



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, December 11, 2018 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Stephanie Beach
Michael Benson
Amy Hunter
Frank Merriman
Leslie Pool
Anthony B. Ross, Sr.
Randy Spencer
Ed Van Eenoo

Board Members Absent

Chris Noak, Chair
Eyna Canales-Zarate
Yuejiao Liu

Others Present

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

Guests:
Paige Saenz, General Counsel
Gaye Brewer
Chad Karnes
Rebecca Eby

1. Call meeting to order – Chair Noak

Vice Chair Mike Benson called the meeting to order at 1:33 p.m.

2. Call roll of Trustees – Chair Noak

The secretary called the roll and the following Trustees were present: Beach, Benson, Hunter, Merriman, Ross, Spencer, and Van Eenoo.

3. Review order of business

Vice Chair Benson reviewed the order of business.

4. Receive system member and public comments – Chair Noak

There were no public comments.

5. Receive reports on the following administrative matters – Chair Noak

A. Ethics policy disclosure statement

Key Staff Declarations:

Julie Barschow declared meetings with Austex Printing, Imagine You Media, LCRA, Maggiano's, and LRS/LRS Web Solutions.

Michelle Mahaini declared breakfast and lunch provided at TSLAC E-records Conference on November 16, 2018, plus meetings with D. Rizzo of Smart Buy Furniture, Lester of AREMS, M. Messer Photography, M. Ladenburg of Cothran's, J. Acker of Kucera and C. Carpenter of CC Construction, D. Cracknell of CBI Furniture and C. Kuncl of CBI Furniture.

David Veal declared attendance at Scientific Beta North America conference with meals provided and Universa Investments and PIMCO institutional investor meetings with dinner provided. Mr. Veal also declared meetings with Charles Millard from CEFM, Andrew Miller and Harry Gakidis from Acadian; Tony Hass from KKR; Ashley Alson from Northern Trust; Tim Erskine-Murray, Will Sutcliffe, Mike Gush, James Squires, and Andrew Keiller from Baillie Gifford; Becky Nichols, Jeremy Lawson, Mark Vincent, Neil Matheson, and Owen McCrossan from Aberdeen Standard; Mark Martrossian, John Ewart, and Klyzza Lidman from Aubrey Capital Management; Warren DeKinder from Intech; Douglas Seig, Steven Rocco, Patrick Browne, Joseph Graham, and Samantha Scher from Lord Abbett; Shirley Zhang from FTSE Russell; Blake Doyle and Spencer Smith from Chevy Chase Trust; Erik Ogard from Russell Investments; Bill Grayson from Principal Real Estate; Mike Novogratz and Linday Tragler from Galaxy Digital; Mark Spitznagel, Nicholas Nassim Taleb, Brandon Yarckin, and Daisy Weiss from Universa Investments; Nick Lobaccaro from EVA Capital; Chris Von Bargen, Joe Galligan, Jeff Gundlach, Ken Shinoda, and Vitaliy Liberman from DoubleLine Capital; Steven Kellner, Ed Blaha, Temple Houston, Paul Zetterstrom, Stephen Warren, Tom Terchek, Peter Taggart, Steve Ahrens, and Shannon Walsh from PGIM; Greg Williams, Scott St John, Craig Gainey, Mike Miller, Keenan Choy, Campe Goodman, Brian Conroy, and Andrew Waine from Wellington Management; Chad Gross, Carol Embree, Richard Raczkowski, Kristy Hergrueter, Gene Morrison, Andrea DiCenso, Kevin Kerns, and Roger Ackerman from Loomis Sayles; Emmanuel Roman, Daniel Hyman, Ryan Murphy, Sonali Pier, Brian Leach, Matt Putnicki, Mark Kiesel, Jeff Helsing, Steve Sapra, Helen Guo, Mariko Boswell, and Kevin Gray, and Benjamin Bernanke from PIMCO; Andrew Lawrence from Strike Protocol; Anna Dayn from XTP; Jerry Navarrete, Paul Benson, and Stephanie Hill from Mellon Capital; Jason Schiavoni from MSCI; Rupert Watts and Garrett Glawe from S&P Indices; Julian Bostic from Vista Equity Partners; Simon Judes, Peter

Phillips and Chad Kutney from Winton Capital; Mike Mendelson and Joey Lee from AQR; Nick Mavro, Tom Clancy, and Alina Osorio from Fiera Capital.

