

March 2022 Board Meeting

Schedule

Thursday, March 31, 2022 10:00 AM — 2:00 PM CDT


Organizer

Sarah McCleary

Agenda


1. Call meeting to order

Presented by Chris Noak, Chair

 Item #1 Summary.docx

2. Call roll of Trustees

Presented by Chris Noak, Chair

 Item #2 Summary.docx

3. Review order of business and establish meeting objectives

Presented by Chris Noak, Chair

 Item #3 Summary.docx

4. Receive System member and public comments

Presented by Chris Noak, Chair

 Item #4 Summary.docx

5. 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 Trustee.

A. January 31, 2022 Board meeting minutes

B. Ratification of December 2021, and January and February 2022 retirements

Presented by Chris Noak, Chair

 Item #5 Summary.docx

 2022 01 31 Board Minutes.docx

 New Retirements Dec 21-Feb 22.pdf










6. Receive reports on the following Board administrative matters including:

A. Ethics policy disclosure statements

B. Report on 2021 annual financial disclosure and annual ethics policy statements

- C. 2022 meeting calendar
- D. February 18, 2022 Investment Committee meeting
- E. March 10, 2022 Governance and HR Committee meeting
- F. March 10, 2022 Benefits and Services Committee meeting
- G. March 10, 2022 Audit and Risk Committee meeting
- H. March 10, 2022 Policy Committee meeting

Presented by Chris Noak, Chair

-  Item #6 Summary.docx
 -  06A Quarterly form.pdf
 -  06B Ethics compliance.docx
 -  06C Calendar.docx
 -  06D Investment Committee Report.docx
 -  06E Governance and HR Committee Report.docx
 -  06F Benefits and Services Committee Report.docx
 -  06G Audit and Risk Committee Report.docx
 -  06H Policy Committee Report.docx
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7. Investment Committee:

- A. Discuss strategic goals of the investment program
- B. Discuss and consider proposed updates to Investment Policy Statement and Investment Implementation Policy
- C. Discuss and consider Premier List for Multi Asset
- D. Discuss and consider funding implementation plan

Presented by David Stafford





7A. Investment Committee:

Discuss strategic goals of the investment program

-  07A Summary.docx
 -  07A1 Goals of the Investment Program.pptx
-

7B. Investment Committee:


Discuss and consider proposed updates to Investment Policy Statement and Investment Implementation Policy

-  07B Summary.docx
-  07B1 Staff assessment of IPS & IIP.docx
-  07B2 RVK review of IPS & IIP updates 2022-02.pdf
-  07B3 Investment Policy Statement redlined.pdf


 07B4 Investment Implementation Policy redlined.pdf

7C. Investment Committee:

Discuss and consider Premier List for Multi Asset

 07C Summary.docx

 07C1 Confidential Annual Review of Multi Asset Portfolio.pptx

 07C2 Confidential Proposed Premier List 2021-Q4.pdf

7D. Investment Committee:

Discuss and consider funding implementation plan

 07D Summary.docx

 07D1 Confidential Proposed Funding Implementation Plan.docx

8. Discuss and consider System long-term sustainability including contribution, benefit, and governance policy proposals

Presented by Christopher Hanson and Ed Van Eenoo, City of Austin

 Item #8 Summary.docx


 08A COAERS Long-Term Plan Sustainability.pptx

 08B COAERS Presentation.pdf

9. Discuss and consider the December 31, 2021 actuarial valuation results

Presented by Lewis Ward, GRS

 Item #9 Summary.docx

 VAL_12_31_2021_Board Meeting.pptx

10. Discuss and consider Board Bylaws

Presented by Christopher Hanson

 Item #10 Summary.docx


 10 Proposed COAERS Bylaws.pdf

11. Facility options

A. Convene into executive session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property

B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property

Presented by Christopher Hanson

 Item #11 Summary.docx


12. Review and discuss the Executive Director's report on the following matters:

- A. Operational matters including staffing
- B. 2021 administrative budget
- C. Update on October workshop
- D. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson

 Item #12A Summary.docx

 Item #12B Budget Summary.docx

 2021 Administrative Budget Year-End Report .pdf

 Item #12C Workshop Summary.docx

 Item #12D Education Summary.docx

 COAERS 2022 MET Report.docx

 List of Upcoming Educational Events and Conferences.docx

13. Review key meeting takeaways and call for future agenda items

Presented by Chris Noak, Chair

 Item #13 Summary.docx

1. Call meeting to order

Presented by Chris Noak, Chair

AGENDA ITEM 1:
Call meeting to order

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to formally begin the Board meeting. This is a standing Board item.

2. Call roll of Trustees

Presented by Chris Noak, Chair

AGENDA ITEM 2:
Call roll of Trustees

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to determine for the record which Trustees are present at the start of the meeting.

Each Trustee should respond to the roll call, and it will be noted which Trustees are present in person and which Trustees have joined via video conference.

3. Review order of business and establish meeting objectives

Presented by Chris Noak, Chair

AGENDA ITEM 3:
Review order of business and meeting objectives

AGENDA ITEM OBJECTIVE

This agenda item provides Trustees the opportunity to review the order of business and hear if any Trustee wishes to take an agenda item out of order, and to discuss the overall objectives of the meeting.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item meets COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.

MEETING OBJECTIVES

Below is a short summary of the major agenda items which the Board will discuss and consider during its March meeting:

1. The Board will receive a report related to the Fund's strategic goals and guidelines. The Board will consider approval of recommended changes to the Investment Policy Statement and Investment Implementation Policy. The Board will also consider approval of the Multi-Asset Premier List and a funding implementation plan.
2. The Board will discuss and consider a proposed framework of governance, contribution, and benefit policies related to the System's long-term sustainability and possible pension reform legislation for the 88th Legislative Session.
3. As part of its statutory responsibility, the Board will consider approval of the December 31, 2021 actuarial valuation.
4. The Board will review proposed changes to the Bylaws related to the chairing of Board and Committee meetings while utilizing videoconferencing.
5. The Board will discuss matters related to long-term facility options.
6. The Board will receive a report from the Executive Director which will include an update operations and staffing, the year-end 2021 administrative budget, and current MET hours and upcoming educational events.

4. Receive System member and public comments

Presented by Chris Noak, Chair

AGENDA ITEM 4:
Receive System member and public comments

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to allow any System member or a member of the public a chance to provide comment to the Board.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with one of the five core competencies established in the COAERS Strategic Plan “**Transparency:** *Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.*”

The Chair will recognize any person who wishes to comment, limiting comments to three minutes per person.

5. 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 Trustee.

A. January 31, 2022 Board meeting minutes

B. Ratification of December 2021, and January and February 2022 retirements

Presented by Chris Noak, Chair

AGENDA ITEM 5:
Consent items

- A. January 31, 2022 Board meeting minutes
- B. Ratification of December 2021, and January and February 2022 retirements

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to approve required routine matters.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with one the five core competencies in the COAERS Strategic Plan: “**Transparency**: *Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public*”

RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board approve the consent agenda

BACKGROUND

Minutes are kept and posted for each Board meeting. COAERS governing statute requires the Board to approve all retirement and disability retirement claims.

ATTACHMENTS

- 1. January 31, 2022 Board meeting minutes
- 2. New retirements from December 2021, and January and February 2022
(Confidential)



MINUTES

BOARD MEETING

Public Meeting held in-person and telephonically on January 31, 2022 at 10:00 am CT
Pursuant to Texas Govt. Code 551.125 – COVID-19 circumstances

Board Members Present

Kelly Crook
Michael Granof
Amy Hunter†
Dick Lavine†
Yuejiao Liu†
Chris Noak
Leslie Pool
Anthony B. Ross, Sr. †
Brad Sinclair
Diana Thomas

Board Members Absent

Michael Benson

Guests:

Paige Saenz, General
Counsel
Kevin Balaod,
withIntelligence*

Staff:

Christopher Hanson
Russell Nash
David Stafford
Sarah McCleary
Mehrin Rahman
Jenni Bonds*
Michelle Mahaini*
Yun Quintanilla*
Amy Kelley*
Tereas Cantu*

* present telephonically

† present via videoconference

1 Call meeting to order

Chair Chris Noak called the meeting to order at 10:01 a.m.

2 Call roll of Trustees

Ms. Sarah McCleary called the roll. The following Trustees were present in person: Crook, Granof, Noak, Pool, Sinclair, and Thomas. The following Trustees were present virtually: Hunter, Lavine, Liu, and Ross.

3 Welcome of new Trustees

Chair Noak welcomed Dr. Michael Granof and Mr. Dick Lavine to the Board and asked each to introduce himself. All Trustees introduced themselves to the new members.

4 Review order of business and establish meeting objectives

Chair Noak reviewed the objectives of the meeting and asked if Trustees needed to take any agenda items out of order. No changes were made to the order of business.

5 Receive system member and public comments

Chair Noak asked if there were any visitors who wished to make a public comment; there were none.

6 Election of 2022 Officers: Board Chair and Vice Chair

Chair Noak announced the nominees for both Chair and Vice Chair for 2022 as follows: Nominated for Chair were Amy Hunter, Yuejiao Liu, and Chris Noak. Kelly Crook was also nominated but withdrew her name from consideration. Nominated for Vice Chair were Michael Benson, Amy Hunter, and Yuejiao Liu.

Ms. Leslie Pool moved to elect Chris Noak as Chair for 2022. Mr. Ross seconded, and the motion passed 10-0.

Mr. Anthony Ross moved to elect Amy Hunter as Vice Chair for 2022 but the motion was not seconded.

Ms. Pool nominated Yuejiao Liu as Vice Chair for 2022. Ms. Crook seconded. The motion passed 8-1, with Mr. Ross voting no and Ms. Liu abstaining.

7 Discuss and consider December 14, 2021 Board Meeting minutes.

Chair Noak asked Trustees to approve the minutes of December 14, 2021. Mr. Brad Sinclair moved to approve the minutes of December 14, 2021. Ms. Diana Thomas seconded. Mr. Ross noted a misspelling in a name. Ms. Pool moved to amend the motion to "approve the minutes as revised", and both Mr. Sinclair and Ms. Thomas agreed to the amendment. The motion to approve the revised minutes passed 8-0 with Dr. Granof and Mr. Lavine abstaining.

8 Receive reports on the following Board administrative matters including: - Board Chair

A. Ethics policy disclosure statements

B. Annual acknowledgement of ethics policy

C. 2021 Annual Financial Disclosure/Conflicts of Interest Affidavits

D. Committee assignments 2022

Chair Noak reminded Trustees of the ethics forms due. Mr. Nash declared meetings with Sana Sundrani of NowCFO and John Males of Fathom training.

Chair Noak reminded Trustees to submit their requests for Committee assignments.

- 9 Discuss and consider the opening of the 2022 performance appraisal process for the Executive Director**
 - 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 10:37 a.m.

The Board reconvened into public session at 11:01 a.m.

- 10 Committee Charters:**
 - A. Benefits and Services**
 - B. Disability**
 - C. Audit and Risk**
 - D. Legislative**
 - E. Governance and Human Resources**
 - F. Policy**

Mr. Christopher Hanson explained that Staff had drafted five charters to comply with the changes to the Bylaws approved at the December 2021 meeting. He added that each Committee will need to do a deeper dive into the Charters as is done every three years per committee.

