



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

**Public Meeting held telephonically on December 15 and 16, 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

Guests:

Paige Saenz, General
Counsel
Brad Kelly, GGA
Peter Landers, GGA
Craig McColloch
Gregg Olson
Ian Bray, RVK
Spencer Hunter, RVK

Staff:

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

1. Call meeting to order – Chair Canales-Zarate

Chair Canales-Zarate called the meeting to order at 1:31 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, Noak, Pool, Ross, and Spencer.

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

Chair Canales-Zarate reviewed the objectives of the meeting, the logistics of a two-day meeting, and asked if any Trustees needed to take items out of order. No changes were made to the order of the agenda.

Mr. Van Eenoo arrived at 1:40 p.m.

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

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

Chair Canales-Zarate returned to this agenda item on Day Two, then proceeded with agenda item #12.

5. Receive reports on the following Board administrative matters including – Chair Canales-Zarate:

- a. Ethics policy disclosure statements**
- b. Reports from Committees**
 - i. Investments Committee**
 - ii. Policy Committee**
 - iii. Benefits and Services Committee**
 - iv. Disability Committee**
 - v. Audit and Risk Committee**

Staff Declarations:

Michelle Mahaini declared attendance at the TSLC E-records conference online and the ARMA Annual InfoCon keynote events online.

Trustee Declarations:

Chris Noak declared a virtual meeting with Tommy Romero of Fisher Investments.

Chair Canales-Zarate noted the presence of the reports and encouraged Trustees with any questions to reach out to Staff.

6. Consent items – Chair Canales-Zarate:

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. September 22, 2020 Board meeting minutes**
- b. October 20, 2020 Board workshop minutes**
- c. Ratification, confirmation, and approval of June, July, August, and September 2020 retirements**
- d. Ratification, confirmation, and approval of Disability Committee recommendation on disability application #2009**

Mr. Ed Van Eenoo moved to approve the consent agenda as presented. Ms. Stephanie Beach seconded, and the motion passed unanimously. Mr. Benson indicated that as his own retirement was included in 6C, he would recuse himself from voting on that portion of the agenda item but voted yes on 6A, 6B, and 6D.

7. Certification of election results as announced by the Nominating and Election Committee – Russell Nash

- a. Active Member Place 6 – Craig McColloch, Committee Chair**
- b. Retired Member Place 10 – Gregg Olson, Committee Chair**

Mr. Russell Nash provided election statistics and thanked the members of the Nominating and Election Committee for their work. Mr. Nash introduced the Chair of the Committee for Active Member Place 6, Mr. Craig McColloch, who announced the results of the election as follows: Brad Sinclair received 450 votes, Daniel Owens received 246 votes, Lauren Wynn received 205 votes, Abdul Mohammad received 90 votes, Kaz Wojtewcz received 67 votes, Jay Heinrich received 24 votes, and there was 1 write-in ballot received. Of the 1,090 processed ballots, 772 were online and 318 were paper. Mr. Sinclair was named the apparent winner of Place 6.

Mr. Nash introduced the Chair of the Committee for Retired Member Place 10, Mr. Gregg Olson, who announced the results of the election as follows: Michael Benson received 716 votes, Francine Gertz received 344 votes, Kay Guedea received 212 votes, Melanie Miller received 192 votes, Franklin Houston received 129 votes, and there were 4 write-in ballots received. Of the 1,609 processed ballots, 699 were online and 910 were paper. Mr. Benson was named the apparent winner of Place 10.

Ms. Leslie Pool moved to declare the official winners as reported by the Nominating and Election Committees. Mr. Anthony Ross seconded, and the motion passed unanimously.

8. Discuss and consider governance effectiveness assessment from Global Governance Advisors – Brad Kelly and Peter Landers, GGA

Mr. Brad Kelly presented the initial results of the COAERS governance effectiveness assessment. Trustees discussed the findings and methods to begin implementation of recommendations.

Trustees took a break from 3:34 pm to 3:45 pm

9. Conduct annual Board self-evaluation – Chair Canales-Zarate

Trustees discussed the strengths and weaknesses of the Board during 2020. Topics included how the Board could think more strategically, prepare Trustees for leadership positions, improve relationships within the bounds of the Open Meetings Act, and how to institutionalize board practices.

10. Policy Committee

- a. Discuss and consider Policy Committee Charter – Christopher Hanson**

Mr. Hanson presented the proposed Policy Committee charter, which he noted was revised to reflect current Committee practices and Board policy.

Mr. Chris Noak moved to approve the charter as presented. Ms. Stephanie Beach seconded, and the motion passed unanimously.

b. Discuss and consider Board Bylaws – Christopher Hanson

Mr. Hanson presented the Board Bylaws reflecting changes suggested at the last Policy Committee meeting. He reported that the major proposed change related to a new process for the nomination of the Board Chair and Vice-Chair positions.

