



## MINUTES

### BOARD MEETING

Public Meeting held in-person and telephonically on March 30, 2023 at 10:00 am CT  
Pursuant to Texas Govt. Code 551.127

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#### **Board Members Present**

Michael Benson  
Kelly Crook †  
Michael Granof  
Amy Hunter †  
Dick Lavine  
Yuejiao Liu, Chair  
Chris Noak  
Leslie Pool  
Anthony B. Ross, Sr.  
Brad Sinclair

#### **Board Member Absent**

Diana Thomas

#### **Guests:**

Paige Saenz, General Counsel  
Ian Bray, RVK  
Spencer Hunter, RVK  
Kevin Balaod, WithIntelligence

#### **Staff:**

Christopher Hanson  
Russell Nash  
Sarah McCleary  
Jenni Bonds  
Michelle Mahaini  
Yun Quintanilla  
David Kushner  
David Stafford  
Kelly Doggett  
Amy Kelley\*  
Mehrin Rahman  
Ash Perry\*  
Teresa Cantu

\* present telephonically

† present via videoconference

### **1 Call meeting to order**

Chair Yuejiao Liu called the meeting to order at 10:01 a.m.

### **2 Call roll of Trustees**

Ms. Sarah McCleary called the roll. The following Trustees were present in person: Benson, Granof, Liu, Noak, Pool, Ross, and Sinclair. The following Trustees were present via videoconference: Crook, Hunter.

### **3 Review order of business and establish meeting objectives**

Chair Liu reviewed the objectives of the meeting and asked if Trustees needed to take any agenda items out of order. No changes were made to the order of the agenda.

**4 Receive System member and public comments**

Chair Liu asked if there was anyone who wished to make a public comment; there were none.

**5 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 Trustee.**

- A. January 31, 2023 Board meeting minutes**
- B. Ratification, confirmation, and approval of Benefits and Services Committee recommendation on Disability Application # 2023**
- C. Ratification of December 2022, and January and February 2023 retirements**

Mr. Michael Granof moved to approve the consent agenda. Mr. Brad Sinclair seconded, and the motion passed 9-0.

**6 Receive reports on the following Board administrative matters including:**

- A. Ethics policy disclosure statements**
- B. Report on 2022 annual financial disclosure and annual ethics policy statements**
- C. 2023 meeting calendar**
- D. February 24, 2023 Investment Committee meeting**
- E. February 24, 2023 Legislative Committee meeting**
- F. March 9, 2023 Audit and Risk Committee meeting**
- G. March 9, 2023 Benefits and Services Committee meeting**
- H. March 9, 2023 Policy Committee meeting**

*Staff Declarations:* Michelle Mahaini declared a meeting with Todd Graham of Square Cow Movers for quoting office move.

Chair Liu noted that Trustees with questions on the Committee meeting reports should contact Staff. Mr. Christopher Hanson noted the addition of one additional Investment Committee meeting on April 21, 2023.

**7 Discuss and consider long-term facility needs including:**

- A. 4700 Mueller status report, space planning, and construction proposal**

*Mr. Lavine joined the meeting on camera at 10:24 a.m., then went off camera at 10:36 a.m.*

Mr. Russell Nash shared the current status of 4700 Mueller including space planning, the proposed construction budget, and next steps with Trustees.

*Mr. Lavine joined the meeting in person at 10:39 a.m.*

- B. Projected 2023-2032 pro forma**

Mr. Hanson presented a ten-year pro forma showing projected cash flows for 4700 Mueller.

**8 Discuss and consider amendment to 2023 administrative budget**

Mr. Hanson presented a proposed budget amendment with two items: costs associated with COAERS long-term facilities and construction-related costs for 4700 Mueller, and prorated costs for an additional IT position, and a corresponding request to increase the number of FTEs from 24 to 25.

Ms. Pool moved to adopt the administrative budget amendment as proposed. Mr. Ross seconded, and the motion passed 10-0.

**9 Investment Committee**

**A. Discuss and consider proposed revisions to Investment Policy Statement and Investment Implementation Policy**

**B. Discuss and consider Premier List for Multi-Asset**

**C. Discuss and consider funding implementation plan**

**D. Receive report on Asset/Liability Study**

**9A. Discuss and consider proposed revisions to Investment Policy Statement and Investment Implementation Policy**

Mr. David Kushner presented the revisions proposed by the Investment Committee. Mr. Kushner noted that the proposed updates are minor. He also discussed that the proposed changes to both the IPS and IIP do not include any recommendations that may result from the Asset/Liability Study and Asset Allocation Study.

Mr. Granof moved to adopt the Investment Policy Statement and Investment Implementation Policy as presented. Mr. Dick Lavine seconded, and the motion passed 10-0.