Mr. Ross asked that language about how often the committees meet be added into both Policy and Benefits and Services for consistency.

Ms. Pool moved to approve the charters as follows: Benefits and Services as revised, Audit and Risk as presented, Legislative as presented, Governance and HR as presented, and Policy as revised, as well as to repeal the charter for the Disability Committee. Ms. Thomas seconded, and the motion passed 10-0.

- 11 Receive report from Interim Chief Investment Officer**

Mr. David Stafford shared preliminary information about end-of-year results and answered questions.

- 12 Receive report from Executive Director on the following matters:**
 - A. Review 2022 meeting schedule and Committee work plans**

Mr. Hanson reviewed the preliminary schedule with Trustees and noted that the work plans were in draft form for each committee to review.

B. Operational matters including facilities and staffing

Mr. Hanson noted recent Staff turnover at COAERS and thanked employees for picking up the extra workload. He also noted that Staff would begin reviewing the options for office space as decisions on renewing the current space will be necessary at the end of 2022.

C. Long-term sustainability work with City

Mr. Hanson reported on ongoing meetings with the City and noted that progress was on schedule for a report to be made to the Benefits and Services Committee in March.

D. Upcoming educational programs and conferences

Mr. Hanson noted upcoming conferences and encouraged Trustees to contact Staff for assistance with registration and conferences.

13 Discuss and consider Board Resolution 2022-0131

Mr. Hanson presented an updated resolution which removed a Staff member who is to retire. The resolution identifies the Staff who can give direction to investment managers.

Ms. Crook moved to adopt Board Resolution 2022-0131. Mr. Granof seconded, and the motion passed 10-0.

14 Review key meeting takeaways and call for future agenda items

Chair Noak summarized the decisions made at this meeting and asked for future agenda items.

As there were no other items to discuss, the meeting adjourned at 11:35 a.m.

6. Receive reports on the following Board administrative matters including:

A. Ethics policy disclosure statements

B. Report on 2021 annual financial disclosure and annual ethics policy statements

C. 2022 meeting calendar

D. February 18, 2022 Investment Committee meeting

E. March 10, 2022 Governance and HR Committee meeting

F. March 10, 2022 Benefits and Services Committee meeting

G. March 10, 2022 Audit and Risk Committee meeting

H. March 10, 2022 Policy Committee meeting

Presented by Chris Noak, Chair

AGENDA ITEM 6:

Receive reports on the following Board administrative matters, including:

- A. Ethics policy disclosure statements
- B. Report on 2021 annual financial disclosure and annual ethics policy statements
- C. 2022 meeting calendar
- D. February 18, 2022 Investment Committee meeting
- E. March 10, 2022 Governance and HR Committee meeting
- F. March 10, 2022 Benefits and Services Committee meeting
- G. March 10, 2022 Audit and Risk Committee meeting
- H. March 10, 2022 Policy Committee meeting

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to comply with the Board approved Code of Ethics.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with one of the goals of the COAERS Strategic Plan “**Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.**” Additionally, this agenda item also aligns with one of the five core competencies of the COAERS Strategic Plan: “**Transparency:** Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.”

RECOMMENDATION FOR BOARD ACTION

All Trustees and Key Staff are required to return the quarterly disclosure form in a timely manner after the March Board meeting.

BACKGROUND

The COAERS Code of Ethics requires Trustees and Key Staff to file ethics statements within 30 days of each Board meeting. The period covered is since the last regularly scheduled Board meeting, January 31, 2022. Those who have nothing to declare may say so in writing to Sarah.McCleary@coaers.org or sign the form when sent by Docusign.

ATTACHMENTS

1. Ethics policy disclosure statements

2. Report on financial disclosure and ethics policy statements
3. 2022 meeting calendar
4. Report from February 18, 2022 Investment Committee meeting
5. Report from March 10, 2022 Governance and HR Committee meeting
6. Report from March 10, 2022 Benefits and Services Committee meeting
7. Report from March 10, 2022 Audit and Risk Committee meeting
8. Report from March 10, 2022 Policy Committee meeting



**Ethics Policy Disclosure Statement
(Gifts, Meals and Other Declarations)**

_____ For the period February 1, 2022 to March 31, 2022 _____

In compliance with Board Approved Policy: Code of Ethics, I declare I have received, attended, and/or had contact related to COAERS as follows:

Gifts:

Meals:

Other Declarations:

Signature of Trustee or COAERS Key Staff

Date

Trustees	Annual Disclosure Notarized	Annual Ethics Policy	January 31, 2022 Disclosure	2022 YTD Compliance
Lavine, Dick	y	y	y	100%
Benson, Michael	y	y	y	100%
Crook, Kelly	y	y	y	100%
Granof, Michael	y	y	y	100%
Hunter, Amy	y	y	y	100%
Liu, Yuejiao	y	y	y	100%
Noak, Chris	y	y	y	100%
Pool, Leslie	y	y	y	100%
Ross, Anthony B.	y	y	y	100%
Sinclair, Brad	y	y	y	100%
Thomas, Diana	y	y	y	100%
Key Staff				
Cantu, Teresa	y	y	y	100%
Hanson, Chris	y	y	y	100%
Kelley, Amy	y	y	y	100%
Mahaini, Michelle	y	y	y	100%
Nash, Russell	y	y	y	100%
Rahman, Mehrin	y	y	y	100%
Saenz, Paige	y	y	y	100%
Sorrel, Ty	y	y	y	100%
Stafford, David	y	y	y	100%
Doggett, Kelly	y	y	y	100%

2022 Board and Committee Calendar

Friday, May 20, 2022

Investment Committee 10 a.m.

Thursday, June 2, 2022

Beginning at 10:00 a.m.; order not set

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Thursday, June 23, 2022

Full Board 10 a.m.

Thursday, July 21, 2022

Annual Members Meeting 5:30 pm

Thursday, August 25, 2022

Beginning at 10:00 a.m.; order not set

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Policy Committee

Legislative Committee

Friday, August 26, 2022

Investment Committee 10 a.m.

Thursday, September 22, 2022

Full Board 10 a.m.

Monday-Tuesday, October 17-18, 2022

Board Workshop

Thursday, November 10, 2022

Beginning at 10:00 a.m.; order not set

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Legislative Committee

Policy Committee

Full Board

Friday, November 18, 2022

Investment Committee 10 a.m.

Thursday, December 15, 2022

Full Board 10 a.m.

Report from Investment Committee

The February 18, 2022 Investment Committee meeting included a review of fourth quarter investment performance; a review of the Investment Risk Framework; review of investment implementation, including consideration of the Premier List for Multi-Asset; discussions around capital markets assumptions, program goals, and guidelines; proposed revisions to the Investment Policy Statement and Investment Implementation Policy; an update on the Chief Investment Officer position; and a review of Committee work plans.

1. The Committee reviewed performance data from RVK through December 31, 2021. Staff reported Fund investments gained 5.20% net of fees during the fourth quarter and gained 12.99% during the trailing one-year period. It was noted that risk-adjusted returns were high over the trailing 10-year period with a Sharpe ratio of 1.01.
2. Staff provided the annual review to the Investment Risk Framework (IRF) process, including key concepts and philosophy. Staff noted that the policy was well written and did not recommend any updates. Staff reviewed the risk/return outlook for the Fund via the IRF and noted that the equity earnings yield remains in line with its longer-term average and that correlations between US Treasuries and Global Equities have been challenged over shorter time horizons, though not enough to suggest a regime shift.
3. Staff presented the annual review of Multi-Asset including the evolution of Multi-Asset for the COAERS fund, the lessons learned along the way, and the associated Premier Lists. Staff suggested that the continuing evolution of this asset class is important in informing investment strategy going forward, which could include proposed restructuring into new asset classes or approaches. The Committee recommended the proposed changes to the Premier List for Multi-Asset and directed Staff to bring an implementation plan to the Board.
4. The Committee received a report from RVK regarding capital market assumptions for 2022. RVK noted that though the implied returns for the Fund were below the assumed rate of return, these assumptions were likely to have a wide range of outcomes. Staff reviewed how these capital market assumptions and other measures fit into the overall goals for the investment program. Staff presented data that the strategic asset allocation was appropriate to achieve the risk budgets prescribed in policy though they leave little room for error to achieve the assumed rate of return. Staff suggested that the Committee first refresh the investment beliefs adopted in policy before considering other ideas which could increase the probability of success for the investment program.
5. Staff reviewed current policies regarding the investment program and noted the current policies are well crafted and appropriate. Staff proposed changes to the

Investment Policy Statement which included rank ordering in terms of importance the stated investment program goals, clarifying the risk budget for the program, delegating authority to the Executive Director and General Counsel in the securities litigation process, and tweaking sub-asset class weights within Global Equities. The Committee recommended the proposed changes to the Investment Policy Statement and Investment Implementation Policy to the Board.

6. The Committee received an update on the Chief Investment Officer position.
7. The Committee reviewed the completed 2021 Work Plan and discussed the work plan for 2022.

Report from Governance and Human Resources Committee Meeting

The March 10, 2022 Governance and Human Resources Committee meeting included a review of the Committee's 2022 work plan, recommendations from the 2021 Governance Effectiveness Assessment, and City of Austin pension reform proposals.

1. The Committee reviewed the recommendations from Global Governance Advisors which had been identified as needing statutory changes for enactment. After a discussion, two recommendations were identified for Board consideration. 1) A minimum amount of experience to be considered for Board Chair, and 2) term limits for Trustee positions. Trustees asked Staff to consider possible scenarios and how term limits may work given the current structure for Board consideration.
2. The Committee reviewed the following recommendations from the working group tasked with pension reform proposals:
 - Remove one active member seat and replace with one City-Appointed seat.
 - Require citizen appointed positions to have finance or investment experience
 - Establish an actuarial review and reconciliation process allowing the City to provide input on actuarial assumptions and methods.
 - Require legislative approval for future COLAs and lump-sum payments.

Report from Benefits and Services Committee Meeting

The March 10, 2022 Benefits and Services Committee meeting included a review of the Committee's 2022 work plan, a presentation of the December 31, 2021 actuarial valuation results, and a discussion about long-term plan sustainability.