David Stafford declared attendance at Scientific Beta North America conference with meals provided and Universa Investments and PIMCO institutional investor meetings with dinner provided. Mr. Stafford also declared meetings with Thomas Metzler and Matthew Munro from MetLife; Mary Davidson from Abel Noser; Ashley Alson from Northern Trust; Tim Erskine-Murray, Will Sutcliffe, Mike Gush, James Squires, and Andrew Keiller from Baillie Gifford; Becky Nichols, Jeremy Lawson, Mark Vincent, Neil Matheson, and Owen McCrossan from Aberdeen Standard; Mark Martrossian, John Ewart, and Klyzza Lidman from Aubrey Capital Management; Alex Winstone from AlternativeSoft; Warren DeKinder from Intech; Douglas Seig, Steven Rocco, Patrick Browne, Joseph Graham, and Samantha Scher from Lord Abbett; Shirley Zhang from FTSE Russell; Blake Doyle and Spencer Smith from Chevy Chase Trust; Erik Ogard from Russell Investments; Jan Dehn and Tim Jenkins from Ashmore' Ruby Dang, Stephanie Roberts, and Gilbert Garcia from Garcia, Hamilton and Associates; Greg Williams Scott St John, Craig Gainey, Mike Miller, Keenan Choy, Campe Goodman, Brian Conroy, and Andrew Waine from Wellington; Chad Gross, Carol Embree, Richard Raczkowski, Kristy Hergueter, Gene Morrison, Andrea DiCenso, Kevin Kerns, and Roger Ackerman from Loomis Sayles; Rachel Madsen from LGIMA; Taylor Carrington from AllianzGI; Patrick Kelly and Patrick O'Hare from Agincourt; Michael Bode from Bloomberg; Bill Grayson, Meighan Phillips, Todd Everett, Indraneel Karlekar, and Rod Vogel from Principal Real Estate; Chris Von Bargen, Joe Galligan, Jeff Gundlach, Ken Shinoda, and Vitaliy Liberman from DoubleLine Capital; Peter Taggart, Steve Ahrens, Steven Kellner, Ed Blaha, Temple Houston, Paul Zetterstrom, Stephen Warren, Tom Terchek, and Shannon Walsh from PGIM; Emmanuel Roman, Daniel Hyman, Ryan Murphy, Sonali Pier, Brian Leach, Matt Putnicki, Mark Kiesel, Jeff Helsing, Steve Sapro, Helen Guo, Mariko Boswell, Kevin Gray, and Benjamin Bernanke from PIMCO; Anna Dayn from XTP; Jerry Navarrete, Paul Benson, and Stephanie Hill from Mellon Capital; Jason Schiavoni from MSCI; Destinee Derline and Javier Elizalde from eVestment; Rupert Watts and Garrett Glawe from S&P Indices; Tony Buscemi from Gallatin; Melissa Morris from Neuberger Berman; Jeff Fox from JP Morgan; Avni Ghandi from Western Asset; Jeff Gardner from Encore; Phil Green, Charlie Stoltz, Jonathan Alden, and Tom Rose from Blackrock; Mark Nigro and Larry Jones from Martin Currie; Andrew Miller from Acadian; Julian Bostic from Vista Equity Partners; Simon Judes, Peter Phillips and Chad Kutney from Winton Capital; Mike Mendelson and Joey Lee from AQR; Nick Mavro, Tom Clancy, and Alina Osorio from Fiera Capital.

Chris Hanson declared attendance at the Fiduciary Investors Symposium with breakfast, lunch, and dinner provided, and a meeting with Sandy Halim with CEM Benchmarking.

B. Proposed 2019 Board and Committee calendar

Mr. Christopher Hanson noted that with the exception of January, the proposed 2019 calendar is structured similar to the 2018 calendar. In January, it is expected that an extra Disability Committee meeting may be needed, either the morning of the Board meeting or prior in the month. He explained that Staff will poll Trustees to set this date.

Ms. Stephanie Beach noted that she is unlikely to attend the June meeting; no other conflicts were noted.

Ms. Leslie Pool arrived at 1:39 p.m.

C. Discuss 2019 Committee assignments

Mr. Hanson explained the process for the assignment of trustees to committees. He noted that in an effort to expedite this process, Staff would begin polling Trustees for their committee preferences before the January 2019 Board meeting.

