



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, June 25, 2019 – 1:30 PM
6850 Austin Center Blvd., Suite 320, Austin, TX 78731

Board Members Present

Michael Benson, Chair
Eyna Canales-Zarate, Vice-Chair
Amy Hunter
Yuejiao Liu
Frank Merriman
Chris Noak
Leslie Pool

Board Members Absent

Stephanie Beach
Anthony B. Ross, Sr.
Randy Spencer
Ed Van Eenoo

Guests:

Paige Saenz, General Counsel
Dr. Harold Skaggs
Greg Reed
Megan Newton
Ian Spencer, RVK
Susan Warren, KPMG
Roy Cobb, KPMG
Chris Stone, KPMG
Selena Xie, Austin EMS

Others Present

Staff:
Christopher Hanson
Russell Nash
Donna Boykin
David T. Veal
Ty Sorrel
Julie Barschow
Amy Kelley
Sarah McCleary
Michelle Mahaini
Yun Quintanilla

1. Call meeting to order – Chair Benson

Chair Benson called the meeting to order at 1:32 p.m.

2. Call roll of Trustees – Chair Benson

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

Ms. Pool arrived at 1:33 p.m.

3. Review order of business and establish meeting objectives – Chair Benson

Chair Benson reviewed the order of business and there were no changes. Mr. Chris Noak mentioned that he needed to leave by 5:00 p.m.

4. Receive System member and public comments – Chair Benson

There were no member comments. Chair Benson noted two pieces of member correspondence that were included in the packet. Mr. Christopher Hanson indicated that he had responded to both individuals and invited each to the Member Meeting in July.

Before adjournment, Chair Benson revisited Agenda Item #4 and recognized Ms. Selena Xie. Ms. Xie updated the Board on proposals from Austin EMS and mentioned that EMS had enlisted the services of a local actuary.

5. Receive reports on the following Board administrative matters including – Chair Benson:

A. Ethics Policy Disclosure Statement

Key Staff Declarations:

Russell Nash declared contacts with Don Heilman, Gallagher Benefits; Jeff Mills, LRWL; William Morrow, LRWL; Michael Oaks, McLagan; Maureen Reilly, McLagan; Joe Rice, CBIZ; Madeline Kiesch, Segal; Ruth Ann Eledge, Segal; Linda Wishard, Segal; and Lori Messer, AJG.

Amy Kelley declared receiving swag bags at the PRISM, GovTech, and TAGITM conferences. She also declared meetings with GTS, Freeit, Spectrum, Box, Bridgepoint, LineaSecure, Ring Central, AWS, Sikich, and Cothron's.

David Veal declared contacts with Lindsay Tragler from Galaxy Digital; David Johnston from Yeoman's Capital; Dan Kim, Kyle Mangini, Cara Elsley, Glenn Morey, Mary Reville, Abbie Sui, and Robert Babb from IFM; Nicholas Moller and Jeffrey Fox from JP Morgan Asset Management; Dan Howell from BTIG; Clark Edlund from CAZ Investments; Enrique Chang, Myron Scholes, Ashwin Alankar, Enrique Bargioni, Jeff Nelson, Edward Parcell, Xiaobao Wang, Eric Przybylinski, Peihan Yu, William Hancock, Brad Rhine, Kristin Mariani, Greg Muth, from Janus Henderson; Tony Hass and Saleena Goel from KKR; George Walker, Erik Knutzen, Tokufumi Kato, Lori Holland, Anu Rajakumar, Jacob Gamerman, Garrick Hull and Melissa Morris from Neuberger Berman; Kristofer Tremaine from Kimura Capital; Dan Ransenberg, Scott Hayward, Catherine LeGraw, John Thorndike, Mark Landis, Rob Daley, and Tim Lang from GMO; Ron Rolighed from Goldman Sachs; Shirley Zhang and Rolf Agather from FTSE Russell; Meredith Despains from NAREIT; Sharon Beach and Hydie McAlister from McAlister Assets; Chadwick Cunningham and Steve Ralff from LaSalle Securities; Warren DeKinder from Intech; Kirk Tattersall from 1607 Capital; Kathy Stevenson from Northern Trust; David Steinwedell from Affordable Central Texas; Joseph Gelly, David Frechette, and Jonathan Alden from BlackRock; Hugh Lewis and Yan Wang from Alpine Macro; Brooks Kaufman, Thomas Clancy, Nocholas Mavro, and Alina Osorio from Fiera Infrastructure; Arun Muralidhar and Sanjay Muralidhar from Alpha Engine;

