



MINUTES

BOARD MEETING

Public Meeting held in-person and telephonically on March, 31 2022 at 10:00 am CT
Pursuant to Texas Govt. Code 551.127 – COVID-19 circumstances

Board Members Present

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

Board Members Absent

Yuejiao Liu
Michael Granof

Guests:

Paige Saenz, General Counsel
Ed Van Eenoo
Corey Martin, Avison Young
Andrew Alizzi, Avison Young
Lewis Ward, GRS*
Eddie Solis, Hillco*
Madeline Shi*
Kevin Balaud, withIntelligence*
Belinda Weaver*
Spencer Hunter, RVK*
Ian Bray, RVK*
Jacob Chilvers, withIntelligence*

Staff:

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

* present telephonically

† present via videoconference

1 Call meeting to order

Chair Chris Noak 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, Crook, Hunter, Lavine, Noak, Pool, Ross, and Sinclair. The following Trustee was present virtually: Thomas.

3 Review order of business and establish meeting objectives

Chair Noak 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 business, though both Mr. Ross and Mr. Benson indicated the need to depart the meeting by certain times.

4 Receive system member and public comments

Chair Noak 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, 2022 Board meeting minutes

B. Ratification of December 2021, and January and February 2022 retirements

Mr. Anthony Ross 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: - Board Chair

A. Ethics policy disclosure statements

B. Report on 2021 annual financial disclosure and annual ethics policy statements

C. 2022 meeting calendar

D. February 18, 2022 Investment Committee meeting

E. March 10, 2022 Governance and HR Committee meeting

F. March 10, 2022 Benefits and Services Committee meeting

G. March 10, 2022 Audit and Risk Committee meeting

H. March 10, 2022 Policy Committee meeting

Chair Noak asked Trustees to complete their ethics disclosure forms if they had not already submitted those forms to Ms. McCleary. Ms. Liu reported a meeting with Robbins Geller Rudman Dowd LLC. Chair Noak also noted the presence of Committee reports and asked Trustees to contact Staff if they need additional information on the Committee meetings.

7 Investment Committee:

A. Discuss strategic goals of the investment program

Mr. David Stafford reported on the goals of the investment program. Mr. Stafford provided an overview of the expected risk and return for the Fund using capital market assumptions (CMAs) from RVK and other providers. He noted that these CMAs implied passive returns for the Fund near 5% and risk within guidelines set forth in policy. Additionally, he presented data supporting the use of the risk budgets to achieve the

System's assumed rate of return, noting that there was little room for error. Given this backdrop, he indicated that it may be appropriate to consider ways to increase the likelihood of success for the investment program. In this effort, Staff suggested that the Board consider a variety of items over the coming quarters including refreshing the System's investment beliefs, assessing the Strategic Asset Allocation, and performing an asset/liability study.

B. Discuss and consider proposed updates to Investment Policy Statement and Investment Implementation Policy

Mr. Stafford reviewed the Investment Policy Statement (IPS) and Investment Implementation Policy (IIP) noting that, generally, he believed the current policies to be well-crafted and appropriate. Mr. Stafford presented proposed changes to these policies which clarified risk and return goals, tweaked certain asset allocation targets, and expanded the securities litigation policy, among other minor changes.

Mr. Mike Benson moved to approve the Investment Policy Statement and Investment Implementation Policy as revised. Ms. Leslie Pool seconded, and the motion passed 9-0.

C. Discuss and consider Premier List for Multi Asset

Mr. Stafford presented the review of the Multi-Asset portfolio including a summary of its evolution and the lessons learned over the past five years. He suggested that many of the prior investment challenges faced by the System have been well addressed and that the Multi-Asset section of the Strategic Asset Allocation could be considered for further restructuring into new asset classes or approaches. Mr. Stafford also reviewed the proposed Premier List for Multi-Asset.

Ms. Thomas was off camera from 10:39 a.m. to 10:40 a.m.

Mr. Benson moved to approve the Multi Asset Premier List as presented. Mr. Sinclair seconded, and the motion passed 9-0.

D. Discuss and consider funding implementation plan

Mr. Stafford presented the Funding Implementation Plan related to the adopted changes to the Multi-Asset Premier List as well as rebalancing within the US Treasury accounts to reduce the Fund's duration. Mr. Ross moved to approve the funding implementation plan as presented. Mr. Dick Lavine seconded, and the motion passed 9-0.

Trustees took a break from 10:51 a.m. to 10:57 a.m.