1. The Committee's review of the December 31, 2021 actuarial valuation results included:
 - Mr. Lewis Ward, GRS Consulting, reported that the amortization period was 28 years, and the funded ratio was 68.4%. These both represented improvements over the 12/31/2020 actuarial valuation results due to overall favorable actuarial liability experience, strong investment performance, and the increase in City contributions to 19%.
 - The Committee discussed risks to the System's future funding specifically focusing on realistic expectations for the actual investment performance of COAERS prospectively. It was noted that the Investment Committee recently reviewed future capital market projections and all show returns lower than the current assumption. Accordingly, the Committee discussed lowering the real rate component of the nominal investment return assumption.
 - The Committee referred the results of the December 31, 2021 actuarial valuation to the Board for approval with the lower nominal rate of investment return of assumption of 6.75% composed of a 4.25% real rate of return component and a 2.5% inflation component.
2. The presentation of the progress on long-term plan sustainability included:
 - Mr. Hanson provided a presentation on the framework and timing of potential pension reform for the 88th Texas Legislature. Mr. Hanson discussed the specific framework the working group was proposing. They included the following:
 - An actuarial determined employer contribution (ADEC) model, like the recently enacted model for the Austin Police Retirement System. The approach establishes a midpoint for future employer contributions each year with a corridor around the employer contribution of 5% above and below the midpoint.
 - The City paying the existing unfunded actuarial accrued liability (called the Legacy Liability) over a fixed period, through a separate payment made by the City in addition to the ADEC contribution rate.
 - A 2% increase in employee contributions initially, with the possibility of up to another 2% if the upper limit of the corridor is breached in the future.

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- Maintain existing service purchase options but mitigate any future unfavorable actuarial experience by modifying certain purchases. Modifications include eliminating subsidies, recalculating certain costs, and requiring certain purchases at retirement.
 - It was noted that the governance proposals were discussed at the Governance and HR Committee meeting and the City considered those part of the overall framework.
- Mr. Ed Van Eenoo, Chief Financial Officer for the City, discussed the similarities in the approach established by the COAERS working group to the City's approach with the Austin Police Retirement System. Also, he discussed the possibility of adding a separate defined contribution plan that could benefit certain groups provided that the addition of such a plan had no adverse impact to the funding of COAERS. Questions were raised regarding the separate defined contribution plan idea.
- The Committee referred the working group framework to the Board for consideration.

Report from Audit and Risk Committee

The March 10, 2022 Audit and Risk Committee meeting included review of the Committee's 2022 Work Plan, review of the unaudited financial statements as of 12/31/2021, a presentation from the financial statement auditor regarding the 12/31/2021 financial statement audit, and review of the Enterprise Risk Management Report and dashboard.

1. The Committee reviewed the fourth quarter 2021 unaudited financial statements.
2. Ms. Bhakti Patel and Mr. Roy Cobb of CliftonLarsonAllen (CLA) outlined the required communications and the summary of services to be performed. CLA reported on significant audit areas including investments, investment income, and employer and employee contributions. CLA discussed how a review of internal controls and substantive procedures will be conducted in March and April and that audit activities are to be completed in May including a review of the Annual Comprehensive Financial Report. CLA noted that it will provide a final report to the Audit and Risk committee in June.
3. Staff reported on activities in the Enterprise Risk Management Policy. The Committee discussed four risk categories: funding, market, personnel, and cybersecurity. The Committee provided feedback on the Risk Management dashboard for Staff to incorporate.

Report from Policy Committee

The March 10, 2022 Policy Committee meeting included a review of the Committee's Work Plan, consideration of the Board Policy review cycle, and a report on the 2021 administrative budget.

1. The Committee reviewed the status of Board approved policies along with committee oversight and review due dates. Trustees asked that Staff look at the policy on Unexpired Terms to see if that language could be incorporated into the Bylaws.
2. The Committee reviewed and discussed the year-end expenses in the administrative budget for 2021. The Committee discussed various items such as the governance review, computer hardware purchase, Board education, personnel, and insurance line items.

7. Investment Committee:

A. Discuss strategic goals of the investment program

B. Discuss and consider proposed updates to Investment Policy Statement and Investment Implementation Policy

C. Discuss and consider Premier List for Multi Asset

D. Discuss and consider funding implementation plan

Presented by David Stafford

7A. Investment Committee:

Discuss strategic goals of the investment program

AGENDA ITEM 7:
Investment Committee

A. Discuss strategic goals of the investment program

AGENDA ITEM OBJECTIVE

This agenda item is intended to provide the Board with a summary overview of the goals of the investment program, possible headwinds to accomplishing those goals, and possible pathways of action the Investment Committee may consider in light of these headwinds.

RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Strategic Plan Goal 1: Maintain a Sustainable Retirement System** as the System annually reviews the investment programs goals, guidelines, and assumptions to ensure the System's long-term financial sustainability.

RECOMMENDATION FOR COMMITTEE ACTION

For informational purposes only; no action required.

BACKGROUND

Staff will provide a high-level overview of the investment program's goals, current headwinds, and possible pathways of action the Investment Committee may consider in light of these headwinds.

ATTACHMENT

1. Staff report "Goals of the Investment Program"

SUPPLEMENTAL MATERIALS PROVIDED VIA CONVENE

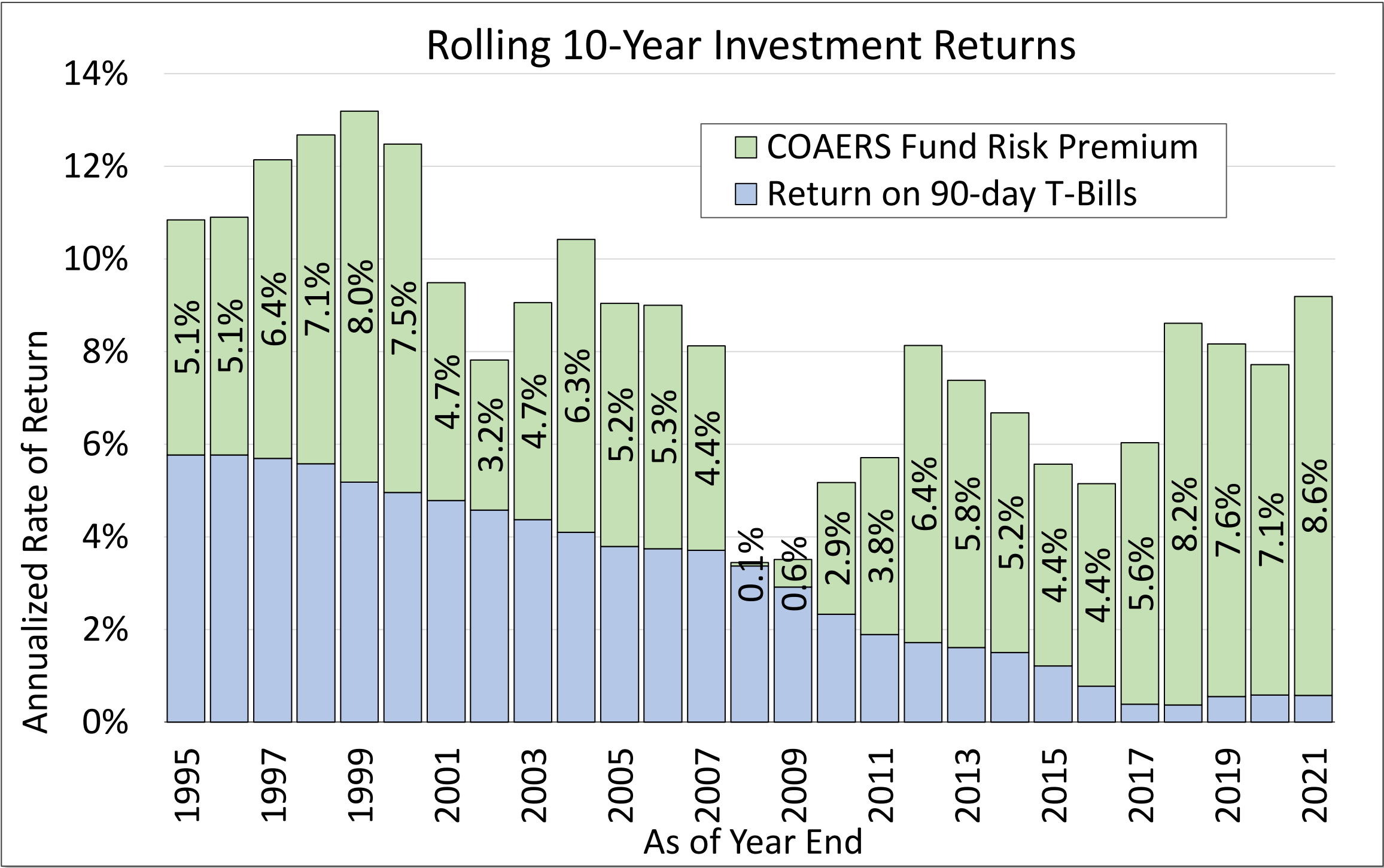
1. RVK report "Asset Allocation and Risk Tolerance Discussion"