Margaret Foley from Walter Scott; Hillary Ripley and Brian Delaney from First State Investments; Agam Sharma and Thomas Cosmer from PineBridge Investments; Ryan Fitzpatrick from Baillie Gifford; Jerry Navarette, Vassilis Dagioglu, James Stevana, Karen Wong, and Stephanie Hill from Mellon Capital; and Ty Taylor and Bruce George from P/E Investments.

Kelly Doggett declared meetings with Iwan Djanali and Yao Ooi of AQR; Dan Kim of IFM; John Woods of Northern Trust; Andrew Peterson and Zachary Schmidt of FACTSET; Marisa DeMato of Labaton Sucharow; Jeff Fox and Nicholas Moller of JP Morgan; Ty Taylor and Bruce George of PE Investments; Enrique Barioni, Jeff Nelson, Ashwin Alankar, and Myron Scholes of Janus Henderson; Joseph Gelly, Phil Green, and Douglas McNeely of BlackRock; Neuberger Berman; Dan Ransenberg of GMO; Igor Nirenshtein of CBRE; Lindsay Tragler of Galaxy Digital; Rebecca Eby of Dimensional Fund Advisors; Yan Wang of Alpine Macro; Malcolm Stockdale of Bloomberg; William Manthorne of Columbia Threadneedle; Brandon Kunz of Research Affiliates; Amy Smith of Harbor Advisors; James Squires of Baillie Gifford; Arun Muralidhar of AlphaEngine; Jason Schiavoni of MSCI; and Ryan Sherlock of Haver Analytics.

Chris Hanson declared attendance at Pension Bridge conference with breakfast and lunch provided; meeting with Hank Kim of NCPERS and Don Heilman of Arthur Gallagher & Co.; and attendance at the NCPERS Chief Officers Summit with breakfast and lunch provided.

Trustee Declarations:

Anthony Ross declared de minimis swag at the 2019 NCPERS Conference in Austin and 2019 GRC Summit in Baltimore, and having incidental contact with sponsors and other attendees of those conferences.

Chris Noak declared contact with Amar Jhaveri and Kenneth McRay of Nuveen; Julie Skedd, Baillie Gifford; Brad Kelly, Global Governance Advisors; Sam Austin of NEPC; Ale Abrans; Step Stone; Clifford Booth of Westmouth Realty Capital LLC; and Enrique Barioni of Janus Henderson.

B. 2019 Board and Committee meeting schedule

Mr. Christopher Hanson noted that the Member Meeting will take place in July at the Austin Central Library and the Board workshop in October will be held at Maggiano's.

6. Consent Items – Chair Benson

- A. Ratification of 2019 death benefits, refunds, and retirements**
- B. March 26, 2019 Board meeting minutes**
- C. June 11, 2019 Board meeting minutes**
- D. Ratification, confirmation, and approval of Disability Committee recommendations on disability applications #0300 and #6346**

Ms. Eyna Canales-Zarate moved to approve the consent agenda. Ms. Yuejiao Liu seconded, and the motion passed unanimously.

7. Receive report from June 11, 2019 Disability Committee meeting – Committee Chair Merriman

Mr. Frank Merriman delivered the report from the June 11 Committee meeting.

8. Disability Appeal – Chair Benson

A. Convene into Executive Session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to deliberate Disability appeal ref. #4721

The Board convened into Executive Session at 1:41 p.m.

B. Reconvene into public session and take action as determined appropriate by the Board regarding Disability appeal ref. #4721

The Board reconvened into public session at 1:53 p.m.

Ms. Leslie Pool moved to approve Disability Appeal #4721. Ms. Canales-Zarate seconded, and the motion passed.

9. Audit and Risk Committee

A. Receive report from June 11, 2019 meeting – Committee Chair Liu

Ms. Liu delivered the report from the June 11 Committee meeting.