6. Certification of Retired Members Place 11 official election results as announced by the Nominating and Election Committee – Russell Nash

Mr. Russell Nash introduced Ms. Gaye Brewer, Chair of the Nominating and Election Committee. Ms. Brewer announced the results of the election as follows: 5,691 ballots were mailed, 34 of the ballots were undeliverable, and 49 ballots were considered invalid. She reported that Mr. Anthony Ross received 912 votes and there were 14 write-in ballots received.

Ms. Beach moved to certify the election results and declare the official winner as Mr. Anthony B. Ross. Mr. Randy Spencer seconded, and the motion passed unanimously.

7. Administer Oath of Office – Christopher Hanson

Mr. Hanson administered the Oath of Office to Mr. Anthony Ross, whose term runs from January 2019 through December 2022.

8. Receive report from November 13, 2018 Disability Committee meeting – Frank Merriman

Mr. Frank Merriman delivered the report from the November 13, 2018 Disability Committee meeting.

9. Consent items – Chair Noak

- A. 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.**
- B. September 25, 2018 Board meeting minutes**
- C. October 16, 2018 Board workshop minutes**
- D. Ratification, confirmation, and approval of July, August, and September 2018 retirement, death benefits and refunds**
- E. Ratification, confirmation, and approval of disability applications #6095, #3897, #1111, and #1055**

Mr. Ross moved to approve the consent agenda. Mr. Spencer seconded, and the motion passed unanimously.

10. Investment Committee – Mike Benson

- A. Receive report from November 16, 2018 meeting**

Mr. Benson delivered the report from the November 16, 2018 Investment Committee meeting

- B. Discuss and consider strategic asset allocation, Investment Policy Statement, and Investment Implementation Policy**

Mr. David Veal reviewed the work done to date regarding the strategic asset allocation, the Investment Policy Statement (IPS) and Investment Implementation Policy (IIP). Trustees discussed the percentage of real assets in comparison to COAERS' peers, the mechanics of implementing a premier list of managers, reporting frequency, and the role and size of allocation bands within the IPS. Trustees also discussed how much additional delegation to Staff was prudent.

Mr. Ed Van Eenoo offered changes to the proposed IPS and IIP, including changes to the maximum and minimum weights for both the asset and sub-asset class allocations, revising the rebalancing language for risk management to a 2.5% maximum in any asset class moved in a 90-day period, reducing the neutral and maximum tracking error for the total fund, and the need to obtain Board approval for any transition between managers on the premier list. Trustees also discussed the mechanism for Staff to notify the Board of rebalancing and premier list transitions. Staff was directed to ensure consistent language was used throughout the policies regarding such notifications.

Mr. Van Eenoo moved to approve the proposed Investment Policy Statement with the changes he proposed. Ms. Pool seconded. After further discussion Mr. Van Eenoo amended the language regarding the target allocation for the Cash asset class and the total fund tracking error neutral and maximum, and the

process for the premier list including limits to the amount of transition in any 90-day period and the need to obtain Board approval to move from a passive to active manager. Ms. Pool accepted the changes in her second. Trustees also discussed the need to revisit the proposed changes within the first six months of 2019. The Chair called the question and the motion passed 7-1 (Yes: Beach, Benson, Hunter, Merriman, Pool, Ross, Van Eenoo; No: Spencer).

Trustees also discussed the IIP. Mr. Van Eenoo moved to approve the proposed Investment Implementation Policy with changes to the process for the premier list including limits to the amount of transition in any 90-day period and the need to obtain Board approval to move from a passive to active manager. Ms. Pool seconded and the motion passed unanimously.

Trustees took a break from 4:23 pm to 4:32 pm.

C. Discuss and consider 2019 investment resource budget

Mr. Hanson presented the 2019 investment budget. Mr. Hanson noted that the 2019 investment personnel costs are included in the 2019 administrative budget, but next year will be broken out separately. Trustees requested payroll costs be broken out finer in the future to reflect taxes, benefits, and retirement contributions. Ms. Amy Hunter moved to approve 2019 investment resource budget. Ms. Pool seconded, and the motion passed unanimously.

11. Audit and Risk Committee – Anthony Ross

A. Receive report from November 13, 2018 meeting

Mr. Ross delivered the report from the November 13, 2018 Audit and Risk Committee meeting.

B. Discuss and consider 2019 administrative budget

Ms. Pool moved to approve the 2019 administrative budget. Mr. Van Eenoo seconded, and the motion passed unanimously.