**9B. Discuss and consider Premier List for Multi-Asset**

Mr. David Stafford presented to the Board the required annual review of the Multi-Asset portfolio. He discussed that the structure of this asset class had changed over time and that this allocation had struggled to meet its intended goals. As such, he noted that Staff views the asset class as a potential funding source for any new recommendations coming from the Asset/Liability and Asset Allocation Studies.

Mr. Stafford presented proposed changes to the Premier List, noting only minor changes that account for manager-specific diligence items. Mr. Brad Sinclair moved to approve the proposed changes to the Premier List. Mr. Ross seconded, and the motion passed 10-0.

**9C. Discuss and consider funding implementation plan**

Mr. Stafford presented a proposed rebalance of the Fund as directed by the Investment Committee that incorporates recent changing market conditions. Mr. Stafford showed data indicating that bonds have struggled to provide diversification in the total Fund context and that cash yields are now nearing 5%. He discussed how the proposed rebalance placed several asset and sub-asset classes in the strategic bands which require Board approval.

Mr. Chris Noak moved to approved the proposed Funding Implementation Plan as presented and to further authorize a policy exception until the next meeting of the Board to allow Staff to not rebalance the Fund back into the Strategic Bands for Cash & Equivalents, MBS or Asset Allocation should positioning drift outside the Strategic Bands for these allocations after completion of the rebalance and to further authorize Staff to rebalance within existing US Dollar Cash & Equivalents mandates based on best available yields. Mr. Lavine seconded, and the motion passed 10-0.

**9D. Receive report on Asset/Liability Study**

Mr. Stafford presented key issues and committee discussions regarding the Asset/Liability Study. He discussed the most important takeaways from the study included the following:

- that the current contribution policy is likely to fall short of achieving full funding,
- that projected rates of return in the study are below the System's assumed rate of return,
- that pursuing too much, or not enough risk are both deleterious for the System,
- that incorporating more private markets exposures in the Strategic Asset Allocation may provide benefits,
- and that taking incremental illiquidity risk in the Fund should be measured.

Mr. Kushner noted next steps that would include a preliminary Asset Allocation Study at the April Investment Committee meeting, possible updates to the Asset/Liability Study pending COAERS legislation, refreshing the Investment Beliefs at the Board level, a review of investment program goals, and then policy, governance, and implementation review.

**10 Discuss and consider the December 31, 2022 actuarial valuation results and actuarial assumptions**

Mr. Lewis Ward of GRS presented the actuarial valuation results prepared as of December 31, 2022. He reported that the funding period is now 34 years, an increase from 33 in 2021; the UAAL is \$1.9 billion, up from \$1.7 billion in 2021, and the funded ratio is currently 64.1%. He noted that the city contribution rate does not satisfy Board Funding Policy.

Mr. Ward explained that if either SB1444 or HB4000 are enacted, the Board will need to adopt a payroll growth assumption for future Risk Sharing Valuation Studies. GRS recommends a 3.25% payroll growth assumption and discussed their rationale for the recommendation.

*Ms. Crook was off camera from 11:24 a.m. to 11:27 a.m.*

After Mr. Ward's presentation and a discussion, Mr. Noak moved to adopt the December 31, 2022 actuarial valuation results and a payroll growth assumption of 3.25%. Ms. Pool seconded, and the motion passed 10-0.

*Trustees took a break from 12:05 p.m. to 12:26 p.m.*

**11 Discuss and consider matters related to 88th Legislative Session including:**  
**A. HB 4000/SB1444**  
**B. HB 2068 and SB 1446**

Mr. Hanson reported that SB 1444 had been voted out of the Senate Finance Committee unanimously with the recommendation for placement on the Local Senate Calendar. Mr. Hanson also reported on the status of other legislation which may impact COAERS if passed. Mr. Hanson stated he will communicate with Trustees via email when there are further developments with the legislation.

**12 Discuss and consider Fraud, Waste, and Abuse Reporting Policy**

Mr. Russell Nash presented the proposed new policy along with implementation plans. Mr. Ross moved to adopt the Fraud, Waste, and Abuse Reporting Policy as presented. Mr. Benson seconded, and the motion passed 10-0.

**13 Receive report from Executive Director on the following matters:**

- A. MET report and upcoming educational programs/conferences**
- B. 2022 administrative budget**

Mr. Hanson presented his report showing that all Trustees are on schedule toward meeting their educational requirements. He highlighted IFEBP and NACD as excellent sources of training for any Trustees who may be interested. Mr. Hanson offered that COAERS would provide financial reporting training before the June Committee meetings.

Mr. Hanson presented the final 2022 budget showing administrative expenditures against the Board-approved 2022 budget.

**14 Review key meeting takeaways and call for future agenda items**

Chair Liu summarized the decisions made at this meeting and asked for future agenda items.

As there were no other items to discuss, the meeting adjourned at 12:53 p.m.

**These minutes were approved at the June 29, 2023 Board Meeting.**