Mr. Noak moved to approve the Board Bylaws as presented. Ms. Yuejiao Liu seconded, and the motion passed unanimously.

c. Discuss and consider Code of Ethics – Christopher Hanson

Mr. Hanson presented revisions to the Code of Ethics to include direct language regarding conflicts related to personal investments.

Ms. Amy Hunter moved to approve the Code of Ethics as presented. Mr. Randy Spencer seconded, and the motion passed unanimously.

d. Discuss and consider engagement letters from legal service providers – Christopher Hanson

Mr. Hanson noted that the Policy Committee had directed Staff to seek engagement letters from outside legal firms that provide legal counsel to Texas public retirement systems.

Mr. Noak moved to approve the engagement letters with Jackson Walker and Locke Lord. Ms. Liu seconded, and the motion passed unanimously.

11. Audit and Risk Committee

a. Discuss and consider Audit and Risk Committee charter – Christopher Hanson

Mr. Hanson reported that the Audit and Risk Committee reviewed its charter for its three-year review and that the Committee recommended adopting it with no changes.

Ms. Pool moved to approve the Audit and Risk Committee charter as presented. Mr. Anthony Ross seconded, and the motion passed unanimously.

b. Discuss and consider risk management system – Christopher Hanson

Mr. Hanson presented the risk management system that categorizes risks and mitigation activities. He discussed how the system was designed to be constantly evolving and will require regular review to capture the changing risk landscape. He noted that Staff had made all requested changes by the Audit and Risk Committee.

Mr. Noak moved to approve COAERS' risk management system. Ms. Beach seconded, and the motion passed unanimously.

c. Discuss and consider 2021 administrative budget – Christopher Hanson

Mr. Hanson presented the 2021 administrative budget and noted that total proposed expenditures were level with 2020 budgeted expenses. He reported that the budget

assumed that COAERS would remain in a remote environment through 2021. Mr. Hanson discussed how the budget was built with focus on strategic and risk management priorities for 2021 including mission, plan sustainability, risk management, enhancing customer experience, and best practices. Mr. Hanson stated that the proposal also allows for a contingency budget of up to 3% to potentially fund expenses such as a transition of operations back to the offices.

Mr. Ross moved to approve the 2021 administrative budget including pre-approval of the contingency budget with the requirement that the Executive Director notify the Board of any expenditure from the contingency budget. Mr. Noak seconded, and the motion passed unanimously.

The Chair announced the meeting stood in recess at 5:27 pm, noting that it would convene on December 16 at 1:30 pm. There were no objections.

The meeting resumed and was called to order at 1:32 p.m. on December 16, 2020.

The following Trustees were present: Beach, Benson, Canales-Zarate, Hunter, Liu, Merriman, Noak, Pool, Ross, and Spencer.

Chair Canales-Zarate returned to agenda item #4 and asked if there were any visitors who wished to make a public comment. There were none.

Mr. Van Eenoo arrived at 1:42 p.m.

12. Discuss and consider adoption of the 2021-2023 Strategic Plan – Christopher Hanson

Mr. Hanson presented the 2021-2023 Strategic Plan which had been updated based on Trustee feedback. Trustees discussed the possibility of more changes based on the report from Global Governance Advisors.

Mr. Spencer moved to adopt the 2021-2023 Strategic Plan with the caveat that Staff revisit the plan in 2021 so that Trustees can incorporate recommendations from GGA. Ms. Liu seconded, and the motion passed unanimously.

13. Investment Committee

a. Discuss and consider Premier List for Fixed Income & Cash – David Veal

Mr. Veal shared the recommendation of the Investment Committee to designate a default cash sweep vehicle with BNY Mellon and establish a USD deposit account there that mirrors the existing structure with Northern Trust.

Mr. Noak moved to approve the Premier List for Fixed Income & Cash. Mr. Ross seconded, and the motion passed unanimously.

b. Discuss and consider Premier List for Multi-Asset – David Veal

Mr. Veal shared the recommendation of the Investment Committee to improve upon the construction of the Multi-Asset allocation, including the associated Premier Lists.

Mr. Noak moved to approve the Premier List for Multi-Asset. Ms. Beach seconded, and the motion passed unanimously.

c. Discuss and consider funding implementation plans – David Veal

Mr. Veal presented a funding implementation plan (“Plan A”) recommended by the Investment Committee that implement the proposed changes to the Multi-Asset Premier List by funding the proposed Passive 60/40 mandate.

Mr. Veal noted that since the last Investment Committee meeting, the Fund had the best month for performance in the history of the System, which in turn increased the allocation to Global Equities above the Tactical Maximum. As such, Staff reviewed another rebalancing plan (“Plan B”) that would augment Plan A by further reducing the total risk of the Fund through an additional reduction in Global Equities.