Goals of the Investment Program

David Stafford, Interim Chief Investment Officer

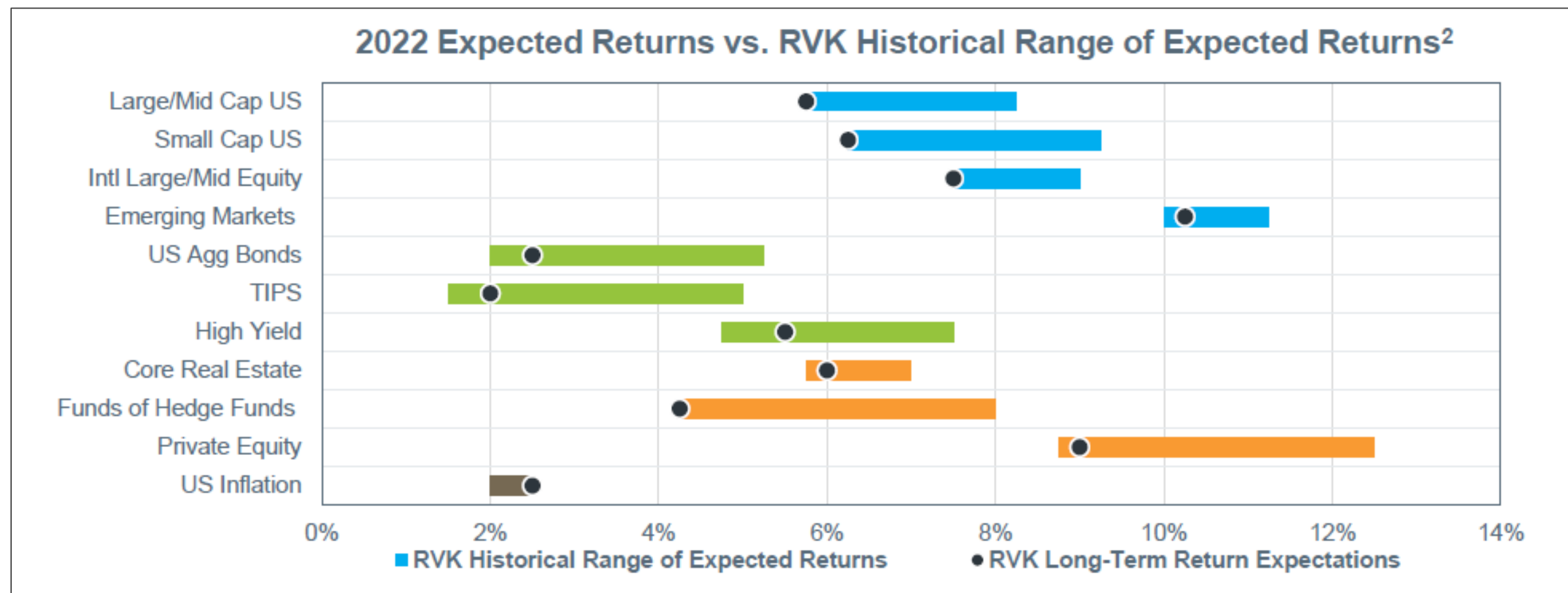
Structure of the Investment Program



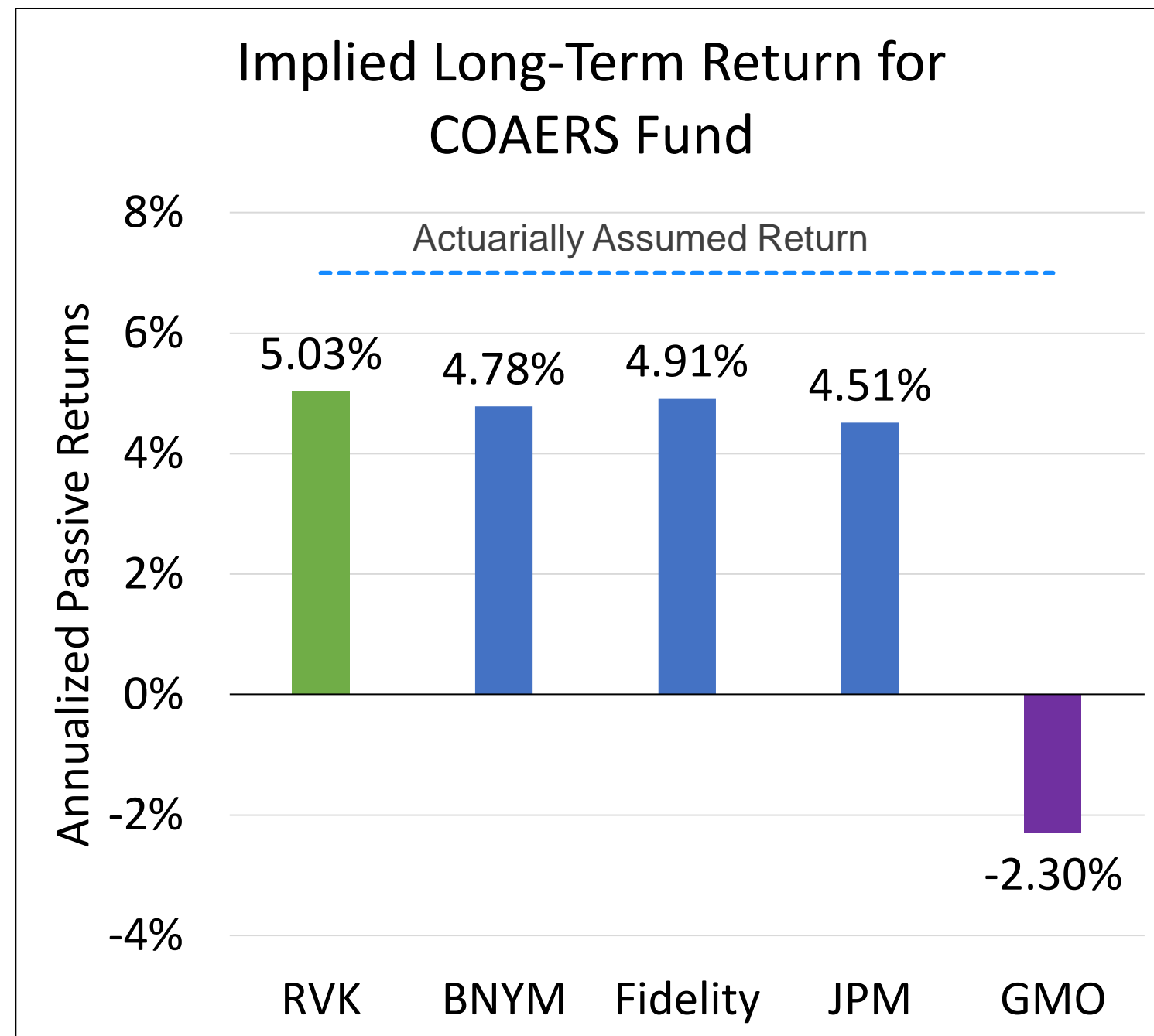
- The Fund adopts a highly diversified Strategic Asset Allocation to earn a risk premium over cash to help pay System benefits
- **Recently, this premium is the highest it has been in 25+ years at 8.6%** in excess of cash, well above the long-term average of 5.3%
- If this rate were to revert to its long-term average alongside continued low cash rates, expected returns for the Fund could fall below 7%

RVK CMAs for COAERS

- Applying RVK Capital Market Assumptions to the COAERS Strategic Asset Allocation suggests passive market returns of **5.03%**, a small decrease compared to 5.08% last year
- Expected returns across asset classes are at or near the bottom of their historical range, suggesting a challenging market environment going forward



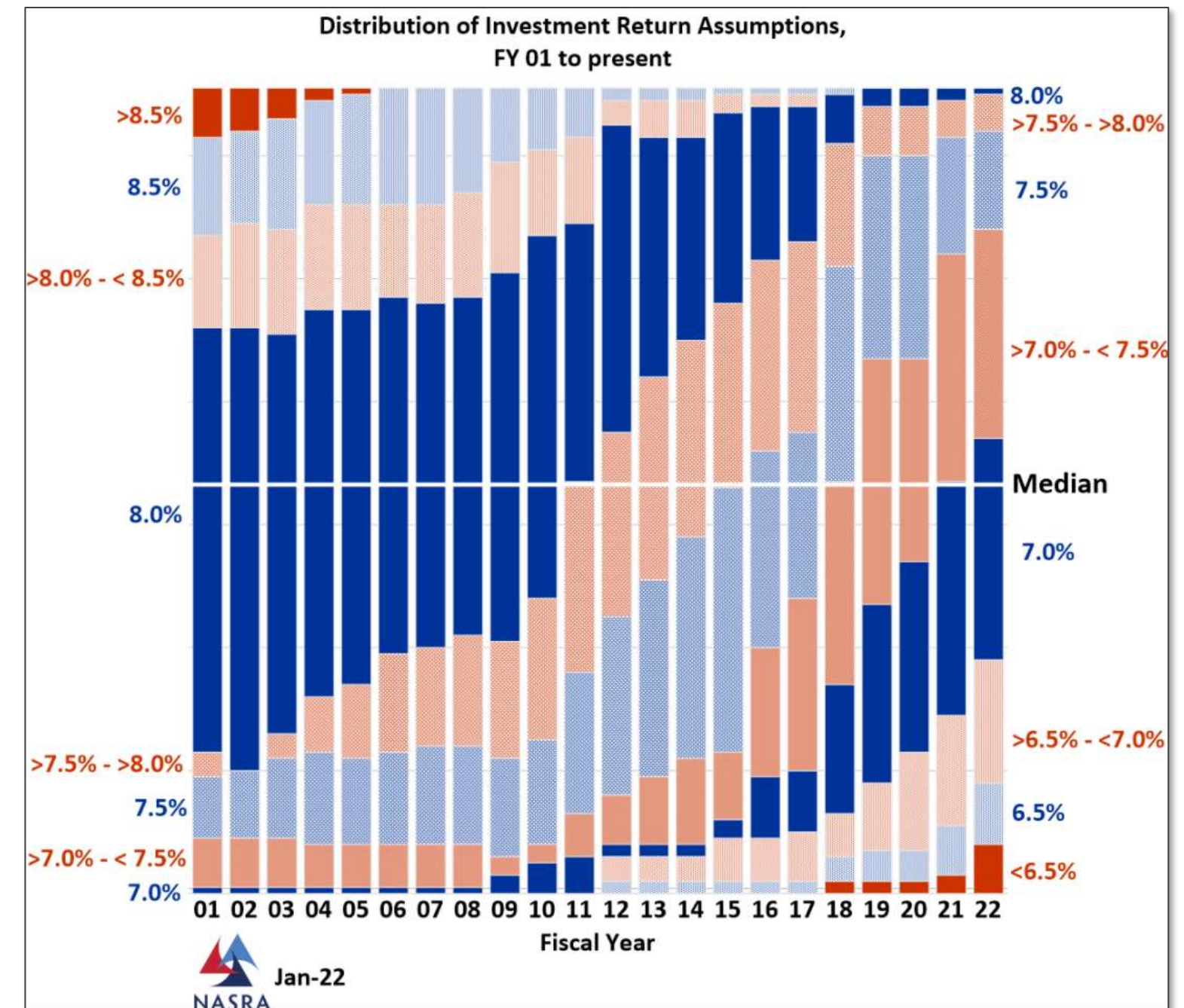
Range of CMAs from Different Providers



- Assumed passive rates of return for the COAERS Fund tend to hover **at or below 5%**, with the notable outlier of GMO at -2.3%
- These forward-looking projections are below the 7% assumed rate of return, suggesting that significant implementation gains over passive markets are required to achieve this goal

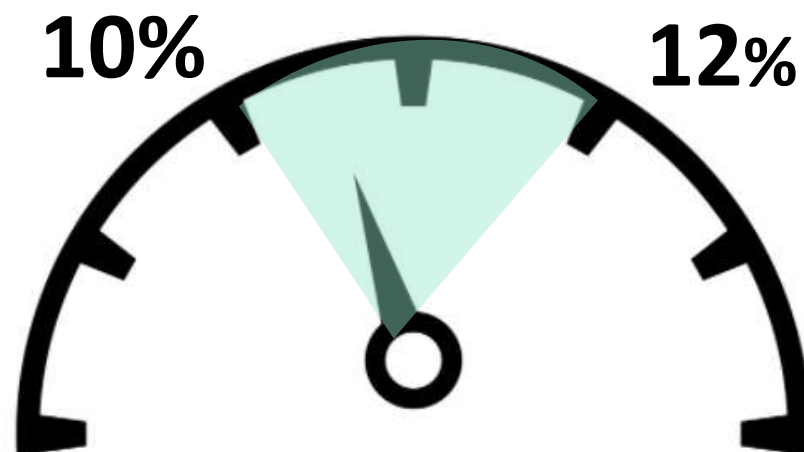
Peers: Rate of Return Assumptions Falling Alongside CMAs

- The majority of NASRA member public pension plans now have assumed rates of return at or below 7%
- This has been a continuing trend over the past 20+ years as the majority of plans in 2001 had assumed rates of return at or above 8%



