



MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING

Public Meeting held telephonically on August 11, 2020 at 1:30 pm 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
Lewis Ward, GRS
Belinda Weaver, COA
Mark Dombroski, COA
512-970-4259
512-731-5688

Staff:

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

1. Call meeting to order – Chair Canales-Zarate

Chair Canales-Zarate called the meeting to order at 1:30 p.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: Beach, Benson, Canales-Zarate, Hunter, Liu, Merriman, Pool, Ross, Spencer, and Van Eenoo.

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

Chair Canales-Zarate reviewed the meeting objectives and asked if any Trustees needed to take any items out of order.

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

Chair Canales-Zarate asked if there were any visitors in the room who wished to make a comment. There were none.

Mr. Chris Noak arrived at 1:37 pm

5. Consent items – Chair Canales-Zarate:

- A. Ratification, confirmation, and approval of Disability Committee recommendation on disability applications #2005, #2006, #2007, and #2008**
- B. Appointment of Special Active Election Committee members**

Mr. Anthony Ross moved to approve the consent agenda as presented. Ms. Yuejiao Liu seconded, and the motion passed unanimously.

6. Discuss and consider process for evaluating City of Austin retirement proposals – Chair Canales-Zarate:

Trustees discussed the importance of a clear and transparent process for evaluating proposals in light of Trustees' fiduciary responsibility.

The Board adjourned into Executive Session pursuant to Section 551.071, Texas Government Code, to receive legal advice regarding the process at 1:44 p.m. and resumed in Open Session at 2:19 p.m.

Trustees noted that they were approving the process and the goals, not any specific proposal.

Mr. Van Eenoo moved to adopt the Procedure for Evaluating the City of Austin and Risk Sharing Proposals as follows:

Guiding Principles: The Board of Trustees set the following guiding principles in its evaluation of the City of Austin's Contribution and Risk Sharing Concepts proposal:

- Fiduciary duty
- Code of Ethics
- Be process and goals-oriented
- Be transparent, share information, and promote efficiency and collaboration
- Make data-driven decisions
- Handle any divergent views constructively and collaboratively

Goals: The Board of Trustees established the following goals for evaluating and working with the City of Austin on their Contribution and Risk Sharing Concepts proposal:

- To create a viable solution to ensure long-term sustainability for the retirement system's present and future members, beneficiaries, and retirees.
- To pass legislation that adopts changes to COAERS' governing statute to achieve the goal of long-term plan sustainability and that has the support of both COAERS and the City of Austin in the upcoming sessions.

Framework to Achieve Long-Term Sustainability: The Board of Trustees adopted and recommended the City consider as part of its retirement study the following framework to achieve long-term sustainability:

- Enact a more flexible contribution policy to manage the risks to the System and pay the unfunded actuarial accrued liability and normal cost of the System over an appropriate time period.
- To the extent necessary, amend benefit policies to ensure that the System's obligations can be met for all generations of COAERS members.
- Utilize appropriate risk-sharing between the City and employees to manage the risks inherent in funding a defined benefit plan.

Processes to Review Proposal: The Board of Trustees will utilize the following processes to review and work with the City of Austin on their Contribution and Risk Sharing Concepts proposal:

- Obtain sufficient information and explanation from the City regarding each element of the City's proposal.
- Obtain review, feedback, and analysis regarding the long-term suitability of the proposal from professional staff, actuarial consultant, governmental relations consultant, and other consultants as determined necessary.
- Compare and contrast the City of Austin proposal to the Board-approved framework to achieve long-term sustainability.
- Compare and contrast the City's proposal to Houston pension reform in SB 2190.
- Generate a list of questions, comments, and proposed changes to the City's proposal and provide them to the working group.
- Share information produced through COAERS' review in the review process with the City.
- Determine if the City's proposal is consistent with the Board's guiding principles, framework to achieve long-term sustainability, and the stated goals.
- Identify major points of divergence between COAERS and the City, if any, and address how to resolve those points considering the guiding principles, framework to achieve long-term sustainability, and stated goals.
- Consider and develop strategy to maximize success of the stated goals.

Mr. Michael Benson seconded, and the motion passed unanimously.

Mr. Anthony Ross left the meeting at 2:55 p.m.

Ms. Stephanie Beach left the meeting 3:01 p.m.

7. Discuss and consider long-term sustainability, including a review of proposed revisions to Board Approved Policy F-2 Funding Policy and receive an update on the City of Austin retirement study – Christopher Hanson

Mr. Christopher Hanson solicited Trustee feedback and direction on a new draft of the Board Approved Funding Policy. He noted revisions were necessary so that COAERS would be in compliance with the new funding policy requirements of the Pension Review Board. Mr. Lewis Ward from GRS presented charts detailing funding requirements under a handful of scenarios. Trustees requested additional information including longer term funding projections with adverse events as well as specific funding periods, such as a closed 25-year period, initial 25-year closed with 15-year layers, and an initial 30-year closed with 25-year layers. Mr. Hanson also updated the Board on the first working group meeting with the City.

Ms. Beach returned to the meeting at 3:31 p.m.

8. Discuss and consider System benefit policies including:

A. 2021 retiree annuity adjustment – Lewis Ward

Mr. Lewis Ward from GRS recommended not adopting a Cost of Living Adjustment (COLA) for January 1, 2021. Mr. Randy Spencer moved to accept the GRS recommendation. Ms. Leslie Pool seconded, and the motion passed 8-0.

B. Implementation of administrative changes due to new actuarial assumptions including service purchases – Christopher Hanson and Lewis Ward

Mr. Hanson reminded the Board that the new actuarial assumptions became effective December 31, 2019 with an original implementation date of July 1, 2020. He noted that the Board delayed the implementation due to the pandemic and the transition to remote working.

Mr. Benson moved to 1) establish January 1, 2021 as the target date for the new set of actuarial assumptions to be effective operationally, contingent upon Staff preparing and testing systems, revising communications, and adequately notifying the membership of operational changes due to the changes in actuarial assumptions, and 2) to instruct GRS to proceed with the implementation approach outlined in the Actuarial Equivalent Memorandum presented December 2019, with a 200 basis point premium on service purchases, along with a legal review of military purchases by September 1, 2020.

Ms. Yuejiao Liu seconded, and the motion passed 9-0.

C. Review additional policies set by the Board including interest posting and number of allowed service purchases – Christopher Hanson and Lewis Ward

Mr. Hanson and Mr. Ward reviewed the benefit policies including interest posting to member deposits and number of service purchases allowed per year. Ms. Liu moved to reduce the limit of service purchases per year from six to two, but the motion was not considered for a vote due to a lack of a second.

9. 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 4:58 p.m.



Eyna Canales-Zarate, Board Chair

September 23, 2020

Date



Christopher Hanson, Executive Director

September 23, 2020

Date