Services Committee meeting including discussions regarding issues related to the 85th Legislative Session and the evaluation approach to the technology consultant and actuarial consultant.

11. Review and discuss Board educational activities including the following:

- A. State minimum educational training requirements**
- B. Reports on educational programs attended**
- C. Upcoming educational programs and conferences**

Mr. Hanson updated trustees on the status of training and on upcoming educational opportunities.

12. Executive Director Report

A. Report on long term facilities planning

Mr. Hanson gave a brief overview of facilities planning and mentioned that a more comprehensive presentation will be made at the September meeting.

B. Public pensions in the news

Mr. Hanson mentioned these two items included in the packet and offered to answer any questions.

C. Comparative calculation and retirement activity levels

D. Notice of auction and disposal of office equipment

Mr. Hanson noted the list of items which will be auctioned this summer and stated that per the Board policy, Staff will dispose of any items that remain unsold. He explained that Staff and trustees are not eligible to participate in the auction.

13. Call for future agenda items

Ms. Pool noted that at the Members' meeting, retirees had asked to discuss a way to offset rising insurance costs given the lack of Cost of Living increase. She also stated that a presentation on the possible divestment of certain funds would also occur at the Members' meeting.

As there were no further items to address, the meeting adjourned at 6:22 p.m.



Chris Noak, Board Chair

9-26-17

Date



Christopher Hanson, Executive Director

9/26/2017

Date