



City of Austin Employees' Retirement System

**MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING**

**Tuesday, October 15, 2019 – 9:00 AM
Maggiano's Little Italy in the Domain
10910 Domain Drive, Austin, TX 78758**

Board Members Present

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

Board Members Absent

Frank Merriman
Leslie Pool
Randy Spencer

Guests:

Paige Saenz, General Counsel
Ian Bray, RVK
Janelle Booth, RVK
Sharmila Kassam, Funston
Advisory Services
David Hoisington
Dr. Lacy Hunt, Hoisington
Lewis Ward, GRS

Others Present

Staff:
Christopher Hanson
Russell Nash
Donna Boykin
David T. Veal
David Stafford
Ty Sorrel
Kelly Doggett
Julie Barschow
Amy Kelley
Sarah McCleary

1. Call meeting to order – Chair Benson

Vice Chair Canales-Zarate called the meeting to order at 9:02 a.m.

2. Call roll of Trustees – Chair Benson

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

3. Overview of meeting and key objectives – Christopher Hanson

Mr. Christopher Hanson reviewed the workshop agenda.

Trustees agreed to switch the order of agenda items 5 and 6 if possible to accommodate Mr. Van Eenoo who was not able to attend the early morning.

Chair Benson arrived at 9:12 a.m.

4. Receive presentation on economic outlook – Dr. Lacy Hunt, Hoisington Investment Management Company

Mr. David Stafford introduced Dr. Lacy Hunt from Hoisington Investment Management Company. Dr. Hunt presented a look at macroeconomic conditions worldwide and their historical context.

Mr. Ed Van Eenoo arrived at 10:08 a.m.

Dr. Hunt spoke about how over indebted economies and monetary decelerations lead to lower, not higher, inflation and interest rates. Given the current economic environment in major economies across the globe, Dr. Hunt laid out his view that interest rates will continue to head lower.

Trustees took a break from 10:35 a.m. to 10:50 a.m.

5. Preliminary review of 2019 actuarial experience study – Lewis Ward, GRS Retirement Consulting

Mr. Lewis Ward presented the initial results of the actuarial experience study and reviewed the preliminary recommendations of assumptions and methods. Trustees discussed the recommendations and asked questions.

Trustees considered possible assumptions that would make the entire assumption set for future valuations more conservative than the current assumptions.

6. Discuss board governance and related matters – Christopher Hanson

Mr. Hanson introduced Ms. Sharmila Kassam to lead a discussion on governance. Ms. Kassam presented a case study of Texas ERS, who articulated their investment beliefs and amended the process of governing by clarifying and delegating to Staff. Ms. Kassam stressed the importance of the governance framework.

Trustees discussed issues including changes to the Board self-evaluation process, potential benefits to a governance review, and engaging a third party to conduct a review of Board governance practices.

Trustees took a break from 1:40 – 1:55 p.m.

7. Receive update on the Investment Risk Framework (IRF) – David Veal

Mr. David Veal presented the first look at the Investment Risk Framework intended to use economic history as a guide to decision-making in four distinct regimes (disinflationary boom, inflationary boom, disinflationary bust, and inflationary bust.)

The framework assesses the economic environment to help anticipate shifts in growth and inflation; identifies investments which can help hedge structural risks; and employs a unified valuation approach to assess the risk/return tradeoff across sectors and regions.

Mr. Veal emphasized that managing drawdown risk by aligning the asset allocation with market conditions is essential to the system's long-term success.

Mr. Veal noted that the Investment Committee will review the framework in more detail at the November Committee meeting.

8. Discuss 2018-2020 Strategic Plan implementation, risk management, and future initiatives – Christopher Hanson


Mr. Hanson reported on the accomplishments of 2019 toward the Strategic Plan and offered new action items toward implementation of the goals, which have not changed. In addition, Mr. Hanson discussed key risk areas and their relationship to the Strategic Plan.

9. Review meeting key takeaways and call for future agenda items – Chair Benson

As there were no further items to address, the meeting adjourned at 3:16 p.m.



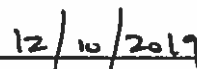
Michael Benson, Board Chair



Christopher Hanson, Executive Director



Date



Date