



MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, September 26, 2017 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

<u>Board Members Present</u>	<u>Board Members Absent</u>	<u>Others Present</u>
Chris Noak, Chair Michael Benson Eyna Canales-Zarate Reagan David Francine Gertz Elizabeth Gonzales Frank Merriman Anthony B. Ross, Sr.	Leslie Pool Ed Van Eenoo Jim Williams	<u>Staff:</u> Christopher Hanson Russell Nash Donna Boykin Michelle Mahaini Sarah McCleary David Veal <u>Guests:</u> Paige Saenz, General Counsel Chad Williams, Avison Young Dr. Jonathan Decherd Devony Wilmot

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

1. System member and citizen comments/correspondence

There were no citizen comments. Chair Noak indicated that two pieces of correspondence would be addressed later in the meeting as a separate agenda item.

2. Review order of business

Chair Noak reviewed the agenda with the Board members and there were no changes to the order.

3. Receive reports on the following Board administrative matters:

A. Ethics policy disclosure statements

Key Staff Declarations: Chris Hanson declared meetings with Shaun Murphy, Greg Behar, and Todd Bitzer of Legal and General Investment Manager Americas Group; Iwan Djanali from AQR Capital Management; Ken Square and Alexander Xethalis of 13D Management LLC; Kevin Gray of Pimco; attendance at TEXPERS summer conference with breakfast and lunch provided; Warren DeKinder and Nancy Holden with INTECH; and Tome Levering and Greg Williams with Wellington Management Co. Russell Nash declared meetings with Avison Young; Paul Hornsby & Co.; Fathom Corporate Training; Via West; Praetorian; Server IT360; Conrol Solutions; and KPMG. Michelle Mahaini declared attendance at the LRS Teaming Conference, Springfield, IL. Teresa Cantu declared a token plaque for participation in a teambuilding event at the LRS Annual Teaming Conference and attendance at the LRS Teaming Conference, Springfield, IL. David Veal declared meetings with Todd Bitzer from LGIMA; Scott Sterrett from Lazard; Garrett Glawe from S&P Dow Jones; Benjamin Lazarus from Parametric; Dan Ransenberg from GMO; Peter Schmole from Standard Life; Iwan Djanali from AQR; Ricky Agosto from World Class Capital; Alexander Xethalis from 13D Activist Fund; Kevin Gray from PIMCO; Graham Ballard from Fifth River Capital; David Hicks from Salient Partners; Taylor Carrington from Allianz; Chad Martinson and Mike Going from Efficient Capital; Mary Davidson from Abel Noser; Matthew Coll from Arrowstreet Capital; Jeff Fox from JP Morgan Asset Management; Terry Beneke from Cushing Asset Management; Obie McKenzie and Thomas Rose from BlackRock; Julian Bostic and Lori Holland from Neuberger Berman; Francis Semphill from Walter Scott; Jason Schiavoni from MSCI; Warren DeKinder and Nancy Holden from Intech; Jessica Walton from Dimensional Fund Advisors; Tom Levering and Greg Williams from Wellington Management; John Dolan from Summit Partners; Eliot Geller from CoreCommodity; Michael Chambers from Morgan Stanley Investment Management; Chad Gross from Loomis Sayles

Board Declarations: Eyna Canales-Zarate declared meeting with Rhonda Smith, former Executive Director for Houston Municipal Pension System and now with World Class Capital. Chris Noak declared attendance at the August TEXPERS summer educational forums.

B. 2017 Board and Committee meeting schedule

Mr. Chris Hanson reminded Trustees that the October 17 Board Workshop will be held off site, and Staff is working on the agenda to include training and speakers.

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. June 27, 2017 Board meeting minutes

B. July 18, 2017 Board meeting minutes

C. August 29, 2017 Board meeting minutes

D. Ratification of April, May, June, and July 2017 retirement and death benefits

Mr. Anthony Ross moved approval of the Consent items including June 27, July 18, and August 29, 2017 Board Meeting minutes and ratification of the April, May, June, and July 2017 retirement and death benefits. Mr. Mike Benson seconded, and the motion passed unanimously.

5. **Disability Retirement applications**
 - A. **Convene into executive session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to consider and act on**
 1. **Disability retirement appeal ref. # 6480**
 2. **Disability retirement application ref. # 4959**
 - B. **Reconvene into public session and take action as determined appropriate by the Board regarding:**
 1. **Disability retirement appeal ref # 6480**
 2. **Disability retirement application ref # 4959**

The Board convened into Executive Session at 1:36 p.m.