8 Discuss and consider System long-term sustainability including contribution, benefit, and governance policy proposals

Mr. Christopher Hanson presented a summary from the COAERS and City of Austin working group. Mr. Hanson reported on a long-term sustainability framework comprised of contribution, benefit, and governance policies discussed by the working group including:

1. Moving to an Actuarially Determined Employer Contribution (ADEC) rate with the following specifics:
 - a. Annual contributions by the City comprised of normal costs plus “layers” of future gains and losses amortized over a period of not more than 30 years
 - b. Carve out the unfunded actuarial accrued liability (UAAL) as the “Legacy Liability” and pay off on a schedule of not more than 30-years with an initial phase-in over three years,
 - c. Base the total employer contribution on a 6.75% discount rate
2. Structure the ADEC with corridors and built-in correction actions including:
 - a. +/-5% corridor bands around the ADEC “mid-point” with automatic employee contribution increase of up to 2% if corridor ceiling is breached
 - b. COAERS and City develop further modifications if problems persist further
3. Increase the employee contribution rate by 2% from 8% to 10%
4. Maintain service purchase options but modify the cost methodologies to mitigate the risk of actuarial losses such as:
 - a. Military service purchase: remove the 75% subsidy and allow purchase only at retirement
 - b. Supplemental service purchase: allow purchase only at retirement
 - c. Non-contributory service purchase: allow purchase only at retirement
5. Convert one active member board position to a City of Austin appointed position
6. Require citizen appointed positions to have finance or investment experience
7. Establish a risk sharing valuation study process
8. Future cost of living adjustments would require both COAERS and the City of Austin support before seeking legislative approval

Trustees discussed modifications related to converting one active member position to a City of Austin appointed position, including a requirement for the appointee to be a City of Austin employee and a requirement to have financial experience. Ms. Pool noted that the City Council could make its preference known that the appointee be a City of Austin employee.

At the conclusion of the discussion, Ms. Pool moved to approve the long-term sustainability framework as presented with the modification that the City Council recommend the City of Austin appointee be a COAERS active member with financial experience. Mr. Benson seconded, and the motion passed 8-1 with Mr. Ross dissenting.

Mr. Hanson briefly reviewed the next steps for the working group related to the System’s long-term sustainability. Mr. Hanson noted the following items required further review by the working group and expected to present recommendations on these remaining items in the second quarter:

1. Prior service purchase
2. Sick leave conversion

3. Amortization period and layers
4. City-appointed seat

9 Discuss and consider the December 31, 2021 actuarial valuation results

Mr. Lewis Ward from GRS reported the actuarial valuation results and noted to the Board that he was presenting results based on the Benefits and Services Committee recommendation to reduce the assumed rate of return from 7.00% to 6.75%. He reported that as of December 31, 2021, the funding period of the Plan is 33 years, up from 32 years in 2020, and that the funded ratio is 66.5%, up from 65.3% in 2020.

Mr. Ward reported that the valuation results were a product of several key changes, such as: the City increasing its contribution rate by 1% to a total of 19% effective January 1, 2021; COAERS investment performance exceeding the return on assets assumption; a liability experience gain of more than \$18 million partly due to lower-than-expected salary increases, and a change in our return on assets assumption from 7.00% to 6.75%.

Mr. Ward stated that positive returns on investments over the past three years have increased the actuarial value of assets more than expected. The change in the investment return assumption offset the experience gains on assets and liabilities. Mr. Ward reported that the funding period still exceeds the maximum period in the Board's funding policy and without additional gains the UAAL is expected to grow for the next 14 years. Therefore, GRS is recommending that the Board continue discussions with the City about improving the long-term sustainability of the System with additional funding and/or other changes to the System.

Mr. Ross moved to adopt the December 31, 2021 actuarial valuation results with a 6.75% investment rate of return assumption, composed of an inflation component of 2.5% and a real rate of investment return of 4.25%, and to direct Staff to defer administrative implementation of the investment return assumption change until pension legislation is enacted. Ms. Amy Hunter seconded, and the motion passed 9-0.

10 Discuss and consider Board Bylaws

Mr. Hanson explained that the COAERS Bylaws were adopted prior to the pandemic and did not address all situations which could require the use of videoconferencing. Mr. Hanson reported that Staff and General Counsel propose a revision which would clarify who should chair a meeting if the Committee or Board Chair has joined the meeting via videoconference.

Ms. Pool moved to adopt the revised Board Bylaws as presented. Mr. Ross seconded, and the motion passed 9-0.

Trustees took a break from 11:59 a.m. to 12:11 p.m.

Ms. Crook left the meeting at 12:05 p.m.

11 Facility options

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

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

Ms. Thomas was off camera from 12:23 p.m. to 12:24 p.m. and again from 12:36 p.m. to 12:37 p.m.

Ms. Pool left the meeting at 12:40 p.m.

The Board reconvened into public session at 12:48 p.m.

Mr. Sinclair moved to authorize the Executive Director to sign the Buyer or Tenant Representation Letter and the Broker Fee Agreement pending final approval by legal counsel. Mr. Benson seconded, and the motion passed 7-0.

Mr. Ross left the meeting at 12:51 p.m.

12 Receive report from Executive Director on the following matters:

A. Operational matters including staffing

Mr. Hanson updated Trustees on staffing and return-to-office planning logistics.

B. 2021 administrative budget

Mr. Hanson presented the year-end 2021 administrative budget.

C. Update on October Board workshop

Mr. Hanson stated that Staff had found several viable options for the Board Workshop in October and asked Trustees to weigh in on their criteria for choosing a location and format.

D. MET report and upcoming educational programs and conferences

Mr. Hanson reported that training was on schedule for all Trustees to meet the Pension Review Board requirements and encouraged Trustees who were interested in upcoming conferences to reach out to Staff with questions or for registration and travel help.

13 Review key meeting takeaways and call for future agenda items

Chair Noak 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 1:08 p.m.

These minutes were approved at the June 23, 2022 Board meeting.