Evaluating Return Expectations Using our Risk Budget

ABSOLUTE RISK

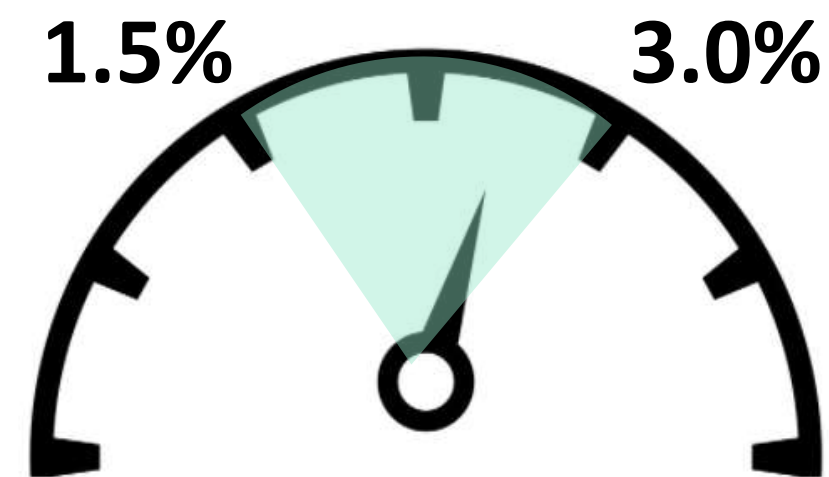


TARGET VOLATILITY

Sharpe ratio of **0.4** on **10-12%** volatility implies a **4-5%** passive market risk premium



RELATIVE RISK



TARGET TRACKING ERROR

Information ratio of **0.5** on **1.5-3.0%** tracking error implies a **0.75-1.50%** excess return

Processes to manage these risks:
Investment Risk Framework and Premier List

Risk Budgets Are Reasonable for SAA as Constructed

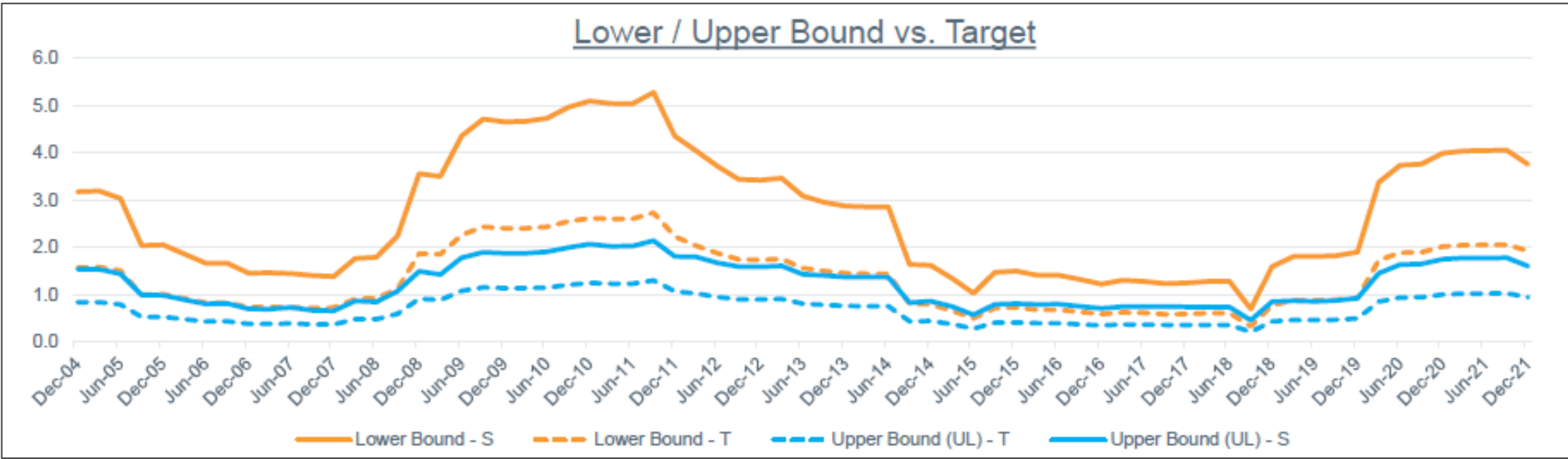
ABSOLUTE RISK

The SAA parameters allow for 9-14% risk, which allows latitude to achieve 10-12% risk budget

	Strategic Policy Bands	Lower Bound – S	Current Target	Upper Bound – S (UL)	Upper Bound – S (L)
Return (Compound)		4.41	5.03	5.22	5.52
Risk (Standard Deviation)		9.01	11.80	12.96	14.25

RELATIVE RISK

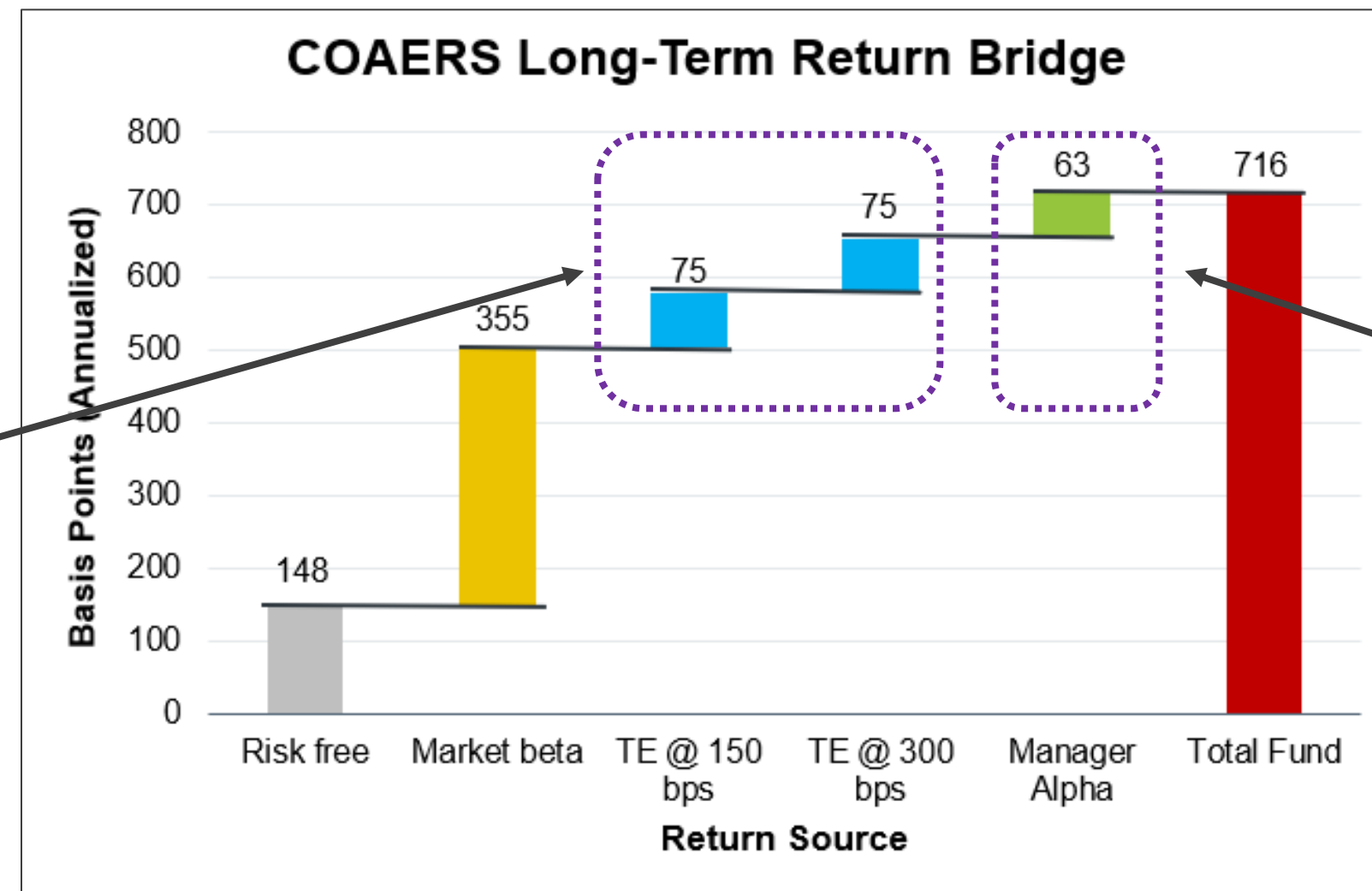
Similarly, relative risk can vary between 70-500 bps of tracking error, which can be managed to achieve 150-300 bps budget



Using our Risk Budgets to Achieve 7%

- Using the risk budgets effectively provides for a way to bridge the gap between passive market returns and the assumed rate of return
- The bridge to 7% requires effective, full use of the risk guidelines laid out in policy and leaves little room for error

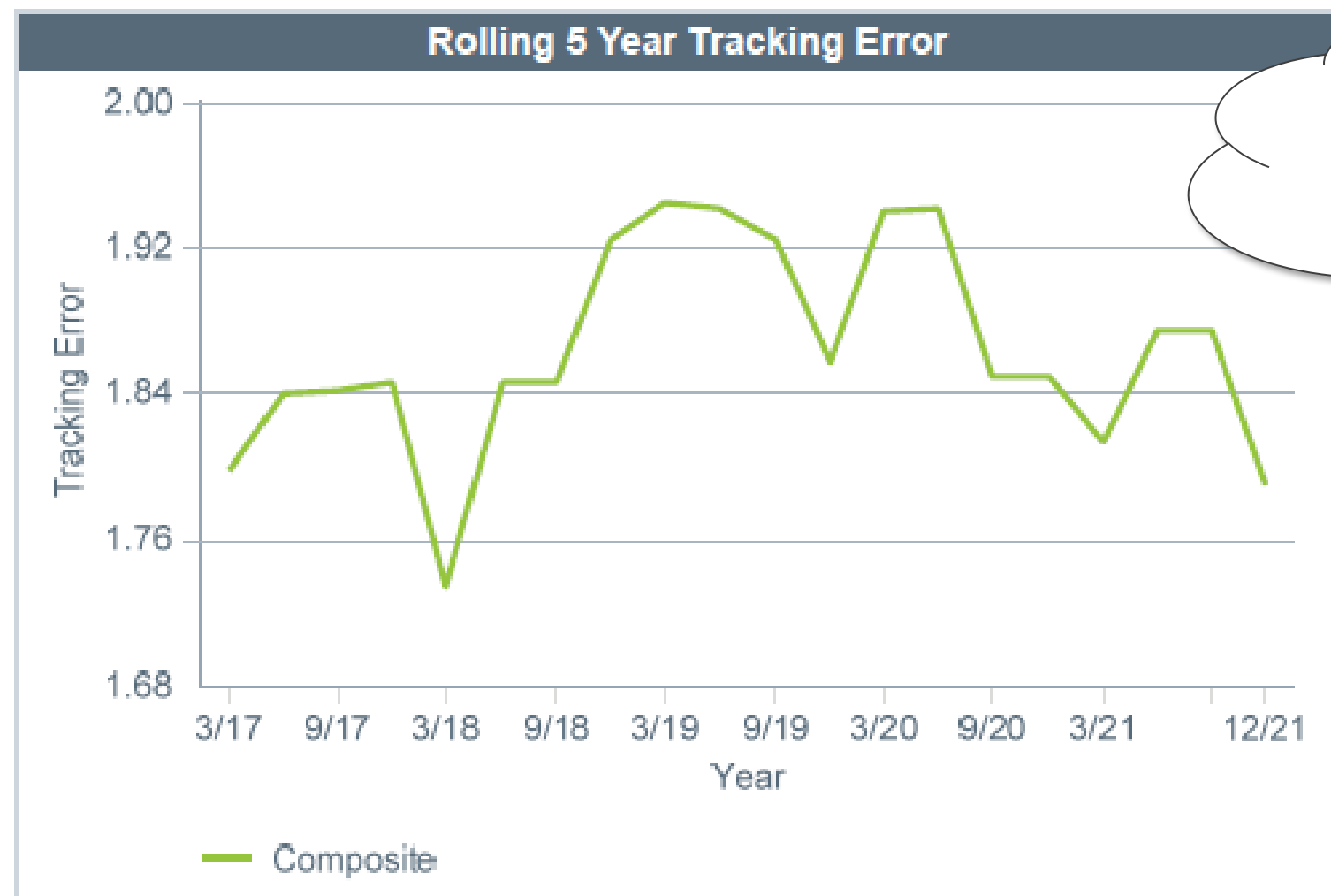
Successful use of the budgeted tracking error requires effective and full use of the SAA bands