Staff recommended Plan B, and the Board discussed the merits and risks of both approaches. Mr. Noak moved to approve Funding Implementation Plan B. Mr. Van Eenoo seconded, and the motion passed unanimously.

d. Discuss and consider revisions to the Investment Policy Statement and Investment Implementation Policy – David Veal

Mr. Veal presented the Investment Policy Statement (IPS) and the Investment Implementation Policy (IIP) with revisions to address the five recommendations offered in RVK’s Evaluation of Investment Practices report of earlier in the year along with clarifications and updates as recommended by the Investment Committee.

Mr. Noak moved to approve the revised IPS and IIP. Mr. Spencer seconded, and the motion passed unanimously.

e. Discuss and consider 2021 investment resource budget – David Veal

Mr. Veal presented the Investment Resource budget, for which he noted a continued focus on deriving significant value for the System from investment expenses. Mr. Veal also reviewed the findings of the CEM Benchmarking report which found that COAERS is in the lowest decile for fees among its peer universe.

Mr. Ross moved to approve the 2021 Investment Resource budget. Ms. Hunter seconded, and the motion passed unanimously.

f. Discuss and consider amendment to RVK Service Agreement – Christopher Hanson

Mr. Hanson presented an amendment to the existing RVK service agreement. He noted that the original agreement provided for two two-year extensions and this amendment would be the first.

Mr. Benson moved to approve the amendment to the service agreement. Ms. Pool seconded, and the motion passed unanimously.

14. Benefits and Services Committee

a. Discuss and consider COAERS legislative priorities for the 87th Legislative Session – Christopher Hanson

Mr. Hanson reported on the recommendation of the Benefits and Services Committee regarding COAERS statement of priorities for the 87th Legislative Session. Mr. Hanson noted that staff, counsel, and consultant had reviewed the language at the request of the Committee and approved the following:

COAERS' highest priority is preserving its ability to fulfill its fiduciary duty for its members. Thus, COAERS will oppose legislation that would, in any way, erode or impair its fiduciary duty, authority, or otherwise negatively affect the System and its members.

Mr. Noak moved to adopt the COAERS Legislative Priorities for the 87th Legislative Session. Ms. Pool seconded, and the motion passed unanimously.

b. Discuss and consider amendment to governmental relations agreement – Christopher Hanson

Mr. Hanson presented the proposed amendment to the 2018 governmental affairs consulting agreement.

Ms. Pool moved to approve the amendment to the governmental affairs consulting agreement. Mr. Ross seconded, and the motion passed unanimously.

15. Discuss and consider interest allocation on member deposits for 2020 – Russell Nash

Mr. Nash reminded Trustees that by Statute and policy, the Board must set the annual interest rate on member deposits.

Mr. Ross moved to adopt the recommendation of GRS Retirement Consulting to set the interest rate allocation at 1.04% on member deposits for 2020. Ms. Beach seconded, and the motion passed unanimously.

16. Discuss and consider Disability Committee Charter – Russell Nash

Mr. Nash presented the Disability Committee charter for its three-year review. No substantive changes were made; however, language was amended to update the charter and make it consistent with the recently adopted Benefits Operating Procedures.

Mr. Ross moved to adopt the Disability Committee charter as presented. Mr. Merriman seconded, and the motion passed unanimously.

Trustees took a break from 3:08 pm to 3:20 pm.

17. Review and discuss the Executive Director's report on the following matters – Christopher Hanson

- a. Update on gubernatorial appointment to State Pension Review Board**
- b. State minimum educational training requirements**

- c. **Upcoming educational programs and conferences**
- d. **2021 Board and Committee agenda items**
- e. **Board and Committee calendars for 2021**
- f. **Operational matters including 2021 organizational structure**

Mr. Hanson reported that COAERS was among the minority of pension systems in Texas in full compliance with the MET training requirements set forth by the Pension Review Board. Mr. Hanson outlined the major items for the Board and Committees in 2021. The Board discussed whether to split Committee meetings over two days instead of having all meetings on one day. After polling the Trustees, no clear preference was identified.

18. Executive Session – Chair Canales-Zarate

- a. **Convene into executive session pursuant to Tex. Government Code 551.074 to deliberate the evaluation, employment, and/or duties of the Executive Director**
- b. **Reconvene into public session and take action, if any, as determined appropriate**

The Board convened into Executive Session at 3:44 pm.

The Board reconvened into Public Session at 5:47 pm.

Mr. Benson moved to set the Executive Director's salary beginning with the first 2021 pay period as discussed in Executive Session. Ms. Pool seconded, and the motion passed unanimously.

19. Review key meeting takeaways and call for future agenda items – Chair Canales-Zarate

Chair Canales-Zarate reviewed the work done over the two days.

20. Recognition of outgoing Board Chair

Both Trustees and Staff thanked Chair Canales-Zarate for her tireless service and wished her well.

As there were no further items to address, the meeting adjourned at 5:54 p.m.

These minutes were approved as part of the Consent Agenda at the January 26, 2021 Board meeting.