B. Discuss and consider acceptance of the December 31, 2018, auditor's report and financial statements – Susan Warren, KPMG

Ms. Susan Warren reviewed the auditor's report from KPMG.

The Board convened into Executive Session pursuant to Section 551.089, Texas Government Code, to deliberate security devices, security audit, and network security information at 2:00 p.m.

The Board reconvened into public session at 2:15 p.m.

Ms. Canales-Zarate moved to accept the December 31, 2018, auditor's report and financial statements. Ms. Liu seconded, and the motion passed 6-0 with Ms. Pool having stepped away.

C. Discuss and consider approval of the 2019 RSM engagement letter and agreed-upon procedures – Russell Nash

Mr. Russell Nash reviewed the engagement letter and agreed-upon procedures discussed at the June 11 Committee meeting. Mr. Noak moved to approve the 2019 RSM engagement letter and agreed-upon procedures. Ms. Liu seconded, and the motion passed unanimously.

10. Investment Committee

A. Receive report from May 10, 2019 meeting – Committee Chair Canales-Zarate

Ms. Canales-Zarate delivered the report from the May 10 Committee meeting.

B. Discuss and consider revisions to Investment Policy Statement and Investment Implementation Policy – Christopher Hanson

Mr. Hanson reviewed proposed changes to the Investment Policy Statement (IPS) and Investment Implementation Policy (IIP). He reported that the Committee recommendation integrates the strategic bands recommended by the Committee in November 2018 with the tactical ranges and policies adopted by the Board in December 2018.

Ms. Canales-Zarate moved to approve the revised Investment Policy Statement and Investment Implementation Policy. Ms. Amy Hunter seconded, and the motion passed unanimously.

C. Discuss and consider Global Equity Premier List, investment manager agreements, side letters, and funding implementation plans – David Veal

Mr. David Veal reviewed the proposed Premier List for Global Equity as recommended by the Investment Committee and presented a Funding Implementation Plan. He reported that the plan would terminate the US large cap equity mandate with Intech; reduce small cap exposure in both the US equity and DM equity sub-asset classes; reduce exposure to Scientific Beta indices in the US equity and EM equity sub-asset classes; allocate \$321M in proceeds to passive indices (implemented via mandates in both cash equities and futures); and allocate \$50M in proceeds to the Mellon Dynamic Equity ex-US strategy which, per the IPS, would be specifically authorized as a seed investment.

Ms. Canales-Zarate moved to approve the Premier List for Global Equity and the Funding Implementation Plan, to authorize the Executive Director to sign the associated investment management agreements and side letters pending final approval by legal counsel, and to authorize the Executive Director to terminate investment management agreements with equity managers as outlined in the Funding Implementation Plan. Ms. Hunter seconded, and the motion passed unanimously.

D. Discuss and consider approval of BlackRock side letter – Christopher Hanson

Mr. Hanson explained that after the passage of the IPS associated with Agenda Item 10B, it is necessary to amend the BlackRock Investment Manager Agreement (IMA) consistent with the new Strategic Asset Allocation bands.

Ms. Leslie Pool moved to authorize the Executive Director to sign the amendment to the BlackRock IMA. Mr. Noak seconded, and the motion passed unanimously.

11. Policy Committee

A. Receive report from June 11, 2019 meeting – Chair Benson

Chair Benson delivered the report from the June 11 Committee meeting.

B. Discuss and consider market compensation studies for the executive director position and other staff positions – Chair Benson

Chair Benson reported that compensation studies had not been completed in three years for staff positions and longer for the executive director position.

Mr. Hanson reported that Staff had solicited bids for the compensation studies, and of three bids received, two were considered by the Policy Committee.

Ms. Pool moved to engage McLagan to conduct a market compensation study for the executive director position in accordance with Sections 2.1 and 2.4 of the Personnel Policy, to conduct a market compensation study for COAERS investment staff positions, and to authorize the Executive Director to engage with CBIZ to conduct a market compensation study on the remaining COAERS staff positions. Ms. Canales-Zarate seconded, and the motion passed unanimously.