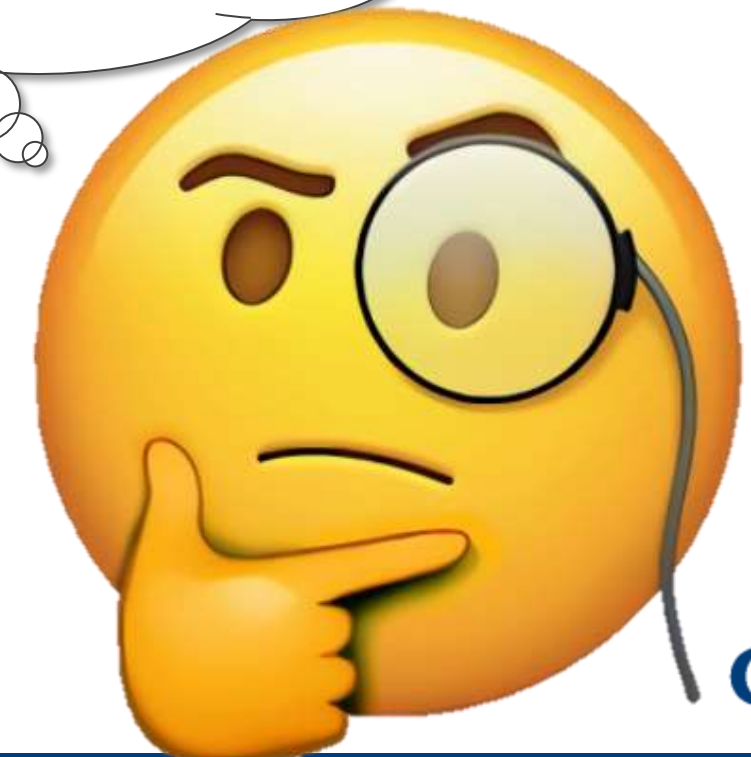
Manager alpha is needed to help bridge the gap but may contribute to additional tracking error

Squaring the Circle Between CMAs and Assumed ROR

- CMAs, while imperfect, suggest that the return environment going forward is likely to be challenging and that significant implementation gains are likely to be needed
- Given this backdrop and realized tracking error on the lower end of the budgeted range, it may be appropriate to consider ways to increase the likelihood of success for the investment program

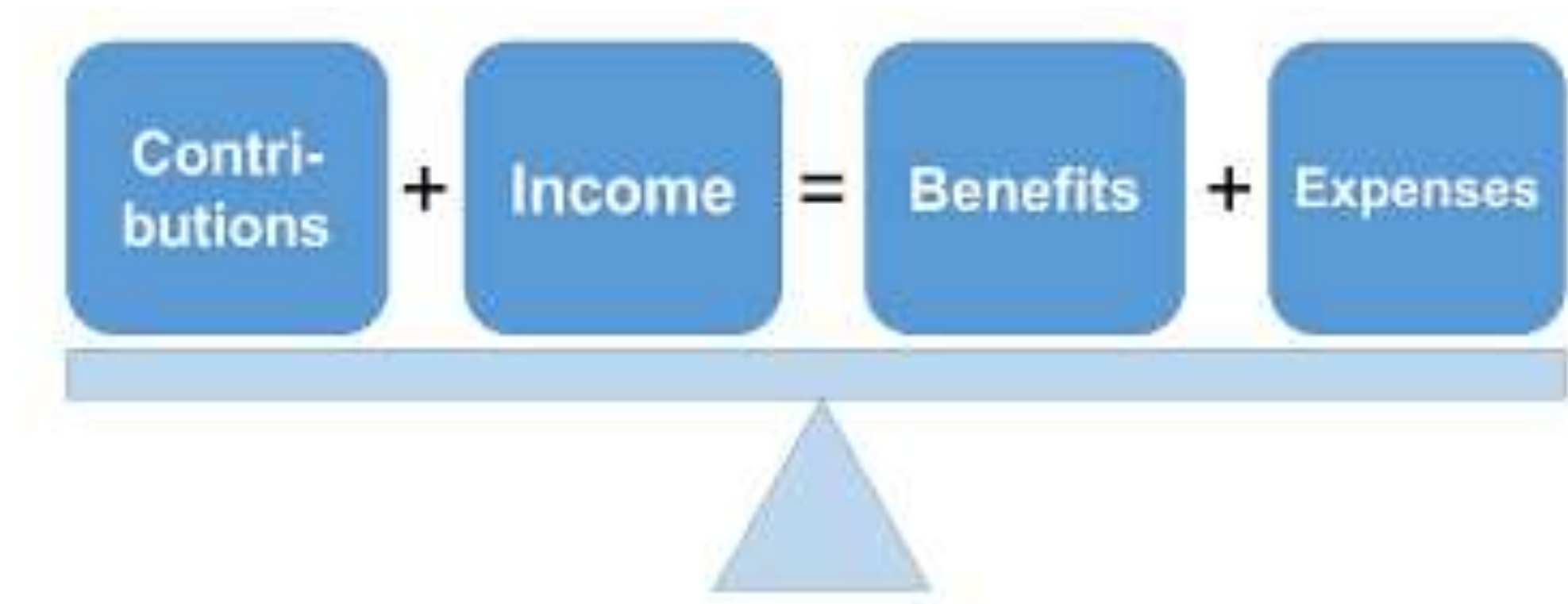


What might be some of the ways to improve the investment program?



Lowering the Assumed Rate of Return

- Lowering the assumed rate of return could reduce some of the pressure on the investment program by requiring less in future investment gains, though other items in the funding equation below also require consideration



Staff Recommendation: Revisit Investment Beliefs

Investment Beliefs

The Fund is a permanent entity with long-lived liabilities and, as such, it should strive to be a thoughtful, analytical, and patient investor that is focused on achieving successful outcomes.

Clear governance and decision-making structures that promote decisiveness, simplicity, efficiency, and accountability are effective and add value to the Fund.

To the extent possible, investment decision-making should be driven by data and analysis, including the findings of relevant research on financial markets and investment management.

Strategic asset allocation is the most critical aspect of the investment process, with the level of risk assumed by the Fund driven primarily by its allocation to equity investments.

The Fund should seek to be well compensated for the investment risks it chooses to bear, risks that should be articulated at the time of investment and revisited regularly.

Diversification across asset classes and risk factors is central to the System's investment strategy, and investments that may improve the Fund's risk/return profile will be considered.

Equities are the most prudent investment vehicle for long-term growth of real values, and the associated drawdown risk should be carefully managed in light of the Fund's liabilities.

Costs can significantly reduce net returns and therefore must be carefully measured and managed when making decisions regarding investment strategy and implementation.

Implementation should occur passively and in public markets unless a high likelihood of success on a risk-adjusted, net-of-fees basis can be expected from other approaches.

- Adopted in 2017, the System's investment beliefs are the core building blocks to the philosophical approach to structuring and implementing the investment program
- Given the varying considerations of one or all of these ideas, Staff recommends that the Board review adopted investment beliefs to help guide the decision-making process

Charting the Path Forward

- Staff suggests that the Board consider these concepts in a deliberate and strategic approach over the coming quarters
- Doing so will help define the role of the investment program in contributing to the overall funding equation for the System
- This process will seek to inform the right amount of return/risk to seek in the investment program and explore the best ways to pursue those goals

Illustrative Process



7B. Investment Committee:

Discuss and consider proposed updates
to Investment Policy Statement and
Investment Implementation Policy

AGENDA ITEM 7:
Investment Committee

B. Discuss and consider proposed updates to Investment Policy Statement and Investment Implementation Policy

AGENDA ITEM OBJECTIVE

This item fulfills the Board's requirement for annual reviews of the Strategic Asset Allocation (SAA) parameters, the Investment Policy Statement (IPS) and the Investment Implementation Policy (IIP).

RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Strategic Plan Goal 1: Maintain a Sustainable Retirement System**. The Board annually reviews guidelines and policies of the COAERS investment program to maintain the System's sustainability and may recommend changes to the Board.

RECOMMENDATION FOR BOARD ACTION

The Investment Committee recommends approval of the proposed changes to the Investment Policy Statement and the Investment Implementation Policy.

BACKGROUND

In keeping with the Board's fiduciary duty of oversight, the IPS and IIP require annual reviews of the IPS and IIP to determine whether these policies:

1. Remain appropriate considering the Board's investment philosophy and objectives.
2. Reflect changes in the capital markets and industry best practices for prudent investors.

Staff will review a summary of the proposed changes to both the IPS and IIP for Board consideration.

ATTACHMENTS

1. Staff report "Staff Assessment of the IPS/IIP and Summary of Key Proposed Changes"
2. RVK memorandum "IPS & IIP Updates Review"
3. Draft Investment Policy Statement REDLINE
4. Draft Investment Implementation Policy REDLINE

Annual Staff Review of Policies and Summary of Proposed Changes

Overall Assessment

Based on its most recent annual review, Staff believes that the current policies regarding investments (i.e., the Investment Policy Statement and Investment Implementation Policy) are well-crafted and appropriate. In particular, these policies align well with the goals set forth in the System's Strategic Plan for 2022-2026, and Staff believes that only minor updates need to be made at this time.

As Staff has noted previously, the System has entered a 20-year period of increasing cash outflows that make the management of drawdown risk for the Fund an increasingly critical activity for the System. To that end, the Board has articulated an explicit risk budget that includes both market risk and active risk. The updates proposed here aim to make the risk budget even clearer.

These policies have also undergone external scrutiny by the System's Investment Consultant and received high marks in the process. In its report from February 2020 pursuant to Texas Government Code 802.109 report, RVK stated that:

"It is in our opinion that both documents reflect best in class industry standards related to both policy language and governance related to implementing said policies."

This achievement was the product of a long period of focus and consideration by the Board regarding the investment strategies and governance structures needed to achieve top tier investment results. Given only minor updates since this report from RVK, Staff views these comments to still be applicable to the current policy and as such only minor recommendations are proposed at this time.