The Board re-convened into Public Session at 1:46 p.m.

Mr. Benson moved to approve disability retirement applications #6480 and #4959. Ms. Eyna Canales-Zarate seconded, and the motion passed unanimously.

6. **Discuss and consider calling Special Election for Board of Trustees**

Ms. Francine Gertz announced her retirement from City service effective September 30, 2017. Mr. Noak congratulated Ms. Gertz on her career and wish her well in retirement. It was acknowledged that Ms. Gertz would continue to serve as a Trustee until a special election could be held to fill her place. After a discussion Mr. Ross moved to direct Staff to call a special election for Place 7; to grant Staff authority to organize a meeting of the existing Nominating and Election Committee to discuss and consider the process and timeline for said special election, and to grant the Nomination and Election Committee authority to conduct the Special Election for Place 7, creating an election process, determining events, and setting deadlines necessary to complete the Special Election by the January 2018 Board meeting if possible. Ms. Gertz seconded, and the motion passed unanimously.
7. **Policy Committee**
 - A. **Receive report from September 12, 2017 meeting**

Mr. Hanson gave a report from the September 12, 2017 Policy Committee meeting.
 - B. **Discuss and consider Board Approved Policy P-1 “Statement of Personnel Policy & Guidelines”**

The Policy Committee recommended re-adoption of the existing Personnel policy. Mr. Ross moved to approve Policy P-1 “Statement of Personnel Policy & Guidelines” as presented. Ms. Canales-Zarate seconded, and the motion passed unanimously.
 - C. **Discuss and consider personnel matters including:**
 1. **Report on future staffing needs**

As directed, Mr. Hanson presented a staffing plan which included needs that were identified over the past two years to be considered in conjunction with the facilities planning process.
 2. **2018 salary scale and position assignments**

The proposed 2018 salary scale based on a recommendation letter from CBIZ was reviewed. The salary scale included a new Portfolio Manager

position. Ms. Gertz moved approval of the 2018 salary scale. Ms. Canales-Zarate seconded, and the motion passed unanimously.

8. Discuss and consider facility options including:

A. Receive report on facility process to date

Mr. Hanson reviewed the Board's history of facility planning.

B. Receive report from Avison Young including remodel alternatives

Mr. Chad Williams of Avison Young outlined two renovation options including costs for remodeling the current site in order to accommodate current and future needs.

C. Consider facilities next steps, including purchase and lease options

Mr. Williams presented Trustees with options including leasing space, purchasing a new single-purpose building, purchasing a multi-use building, or buying land and building a new facility. Trustees discussed how space needs, parking needs, cost, and location all play a role in the decision. The Board directed Staff to price specific options for each, and include estimated timeframes, for discussion at the December Board meeting, with one request to include demolition of the current building and the option to re-build in the same location.

D. Authorize Executive Director to exercise a one-year lease option with One Highland Center

Mr. Nash reminded Trustees that COAERS rents a small space at One Highland Center for testing and training during the PensionGold Version 3 implementation project. The initial term is over and the staff is asking to exercise the one-year option on a month to month basis. Ms. Canales-Zarate moved to authorize the Executive Director to exercise the one-year lease option with One Highland Center on a month-to-month basis and authorize the Executive Director to provide notice of termination when the space is no longer needed.

9. Discuss and consider 2018 retiree annuity adjustment

Mr. Nash explained that based on both the funding guidelines of the Pension Review Board and COAERS Board-approved funding policy, GRS Retirement Consulting recommended that COAERS grant neither a cost-of-living adjustment nor an additional payment at this time. Ms. Elizabeth Gonzales moved to accept the GRS recommendation. Ms. Canales-Zarate seconded, and the motion passed unanimously.

10. Discuss and consider Strasburger & Price LLP engagement letter

Mr. Nash presented an engagement letter with the same rate as FisherBroyles and spoke on the need to provide both continuity and succession planning with contracted vendors including tax counsel. Ms. Canales-Zarate moved to approve the engagement letter with Strasburger & Price LLP. Ms. Gertz seconded and the motion passed unanimously.

11. Audit & Finance Committee

A. Receive report from August 29, 2017 meeting, including second quarter 2017 financial statements

Mr. Ross provided a brief overview of the most recent Audit & Finance meeting.