C. Discuss and consider Board Approved Policy E-1 “Election Policy for Active-Contributory and Retired Members” and consider repeal of Board Approved Policy E-2 “Election Procedures for Active-Contributory Member Statute Amendment Issues” – Russell Nash

Mr. Nash reported that per Statute, the Board must approve written procedures each year in which an election is held. He discussed proposed revisions to the Board Approved Policy E-1 to account for write-in possibilities and options when a vacancy occurs and a variance in schedule is requested. Mr. Nash also explained that the accompanying Policy E-2 was obsolete, but had never been formally repealed.

Mr. Noak moved to approve Board Approved Policy E-1 “Election Policy for Active-Contributory and Retired Members” as revised and to repeal Board Approved Policy E-2 “Election Procedures for Active-Contributory Member Statute Amendment Issues”. Ms. Liu seconded, and the motion passed unanimously.

**12. Discuss and consider appointment of Nominating and Election Committee for 2019
– Russell Nash**

Mr. Noak moved to appoint committee members and alternates to the 2019 Nominating and Election Committee as presented. Ms. Pool seconded, and the motion passed unanimously.

13. Benefits and Services Committee

A. Receive report from June 11, 2019 meeting – Committee Chair Van Eenoo

Chair Benson delivered the report from the June 11 Committee meeting. Mr. Hanson noted the schedule for the actuarial experience study as follows: the Benefits and Services Committee would review related funding matters at its meeting in August; GRS will provide training at the September Board meeting; GRS will deliver a draft recommendation at the Board Workshop in October; GRS will formally present the results of the study at the November Committee meeting; and the Committee will present its recommendation at the December Board meeting for the Board's consideration.

B. Discuss and consider approval of Committee Charter – Russell Nash

Mr. Nash presented the Benefits and Services Committee Charter which had been reviewed by Staff and the Committee. Mr. Noak moved to approve the Benefits and Services Committee Charter as presented. Ms. Liu seconded, and the motion passed unanimously.

14. Facility Options – Chair Benson:

- A. Convene into Executive Session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, sale or value of real property**
- B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, sale or value of real property**

The Board convened into Executive Session at 3:12 p.m.

The Board reconvened into public session at 3:23 p.m.

Ms. Pool moved to adopt Resolution Number 2019-0625. Ms. Liu seconded, and the motion passed unanimously.

15. Discuss and consider revisions to 2019 administrative budget – Christopher Hanson

Mr. Hanson presented two revisions to the 2019 administrative budget to reflect the Board's decisions for the actuarial experience study and the market studies.

Mr. Noak moved to approve the revised 2019 administrative budget. Ms. Canales-Zarate seconded, and the motion passed unanimously.

16. Discuss and consider Board educational activities including the following – Christopher Hanson:

- A. State minimum educational training requirements**
- B. Upcoming educational programs and conferences**

Mr. Hanson reported that Trustees were on track to meet their Pension Review Board (PRB) training requirements, and presented a list of upcoming programs and conferences available for Trustees.

17. Discuss and consider the Executive Director’s report on the following matters – Christopher Hanson:

- A. Operational matters including facilities and staffing**

Mr. Hanson updated Trustees on a resignation and an upcoming new hire in the Member Services division. He indicated Staff is continuing to review further changes to the office space such as nameplates for Staff and videoconferencing technology in the board room.

- B. Update on 2019 Member Meeting**

Mr. Hanson shared tentative plans for the Member Meeting which include pre-Board meeting activities. He noted the location of the meeting will be the Austin Central Library. He further discussed efforts of Staff to improve outreach to members both at the meeting and within various departments.

- C. Fixed asset and non-capitalized equipment disposal**

Mr. Hanson informed Trustees of the results of the fixed asset equipment disposal.

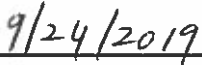
18. Review meeting key takeaways and call for future agenda items – Chair Benson

Mr. Noak asked Staff to review the configuration of the boardroom to ensure that sounds was adequate for all attendees and to have the Board review governance related matters at a future meeting.

As there were no further items to address, the meeting adjourned at 3:57 p.m.



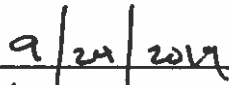
Michael Benson, Board Chair



Date



Christopher Hanson, Executive Director



Date