Specific Aspects

In conducting its annual review of these policies, Staff examined several important aspects of these documents including:

- **Investment Beliefs (IPS).** Staff believes the current set of Investment Beliefs remains best in class, though a refresh of these beliefs is likely prudent due to the time elapsed and changes in Board composition. During the last several years these statements have functioned well as the foundational principles for decision making within the Investments program. Going forward, refreshed investment beliefs could help guide Staff and the Board in considering further enhancements to the investment program.
- **Performance goals (IPS).** Each of the four performance targets included in policy is appropriately ambitious in seeking to set the bar high for the achievement of the System's long-term goals. Even so, these goals can often be conflicting with one

another, such as in the tradeoff between absolute return targets and relative returns where the ardent pursuit of one could work against the pursuit of the other. Staff suggests rank ordering these return goals in order to help define which outcomes are most important:

1. Meets or exceeds the actuarial rate of return
 - Meeting this goal helps to ensure that the investment program earns returns sufficient to help solve the funding equation for the System
 2. Meets or exceeds the Passive Benchmark on a long-term, risk-adjusted basis
 - Meeting this goal shows the value added by adopting a highly diversified strategic asset allocation and pursuing an investment program (instead of “doing nothing”)
 3. Meets or exceeds the Policy Benchmark on a long-term, risk-adjusted basis
 - Meeting this goal shows the value added in implementing the investment policy statement through activities including manager selection, index selection and Fund positioning
 4. Ranks in the top quartile of comparable peers on a long-term, risk-adjusted basis
 - Meeting this goal shows how the System compares to relevant peers in pursuing their goals, is more informational in nature, and is less vital to the overall success of the investment program
- **Risk budget (IPS).** Risk parameters for the Fund are well-defined and appropriately established as specific focus has been given on this area of policy in recent iterations. However, like conflicts between return goals, conflicts in the risk budget may also appear when absolute risk targets of 10-12% do not fall within the 2nd or 3rd quartile of comparable peer rankings. As such, the proposed policy updates delineate that the risk target is 10-12% volatility and note that peer rankings may not fall within these quartile ranks.
 - **SAA parameters (IPS).** The ranges established by the SAA process appear sufficiently broad in pursuit of the prescribed risk budget. The IPS specifies that these ranges are to be calibrated relative to peers as is shown in the appendix to this document. This analysis suggests that these ranges are generally consistent with peers with some notable exceptions. Staff notes that year over year, peer allocations have changed meaningfully resulting in rankings that are quite high in DM equities, EM equities and real assets. As the Board considers policy and strategy changes in the future, this policy language could be updated to better reflect the opportunity set for the SAA.

Additionally, emerging markets equities are overweight relative to the underlying Global Equities benchmark and as such Staff recommends reweighting the sub-asset classes within Global Equities to align with the benchmark more closely. Future updates to the SAA parameters could include removing the target sub-asset class weights within Global Equities and replacing them with regional guidelines that are relative to the Global Equities benchmark.

- **Permissible investments (IIP).** The list of permissible investments is adequate to allow for diversification and maintains a clear differentiation between the asset classes. At present, the System could benefit from a more inclusive list of assets to allow for greater protection of the Fund during various market regimes. Staff notes that possible future improvements to move towards best-in-class policy in this section could include setting guidelines at the asset or sub-asset class level instead of listing out specifically permissible investments.

Proposed Updates

To fulfill its role in facilitating the continuous improvement for these policies, Staff proposes the routine updates summarized below:

Investment Policy Statement (IPS)

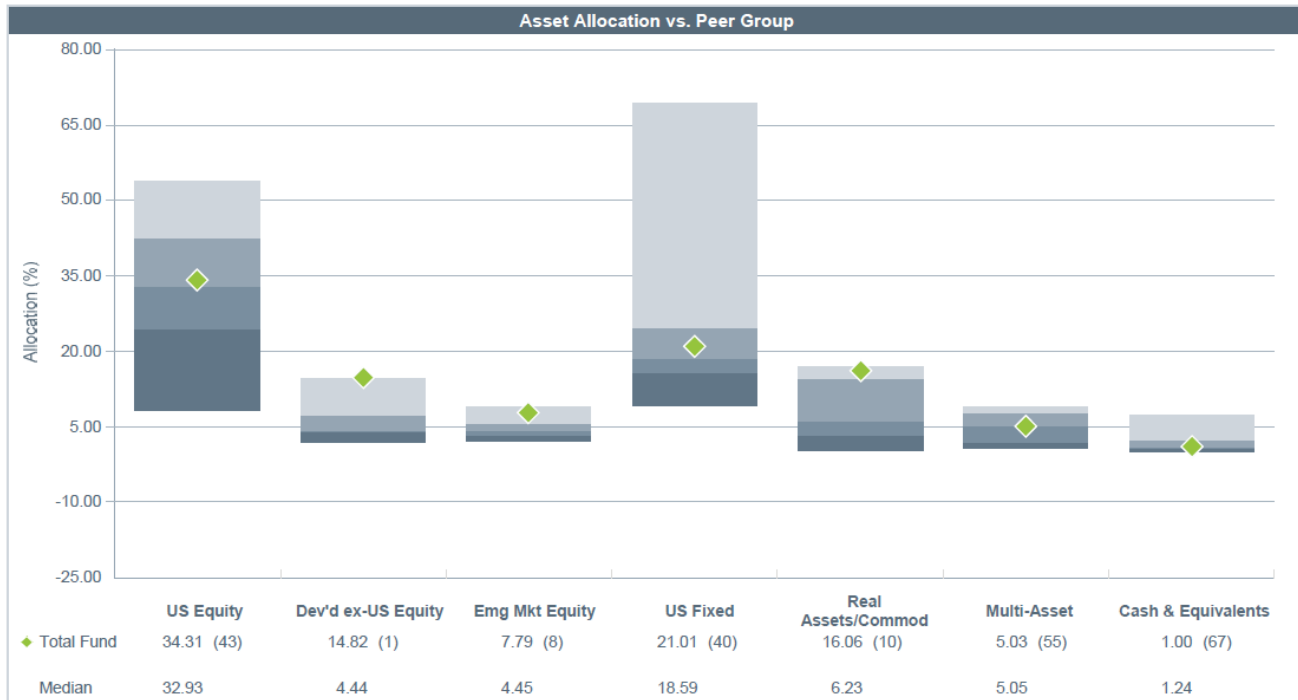
- Rank orders the four investment return goals in order of importance and changes comparable peer rankings to risk-adjusted (page 1).
- Defines the market risk budget at 10-12% volatility and notes that this is expected to fall within 2nd or 3rd quartile of comparable peers (page 9).
- Reduces the neutral allocation to EM Equity by 2% and increases US and DM Equity by 1% apiece to align with the Global Equity benchmark more closely (page 13).
- Notes that Cash & Equivalents and Commodities & Other both have neutral weights at or below 4% (page 14).
- Expands on the securities litigation policy by providing delegated authority to staff and general counsel to effectively pursue legal action alongside the claims processor when appropriate (pages 19,20).
- Updates the performance language consistent with the rank ordering of the investment return goals (page 22, 24).

- More clearly defines the interpretation of the Passive and Policy Benchmarks (page 23).
- Drops the tickers for Real Assets and the Passive Benchmark as these are for internal use only (pages 23, 24).

Investment Implementation Policy (IIP)

- Updates the reporting requirements for investment managers (page 21).

Appendix: COAERS SAA parameters vs. peers



*Source: RVK Q4 2021 Quarterly Investment Performance Report Analysis, Peer Group is \$1B-\$5B Public Plans

Memorandum

To	City of Austin Employees' Retirement System ("COAERS")
From	RVK, Inc. ("RVK")
Subject	Investment Policy Statement & Investment Implementation Policy Updates Review
Date	February 18, 2022

Summary

RVK has reviewed the proposed edits by Staff to the Investment Policy Statement ("IPS") and Investment Implementation Policy ("IIP") to be approved by the Investment Committee and Board and have no concerns with the recommended updates.

Below is a quick overview of the more meaningful updates in our opinion, and our accompanying thoughts on each.

IPS Updates:

- Page 1 – Outlining the System's goals clearly and concisely is an important aspect of an IPS. By updating the structure of the IPS to highlight these goals in order of importance, we believe this is a favorable stance on focusing oversight efforts to the most critical System goals.
- Page 9 – Comparing long-term volatility goals in order to achieve the System's stated return objectives to peer rankings can be highly variable in the short and even to medium to long-term term outlooks due to differences in defining applicable peers. Reflecting the variability and difficulty in interpreting these measures in the IPS is worthwhile as is not the ultimate measure of success.
- Page 13 – Minor adjustments to the sub-asset class target weightings within Global Equity aim to reflect a neutral regional stance to the System's benchmark. A future initiative could potentially focus on removing stated sub-asset class targets and instead simply outline that regional neutrality is the default target with any deviations instead coming from market movements or tactical positioning informed by the System's Investment Risk Framework ("IRF").
- Page 19 – While RVK would ultimately defer to the System's legal counsel opining on the updated securities litigation language, the drafted updates appear reasonable from our review.

IIP Updates:

- Page 23 – Drafted additions to the language around quarterly manager reporting requirements now including highlighting changes to investment process and stewardship are improvements for periodic staff evaluations.



Board Approved Policy

Subject: Investment Policy Statement

Review Committee: Investment Committee

Date Implemented: December 10, 2019

Date Updated: March 3~~1~~⁰, 202~~1~~⁰ effective date April 1, 2022

Signature of Chairperson:

Chris Noak

Adopted
March 3~~10~~, 202~~21~~

Investment Policy Statement (IPS)

for

City of Austin Employees' Retirement System (COAERS)

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Investment Policy Statement (IPS)

for

City of Austin Employees' Retirement System (COAERS)

I. STATEMENT OF POLICY

Purpose and Scope

This document is the official Investment Policy of the City of Austin Employees' Retirement System (the "System"). The policies in this document (the "Policy") have been adopted by the Board of Trustees of the System (the "Board") to establish the objectives and policies of the System's investment program. This document also articulates the policies and guidelines and procedures that are employed in the day-to-day management of System investments by Staff. No responsible party shall deviate from the terms and requirements of this policy without the prior authorization of the Board. Specific guidelines for the implementation of this policy, including contracting terms and the mandate details for each strategy/manager, are set forth in the Investment Implementation Policy, which is incorporated into and made a part of this policy by reference.

Investment Goals

The sole purpose of the Fund is to accumulate the financial reserves necessary to provide benefits to eligible members of the System and their beneficiaries. To achieve this outcome consistently and sustainably, the Fund will be structured and managed to maximize, in rank order of importance, net of all fees and expenses, the probability of achieving:

- ~~1. Achieving a~~ long-term, annualized nominal rate of return that ~~;~~
- ~~1. Meets or exceeds the actuarially assumed rate of return for the~~
System; and
- ~~2. A long-term, risk-adjusted relative rate of return that Meets or exceeds~~
the Passive Benchmark (i.e., the Reference Portfolio); and;
- ~~3. A long-term, risk-adjusted relative rate of return that meets or exceeds~~
the Policy Benchmark (i.e., the Strategic Benchmark); and
- ~~4. A long-term, risk-adjusted relative rate of return that ranks~~
in the top quartile of comparable peers consistently

~~Ranks in the top quartile of peer comparisons consistently.~~

The Fund will pursue

~~Achieving a long-term, risk-adjusted relative rate of return that:~~
~~Meets or exceeds the Policy Benchmark (i.e., the Strategic Benchmark); and~~
~~Meets or exceeds the Passive Benchmark (i.e., the Reference Portfolio).~~

Achieving ementing of these strategic objectives via fiduciary best practices that:

- Ensure proper diversification of asset classes and factor exposures;
and

-
- Maintain appropriate long-term risk and return expectations; and
 - Adapt the Fund's positioning to changing market conditions.