C. Discuss and consider Board Approved Policy C-1 “Cash Draw Policy”

Mr. Hanson reported that after the changes in the Investment Policy Statement, the current cash draw policy became redundant as it was incorporated into the IPS. Mr. Benson moved to repeal Board Approved Policy C-1 “Cash Draw Policy”. Ms. Hunter seconded, and the motion passed unanimously.

D. Discuss and consider KPMG LLP engagement letter

Ms. Pool moved to approve the KPMG LLP 2018 engagement letter. Ms. Beach seconded, and the motion passed unanimously.

E. Discuss and consider the 2018 report of extended audit procedures

Ms. Pool moved to accept the 2018 report on internal audit procedures from RSM. Mr. Spencer seconded, and the motion passed unanimously.

12. Policy Committee – Chair Noak

A. Receive report from November 13, 2018 meeting

Mr. Benson delivered the report from the November 13, 2018 Policy Committee meeting.

B. Discuss and consider personnel issues, including the Board Approved Policy P-1 “Statement of Personnel Policy and Guidelines”

Mr. Hanson reported on the proposed Personnel Policy and a draft of the Employee Handbook. Mr. Ross moved to adopt the Board Approved “Personnel Policy”. Ms. Beach seconded. Mr. Van Eenoo offered an amendment under Item 2.1 Responsibilities of the Board of Trustees regarding the creation of budget items for a performance pay plan. Mr. Ross and Ms. Beach accepted the amendment as part of the motion. The motion passed unanimously.

13. Benefits and Services Committee – Chair Noak

A. Receive report from November 13, 2018 meeting

Mr. Benson presented the report from the November 13, 2018 Benefits and Services Committee meeting.

B. Discuss and consider COAERS legislative priorities for the 86th Legislative Session

Ms. Pool moved to adopt the statement of legislative priorities regarding the 86th Legislative Session: “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 authority or otherwise negatively affect the System and its members.” Mr. Van Eenoo seconded, and the motion passed unanimously.

C. Discuss and consider GRS engagement letter

Mr. Russell Nash presented the GRS engagement letter and answered questions regarding the relationship with GRS. Mr. Ross moved to adopt the three year engagement letter with GRS Retirement Consulting. Ms. Pool seconded, and the motion passed unanimously.

14. Discuss and consider interest allocation on member deposits for 2018 – Russell Nash

Mr. Van Eenoo moved to adopt the recommendation of GRS Retirement Consulting to set the interest rate allocation at 2.81% on member deposits for 2018. Mr. Ross seconded, and the motion passed unanimously.

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

A. Revised 2018-2020 Strategic Plan

Ms. Pool moved to adopt the revised 2018-2020 Strategic Plan. Mr. Spencer seconded and the motion passed unanimously.

B. Operational matters including facilities and staffing

Mr. Hanson updated the Board on the impending office moves and indicated he will invite Trustees to see the new space prior to the next Board meeting. He also updated Trustees on the status of the Accounting Director position.

C. Upcoming educational programs and conferences

Mr. Hanson noted the upcoming educational programs and thanked Trustees for their commitment to training. He noted that all trustees were compliant in their training in the latest report from the Pension Review Board.

16. Executive Session

A. Convene into executive session pursuant to Tex. Government Code 551.074 to deliberate the evaluation, employment, and/or duties of the Executive Director

The Board convened into executive session at 5:17 p.m.

B. Reconvene into public session and take action, if any, as determined appropriate

The Board reconvened into open session at 6:12 p.m.

Ms. Pool moved to increase the current annual salary of the Executive Director by six percent in light of the outstanding performance in 2018. Mr. Merriman seconded. The motion passed 6-1 (Yes: Beach, Benson, Hunter, Merriman, Pool, Spencer, Van Eenoo; No: Ross). Trustees directed Staff to include an agenda item for a market study for the Executive Director at the next Policy Committee meeting.

17. Board self-evaluation

Trustees discussed what they perceived as the strengths and the weaknesses of the current Board, and reflected on how to improve both individually and as a Board. Staff was directed to include an agenda item at the next meeting regarding the process for the Board self-evaluation.

18. Call for future agenda items

As there were no further items to address, the meeting adjourned at 6:33 p.m.



Chris Noak, Board Chair



Christopher Hanson, Executive Director

1-29-19
Date

1/29/2019
Date