



City of Austin Employees' Retirement System

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

**Tuesday, November 22, 2016 – 1:30 PM  
418 E. Highland Mall Boulevard, Austin, Texas 78752**

**Board Members Present**

Michael Benson  
Reagan David  
Francine Gertz  
Elizabeth Gonzales  
Anthony B. Ross, Sr.  
Sam Jones

**Board Members Absent**

Chris Noak  
Leslie Pool  
Russ Sartain  
Ed Van Eenoo  
Jim Williams

**Others Present**

Staff:  
Christopher Hanson  
Russell Nash  
Donna Boykin  
David T. Veal  
Michelle Mahaini  
Sarah McCleary

In the absence of the Chair and Vice Chair, the Board agreed to have Mr. Sam Jones chair the meeting. Mr. Jones called the meeting to order at 1:31 p.m.

**1. System member and citizen comments/correspondence**

There were no citizen comments nor any correspondence to share.

**2. Review order of business**

Mr. Ross indicated a need to leave by 2:30 p.m.

**3. Receive reports on the following Board administrative matters:**

**A. Ethics policy disclosure statement**

*Staff Declarations:* Donna Boykin declared a meeting with Kathy Stevenson of Northern Trust with dinner provided; and declared attendance at the P2F2 conference with lunch provided. Russell Nash declared contact with Paul Gonzales of Time Warner Cable. David Veal declared meetings with Tom Arnold and Aaron Cantrell of Record Currency Management; Jack Kirkpatrick of Aberdeen Asset Management; Benjamin Lazarus of Parametric; Garrett Glawe of S&P Dow Jones Indices; Glen Sanders and Momtchil Pojarliev of Fischer Francis Trees & Watts (FFTW) & BNP Paribas; Warren DeKinder and Nancy Holden of INTECH Janus; Tony Hass and Saleena Goel of KKR; Matt Hultquist of Sasco Capital; Rick Lauchnor of FTSE Russell; Jeremy Bergman of Apollo Management; Dan Rosenberg and Rick Friedman of GMO; Rick DeMuesy of WCM Investment

Management; Jason Wallace of BP Capital; Greg Williams of Wellington Capital; Stuart Bernstein and Steve Leblanc of Cap Ridge Partners; Iwan Djanali of AQR; Delia Roges of Invesco; Alex Xethalis of 13D; Angela Cantu and Robert McMullen of Blackstone; Laura Zink of DDJ Capital; Ed Finneran of Brigade Capital; Peter Schmole of Standard Life; Alex Smith of Meritage Capital; Julian Bostic, Lori Holland, and Eric Knutzen of Neuberger Berman; Neal Howe of Welton Capital; Pat Kelly, Pat O'Hara, Brad Coates and Duncan Buoyer with Agincourt Capital Management; James Mallory, Kirk Tattersall, Shannon Fake and Carlos Domenech with 1607 Capital Partners and Jack Foster from Commonfund.

Chris Hanson declared meetings with Melissa Gallo and Fred Porzelt with Northern Trust Asset Management; Jose Carrillo and Drew Scheberle with Austin Chamber of Commerce; Jack Foster with Commonfund; Rick Friedman and Dan Rosenberg from Grantham, Mayo, Van Otterloo; Greg Williams and Adam Berger from Wellington Management; attendance at Global ARC Conference with breakfast and lunch provided; Saleena Goel and Tony Hass from KKR; Pat Kelly, Pat O'Hara, Brad Coates and Duncan Buoyer with Agincourt Capital Management; James Mallory, Kirk Tattersall, Shannon Fake and Carlos Domenech with 1607 Capital Partners; Warren DeKinder and Nancy Holden with INTECH; and Tom Arnold and Aaron Cantrell of Record Currency Management.

*Board Declarations:* Michael Benson declared meetings with 1607 Capital Partners and with Agincourt (with orange juice).

#### **B. 2016 Board and Committee meeting schedule**

Ms. Gonzales noted there is only one more 2016 meeting in December and inquired as to whether the results of the election would be formally announced at that meeting. Staff confirmed that the results would be announced and the oath of office for the incoming Trustee will occur at the December meeting.

#### **4. 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 Board Member.**

**A. September 27, 2016 Board Meeting Minutes**

**B. October 19, 2016 Annual Members' Meeting Minutes**

**C. Ratification of August and September 2016 Retirement and Death Benefits**

Mr. Reagan David moved to approve the September 27, 2016 Board meeting minutes as amended, the October 19, 2016 annual members' meeting minutes, and ratification of the August and September 2016 retirement and death benefits. Ms. Gertz seconded, and the motion passed unanimously.

#### **5. Receive report from November 8, 2016 Disability Committee meeting**

Mr. Russell Nash reported that at the time of the November 8<sup>th</sup> Committee meeting, there were two disability retirees whose continuation documentation was pending. Since the meeting, COAERS received the missing information, and therefore, no action is needed for this year's disability continuation.

#### **6. Audit & Finance Committee:**

##### **A. Receive report from November 8, 2016 Committee meeting**

Mr. Anthony B. Ross, Sr. reported on the last Audit & Finance Committee meeting, which included an annual SAS 114 presentation, a proposed engagement letter, third quarter financial statements, and evaluation of KPMG and RSM US LLP.

**B. Discuss and consider KPMG LLP 2016 engagement letter**

Mr. David moved approval of the KPMG LLP 2016 engagement letter. Ms. Elizabeth Gonzales seconded, and the motion passed unanimously.

**C. Third quarter 2016 financial statements**

Third quarter financial statements were shared. There were no questions.