- B. Consider acceptance of 2017 report on extended audit procedures**
Ms. Gonzales moved to accept the RSM 2017 Report on Internal Audit Procedures that was presented at the August 29, 2017 Audit and Finance Committee meeting. Mr. Reagan David seconded, and the motion passed unanimously.
- 12. Receive report from the August 11, 2017 Investment Committee meeting**
Mr. Benson provided a brief overview of the most recent Investment Committee meeting.
- 13. Discuss and consider investment manager items including:**
- A. Acceptance of consent to assignment from Harvest Fund Advisors, LLC Investment Management Agreement**
Mr. Veal discussed the views of both Staff and RVK on the pending acquisition of Harvest by Blackstone. Mr. Benson moved to authorize the Chair to consent to the assignment of the Investment Management Agreement dated as of the January 2, 2014 by and between City of Austin Employees' Retirement System and Harvest Fund Advisors LLC in connection with the acquisition of Harvest by Blackstone. Mr. David seconded, and the motion passed unanimously.
- B. Acceptance of Letter Agreement with AQR Capital Management LLC**
Mr. Veal reported that AQR notified COAERS of changes of terms of the Limited Partnership Agreement (LPA) for GRP EL Fund LP (Risk Parity). Mr. Benson moved to authorize the Chair to sign the letter agreement with AQR Capital Management LLC. Ms. Canales-Zarate seconded, and the motion passed unanimously.
- C. Participation in the Principal US Property Account Advisory Council**
Mr. Benson reported that COAERS has been selected to join the Advisory Council for Principal's US Property Account (USPA). This role is unpaid and non-binding, and Staff anticipates the benefits to the Fund will outweigh the time commitment required of Staff. Ms. Canales-Zarate moved to approve the Chief Investment Officer to represent COAERS on the USPA Advisory Council. Ms. Gertz seconded and the motion passed unanimously.
- 14. Discuss and consider Board educational activities including the following:**
- A. State minimum educational training requirements**
Mr. Hanson reviewed the status of mandated training requirements for each trustee.
- B. Reports on educational programs attended**
Three Trustee Educational Program Feedback reports were shared.
- C. Approval of Investment Foundations Program**
The Board discussed a request for Mr. Benson to participate in on-line training offered by the CFA Institute. Mr. Ross has previously taken this training. Mr. Hanson explained that if trustees approved the training, they could do so either as a one-time approval or a blanket approval, meaning future trustees could self-select the Investments Foundations Program. Ms. Canales-Zarate moved to blanket approve the Investment Foundations Program run by the CFA Investment Foundations Program. Mr. Ross seconded and the motion passed unanimously.

D. Upcoming educational programs and conferences

Mr. Hanson shared a list of upcoming training opportunities. Ms. Canales-Zarate added to the list an upcoming symposium run by Texans for Secure Retirement. Trustees directed to Staff share the details of the symposium, gauge interest, and enroll Trustees who are able to attend.

15. Discuss and consider member correspondence including:

A. Mr. Stefan Wray regarding climate risk in relation to the portfolio

Mr. Hanson shared correspondence from Mr. Wray, who had presented at the 2017 Annual Members' meeting. Trustees were interested in exploring climate risks in relations to investments within the context of ongoing investment beliefs discussion regarding Environmental, Social and Governance (ESG) factors. The Board referred the matter to the Investment Committee for further consideration.

C. Mr. George Oswald's inquiry dated July 25, 2017

Trustees declined an opportunity to craft a resolution regarding support of City funds for mitigation of increasing health insurance premiums citing their reluctance to opine upon a matter outside their jurisdiction.

16. Executive Director Report

A. Update on elections

Mr. Nash reported on the status of candidate applications for the Places 8 & 9 election which is underway.

B. Public pensions in the news

Mr. Hanson shared several recent news articles.

C. Development of Board news clips and website blog

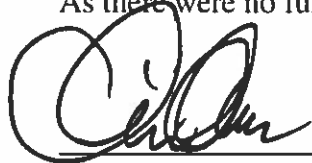
Mr. Hanson reported that Staff is modifying the existing web site to allow a trustee portal for sharing relevant news clips and commonly used forms.

D. Comparative calculation and retirement activity levels

17. Call for future agenda items

Mr. David requested a discussion regarding building a reserve fund for possible building needs.

As there were no further items to address, the meeting adjourned at 4:39 p.m.



Chris Noak, Board Chair

12-14-17

Date



Christopher Hanson, Executive Director

12/14/2017

Date