



MINUTES

Benefits and Services Committee

Public Meeting held via videoconference on March 10, 2022 at 11:00 a.m. CT
Pursuant to Texas Govt. Code 551.127 – COVID-19 circumstances

Committee Members Present/(Absent)

Chris Noak, ex officio†
Anthony Ross
Brad Sinclair
Diana Thomas
Leslie Pool

Guests:

Paige Saenz, General
Counsel
Lewis Ward, GRS
Eddie Solis
Ed Van Eenoo
Mike Nadol, PFM*
Eddie Solis, Hillco*
Belinda Weaver*
Flick Fornia
(512) 480-8962

Other Board Trustees Present/(Absent)

Mike Benson
Kelly Crook
(Amy Hunter)
Yuejiao Liu
Michael Granof
Dick Lavine

Others Present

Staff:

Christopher Hanson
Sarah McCleary
Russell Nash
Mehrinn Rahman
Michelle Mahaini*
Teresa Cantu*
Jenni Bonds*
Amy Kelley*

*Present telephonically

† present via videoconference

1 Call roll of Committee members

Yuejiao Liu notified the Committee that she has been designated to chair the meeting by Chair Chris Noak pursuant to Section 3.3.5 of the Bylaws. Committee Chair Lui called the meeting to order at 11:25 a.m. Committee members were present in person: Ross, Sinclair, Thomas, and Pool.

Committee Chair Liu asked if there were any members of the public who wished to speak, either now or during an agenda item. There were no comments.

2 Review order of business and establish meeting objectives

Committee Chair Liu reviewed the order of business and objectives with the Committee. No changes were made to the order of business.

3 Review 2022 Benefits and Services Committee Work Plan

Mr. Christopher Hanson presented the Work Plan for 2022. Trustees discussed it and gave general approval.

4 Consider approval of the August 31, 2021 Benefits and Services Committee meeting minutes

Committee Chair Liu asked Trustees to review the minutes. Ms. Leslie Pool moved to approve the August 31, 2021 Benefits and Services Committee minutes as presented. Mr. Anthony Ross seconded, and the motion passed 3-0 with Ms. Thomas abstaining.

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

Mr. Lewis Ward presented the results of the actuarial valuation as of December 31, 2021. Mr. Ward explained that the main purpose of the valuation is to measure the actuarial liabilities, funding status, and determine the adequacy of current contributions.

Mr. Ward reported on the funding period, funded ratio, actuarial gains and losses, as well as analysis of possible risks to the actuarial health of the System. Mr. Ward also discussed the positive actuarial impact from the City's contribution rate increase and the strong investment performance in calendar year 2021.

Mr. Noak joined the meeting virtually at 12:18 p.m.

The Committee received a report from Mr. Hanson that the Investment Committee had recently reviewed forward looking long-term capital market projections and all showed expected returns for the System lower than the current assumed rate of return of 7.0%. Mr. Hanson also reported that this information had been discussed by the COAERS and City of Austin working group. The Committee then discussed lowering the investment rate of return assumption and reviewed actuarial information provided by Mr. Ward comparing the draft valuation results under the current 7.0% assumption as well as under a 6.75% assumption.

Mr. Anthony Ross moved to recommend that the Board accept the December 31, 2021 actuarial valuation results with the investment rate of return assumption of 6.75% composed of an inflation component of 2.5% and real rate of return component of 4.25%. Ms. Leslie Pool seconded. After a discussion, the motion passed unanimously.

6 Discuss and consider long-term plan sustainability including contributions and benefits

Mr. Hanson reviewed with the Committee a timeframe for work related to the System's long-term sustainability with the goals of passing legislation during the 88th Legislative Session. Mr. Hanson then reported on the efforts of a COAERS and City of Austin working group tasked with developing a framework for possible pension legislation. Mr. Hanson discussed with the Committee several recommendations of the working group related to contribution and benefit policies of the System. The first recommendation is to adopt an actuarial determined employer contribution (ADEC) model, similar to the contribution model recently enacted through legislation for the Austin Police Retirement System. Mr. Hanson noted that the approach establishes a midpoint for future employer contributions each year with a range in how the employer contribution could change to no more than 5% above and no more than 5% below the midpoint. Next, Mr. Hanson reported the working group recommendation for the creation of a "Legacy Liability" for the City to pay the existing actuarial accrued liability over a fixed period, not to exceed 30 years, through a separate payment made annually by the City in addition to the ADEC contribution rate. Next, Mr. Hanson reported the working group recommendation for an increase in employee contributions of 2%. Mr. Hanson also discussed a second component of the employee contribution related to the ADEC model in the event the ADEC increased by more than 5%, which would trigger additional employee contributions up to a maximum of an additional 2%. Finally, Mr. Hanson discussed the working group's recommendation to maintain existing service purchase options but mitigate any future unfavorable actuarial experience by modifying certain purchases. Mr. Hanson reported that modifications would include eliminating subsidies, rethinking how costs are calculated, and making certain purchases at retirement. Mr. Ed Van Eenoo, Chief Financial Officer for the City, discussed the similarities in the approach established by the COAERS and City of Austin working group to the City's approach with the Austin Police Retirement System.

Ms. Diana Thomas left the meeting at 12:42 p.m.

In addition to the working group recommendations, Mr. Van Eenoo discussed the possibility of adding a separate, optional defined contribution plan provided that the addition of such a plan had no adverse impact to COAERS. Several Committee members questioned the idea of a separate defined contribution plan. Mr. Van Eenoo commented that the City would continue to consider if such a plan was feasible, and the working group would review the concept in more detail during its second quarter meetings.

Mr. Brad Sinclair moved to refer the working group recommendations related to benefit and contribution policies to the Board for consideration. Mr. Ross seconded, and the motion passed 4-0.

7 Review key meeting takeaways and call for future agenda items

Committee Chair Liu summarized the actions taken and the information discussed during the meeting and asked for any future agenda items.

As there were no further items to address, the meeting adjourned at 1:10 p.m.