**7. Discuss and consider Northern Trust Level Determination Reporting Service Agreement and Valuation Support Services Agreement Committee**

Mr. Hanson reported on the GASB 72 requirements for the audit as of December 31, 2016. Staff attended a Webinar and evaluated options for both the reporting service (\$3,000) and valuation support (\$10,000).

Mr. David moved approval of the Level Determination Reporting Service Agreement and the Valuation Support Services Agreement pending final approval by legal counsel. Mr. Ross seconded, and the motion passed unanimously.

**8. Receive report from November 8, 2016 Benefits & Services Committee**

Ms. Gonzales reported on the November 8, 2016 Benefits & Services Committee. She stated that at that meeting, the annual evaluation of Gabriel, Roeder, Smith & Company was completed; the evaluation of LRWL, Inc. was postponed; the Committee continued discussions on a draft policy regarding limits on contributions; and Committee members heard a presentation from Mr. Hanson regarding the upcoming 85<sup>th</sup> Legislative Session.

**9. Discuss and consider the following:**

**A. 2017 retiree annuity adjustment consideration**

Mr. Nash outlined the recommendation from Gabriel, Roeder, Smith & Co. (GRS) regarding the annual adjustment consideration. He reported that GRS does not recommend an annuity adjustment for 2017.

Mr. Benson moved to accept the GRS recommendation regarding the adjustment. Mr. Ross seconded, and the motion passed unanimously.

**B. Interest allocation January 2017**

Mr. Nash outlined the recommendation from Gabriel, Roeder, Smith & Co. regarding the interest allocation. Mr. David moved to accept the GRS recommendation to set the interest rate allocation at 1.83% on member deposits for 2016. Mr. Ross seconded, and the motion passed unanimously.

**10. Investment Committee**

**A. Receive report from November 18, 2016 Committee meeting**

Mr. Veal reported on the Investment Committee meeting of November 18, highlighting the discussions and results from the third quarter.

**B. Discuss and consider portfolio index providers, including implementation options for emerging markets factor index and contracts for the index providers**

Mr. Veal recapped the discussions over the past few months that led the Investment Committee to its recommendations regarding the Emerging Markets index and its implementation.

Mr. David moved to approve the Scientific Beta Equal Weight Index with Legal and General Investment Management America (LGIMA); to transfer the Russell 2000 securities lending index to LGIMA; and to approve the Investment Management Agreement with LGIMA, the side letters with LGIMA and Reliance Trust Company of Delaware and any other documents needed to give effect to the investments, pending final approval by legal counsel. Ms. Gonzales seconded, and the motion passed unanimously.

**C. Discuss and consider investment policy statement**

Mr. Hanson outlined the changes suggested on the investment policy statement which include clarification on certain benchmarks, deletion of language related to managers no longer managing funds for COAERS and the inclusion of reporting provisions consistent with the recently adopted updates to the Code of Ethics.

Mr. David moved to approve the revised Board Approved Policy I-1 “Statement of Investment Policy” as presented. Ms. Gertz seconded, and the motion passed unanimously.

**D. Discuss and consider investment analytical tools**

Mr. Veal outlined options for advanced investment analytical tools for research, tracking and forecasting to augment the existing capabilities of Staff. The Board discussed the benefits of having research and analysis from both the Chief Investment Officer and the Investment Consultant to support its efforts to make prudent decisions for the fund.

Mr. David moved approval of subscription agreements with FactSet and eVestment pending final approval of agreements by legal counsel. Mr. Ross seconded, and the motion passed unanimously.

*Mr. Ross departed at 2:25 p.m.*

**11. Review and discuss Board educational activities including the following:**

**A. Reports on educational programs attended**

**B. Upcoming educational programs and conferences**

Mr. Hanson reported on educational programs attended by Trustees and outlined upcoming trainings, including those which are accredited for State Minimum Educational (MET) requirements by the Pension Review Board

**12. Executive Director Report**

**A. Update on elections**

Mr. Hanson reported that ballots will be opened and tallied by the Elections Committee on December 5, 2016. Trustees asked that an email be sent to them with the results prior to the December Board meeting. Mr. David noted that in the future the Board consider including a specific Board position for a Group B member.

**B. Update on 2017 calendar development**

Mr. Hanson reported that Staff was working on a new 2017 Board calendar. He reported that initial plans are to reverse the order of the Annual Members’ meeting and the Board Workshop. The Trustees expressed support for this calendar change.

**C. Public pensions in the news**

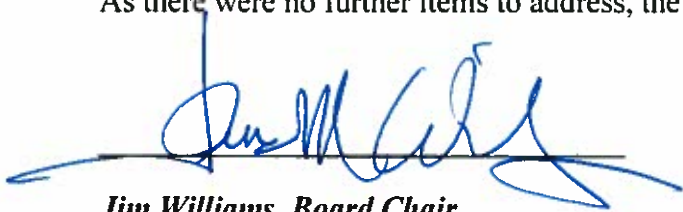
Mr. Hanson shared media coverage of other pension funds and stated that he believes it is possible that the Laura and John Arnold Foundation may release a paper discussing the municipal retirement systems in Austin in the near future.

**D. Comparative calculation and retirement activity levels**

Mr. Hanson pointed to statistics which show a marked increase in calculations and retirements prompted by changes to the actuarial assumptions that take effect after this year. He thanked the Member Services Staff including Laura Fugate, Catherine Pezulich, and Teresa Cantu for their efforts in handling the significant workload increase.

**13. Call for future agenda items**

As there were no further items to address, the meeting adjourned at 2:45p.m.



*Jim Williams, Board Chair*

12/20/2016  
*Date*



*Christopher Hanson, Executive Director*

12/17/2016  
*Date*