The Board, with consultation, advice and assistance from the System's Staff and Investment Consultant, will use the Fund's strategic asset allocation process and its effective implementation as the primary tools to achieve these goals. A primary emphasis of the management of the Fund is consistency of growth by seeking to balance the risk of inadequate long-term returns against the risk of permanent impairment of capital. Taxes shall not be a consideration except that the System's tax-exempt status should be preserved.

Investment Beliefs

The Fund is a permanent entity with long-lived liabilities and, as such, it should strive to be a thoughtful, analytical, and patient investor that is focused on achieving successful outcomes.

Clear governance and decision-making structures that promote decisiveness, simplicity, efficiency, and accountability are effective and add value to the Fund.

To the extent possible, investment decision-making should be driven by data and analysis, including the findings of relevant research on financial markets and investment management.

Strategic asset allocation is the most critical aspect of the investment process, with the level of risk assumed by the Fund driven primarily by its allocation to equity investments.

The Fund should seek to be well compensated for the investment risks it chooses to bear, risks that should be articulated at the time of investment and revisited regularly.

Diversification across asset classes and risk factors is central to the System's investment strategy, and investments that may improve the Fund's risk/return profile will be considered.

Equities are the most prudent investment vehicle for long-term growth of real values, and the associated drawdown risk should be carefully managed in light of the Fund's liabilities.

Costs can significantly reduce net returns and therefore must be carefully measured and managed when making decisions regarding investment strategy and implementation.

Implementation should occur passively and in public markets unless a high likelihood of success on a risk-adjusted, net-of-fees basis can be expected from other approaches.

Interpretation, Review and Revision

It is intended that this policy and all addenda hereto be construed and administered such that they comply with all applicable federal and state laws and regulations, as

such may be amended from time to time to reflect best practices for prudent investors.

The Executive Director is authorized to approve variances from the policies set forth herein in furtherance of such compliance. The Executive Director is also authorized to update this policy for strictly administrative items subject to approval by the General Counsel. Any variance approved for compliance with law shall be approved by General Counsel, Investment Counsel, or Tax Counsel as appropriate. The Executive Director shall report any such variances or updates to the Board at its next regular meeting via the Investment Committee.

All previous System investment policies and objectives are superseded by this document. The Board will formally review this Policy at least annually to determine whether it remains appropriate in light of the Board's investment philosophy and objectives. This document will also be reviewed periodically and updated as necessary to reflect changes in the capital markets and to reflect best industry practices for prudent investors. Any revisions to this document will be promptly supplied to the appropriate parties in written form.

II. INVESTMENT RESPONSIBILITIES

The System's investments (the "Fund") are held in trust for the exclusive benefit of its members, beneficiaries, and retirees and may not be diverted under any circumstances. This "exclusive benefit" rule shall be strictly followed when making, implementing and monitoring investment decisions. Specific care should also be taken to structure the System's investment relationships to maximize alignment while mitigating the conflicts of interest and agency problems that often exist in the financial services industry.

Specific duties and responsibilities are set forth below for the parties that are established to act as fiduciaries regarding the investment program for the Fund in achieving its objectives.

Board of Trustees

The Board has the fiduciary duty of overseeing the management of the Fund and the associated investment process. In fulfilling this responsibility, the Board will establish, maintain, and require compliance with this policy and its stated objectives. Within this framework, the Board will select, retain, monitor, and evaluate the Investment Consultant, Investment Managers, Custodian (as defined herein), and other parties to serve the goal that actual results meet the objectives. At its discretion, the Board may delegate authority for strategic and operational aspects of the Fund to Staff, though it may not delegate overall responsibility for the program.

The Investment Committee is chartered to assist the Board of Trustees in fulfilling its fiduciary oversight responsibility for the management of the System's investments. Duties of the Investment Committee may include, but are not limited to:

- formulating and recommending to the Board the overall investment policies of the System,

-
- establishing and recommending to the Board investment guidelines in furtherance of those policies, all of which shall be subject to approval by the Board,
 - monitoring investment performance relative to the strategic objectives and compliance with relevant investment risk guidelines set forth in policy, and
 - monitoring the management of the Fund for compliance with relevant investment policies and guidelines.

Professional Staff

The Executive Director, the Chief Investment Officer, the Chief Financial Officer, and other Investment Staff will constitute the System's Professional Staff ("Staff"). Staff is responsible for rendering to the Board objective, competent, professional investment advice that is free from conflicts of interest. Staff will make recommendations to the Board regarding the Fund and will be responsible for implementing both Board decisions and applicable portions of this policy.

Executive Director

The Executive Director is appointed by the Board to manage and administer the System and its investments under the supervision and direction of the Board, and in accordance with applicable state and federal laws. In carrying out these responsibilities, the Executive Director has fiduciary responsibilities delegated by the Board under applicable law and is authorized to exercise his or her best judgment and discretion in planning, organizing, and administering the operations and investments of the System and ensuring that internal controls are in place to safeguard System assets. The Executive Director is hereby authorized by the Board to exercise his or her fiduciary responsibilities to take such action(s) as are necessary or appropriate to protect the investments of the System using his or her best judgment and discretion, based on advice of the Chief Investment Officer and Consultant(s), and as practicable and appropriate, reviewed by General Counsel, Investment Counsel, and/or Board Chair. The Executive Director is also responsible for informing the Board of any such action taken or other situation involving the investment program that merit its attention.

The Executive Director will establish procedures and controls for efficient implementation of investment programs by Investment Staff. The Executive Director may delegate to another member of Staff any right, power or duty assigned to the Executive Director in this policy. Such delegation may include, but not be limited to, the Executive Director's delegation to the Chief Investment Officer to supervise and oversee the performance of any responsibilities delegated to Investment Staff set forth in this policy, provided that the Executive Director shall be responsible for the supervision and oversight of the Staff member to whom such right, power, or duty is assigned.

Investment Staff

Investment Staff is required by the Board to provide professional investment analysis and support, to exercise a standard of care consistent with fiduciary duty, and to maintain the integrity of the investment program. Responsibilities of

Investment Staff include investment analysis and research, asset allocation recommendations, risk management, manager selection and monitoring, rebalancing, and trade cost analysis. Investment Staff support the investment program at the strategic and operational levels through the establishment of appropriate policies and procedures. Investment Staff are also responsible for implementation and maintenance of analytical tools to measure and monitor risk as further described in this policy and internal procedures. Investment Staff will also advise regarding the development of this policy and its implementation, and provide assistance in selection and monitoring of all Managers, Consultants, and Custodians.

Chief Investment Officer

The Chief Investment Officer (CIO) is part of the Investment Staff and directs the investment program consistent with Board-adopted investment goals and objectives, this policy and the Investment Implementation Policy, and within applicable state and federal laws. The CIO works with the Executive Director to ensure that adequate resources are available to implement the Board's investment policies, including custody relationships, internal procedures, qualified investment staff, and analytical and risk management tools, subject to the budget approval process. The CIO works closely with non-CIO Investment Staff and the Investment Consultant(s) to ensure that policies and procedures provide adequate controls to protect the integrity of the investment program, and oversees all investment processes including the selection and oversight of Managers.

Any reference to Investment Staff responsibilities in this policy, including any addendum to this policy, should be construed to mean that the Chief Investment Officer has supervisory and oversight authority of such delegated responsibilities.

Non-CIO Investment Staff

The non-CIO Investment Staff report to the CIO and are primarily responsible for the daily operation and implementation of the investment program. Non-CIO Investment Staff members work with the CIO and Consultant(s) to advise the Board on investment policy and management issues. Such issues may include without limitation, the development of investment goals and objectives, investment policies and strategies, investment risk management policies, asset allocation decisions, the hiring or termination of Managers, the establishment of investment performance benchmarks, and the development of investment management guidelines and restrictions.

Finance Staff

Finance Staff is independent of the Investment Staff and serves as the record keeper for the System's investments. The Chief Financial Officer (CFO) directs the Finance Staff and is primarily responsible for cash management as outlined in this policy, including the monitoring of liquidity requirements to meet benefit payments. Finance Staff is also responsible for ensuring the timely payment of manager fees and tracking these fees for budgeting purposes.

Investment Consultant(s)

The Board may obtain the services of one or more qualified firms or individuals to assist and advise the Board and Staff regarding the structure, strategy, management, and investment of the Fund (a “General Investment Consultant”). The duty of a General Investment Consultant is to render objective, competent, professional advice and assistance that is free from conflicts of interest and to work with the Board and Staff regarding the investment process. This responsibility includes meeting regularly with the Board to provide perspective on the Fund’s goals, strategy, structure, and risk as well as the progress toward fulfilling the Fund’s long-term objectives.

A General Investment Consultant will advise, consult and work with the Board and Investment Staff to develop and maintain a well-diversified portfolio of investments for the Fund. Fund positioning and performance will be reviewed regularly, and recommendations will be made as appropriate. A General Investment Consultant will assist the Board and Staff in manager selection and monitoring as needed, including informing the Board promptly of material changes to portfolio investments. Within this process, a General Investment Consultant assumes fiduciary responsibility for advice given regarding the management of the investment process. A General Investment Consultant will perform its duties and obligations in conformance with generally accepted industry standards and its contract with the System.

The Board may also hire one or more qualified firms or individuals to assist and advise the Board and Staff regarding specialized mandates such as selection of managers and/or investments (a “Specialized Investment Consultant”). For example, should the Board consider making direct investments, it may obtain the services of one or more qualified firms or individuals to assist and advise the Board and Staff regarding the selection of specific investments (a “Direct Investments Consultant”). Within this context direct investments are defined for the purpose of this policy as investments that are not invested or managed by an investment manager appointed by the Board pursuant to Section 802.204, Texas Government Code.

The Specialized Investment Consultants are hired by, and report to, the Board to assist in the management of the specialized portfolio. The Specialized Investment Consultants provide advice to the Board on specific asset class policies, recommends pacing commitments, Manager selection and terminations, Manager guidelines and restrictions, participates in the due diligence process and ongoing monitoring of Managers including policy compliance, provides analysis of investment performance, and provides advice on other investment-related issues. Specialized Investment Consultants work closely with Staff in all aspects of the specialized investment portfolio including its relationship to the Fund as a whole.

It is imperative that Consultants have the independence and ability to inform the Board in the event of any concerns related to investment activity. If any Consultant learns of a material issue regarding deviation from prudence, objectivity, policy or parameter adherence or any other matter of concern involving the investment program, the Consultant has a duty to express that concern in writing to the Executive Director and CIO while also recommending any action to be taken as

deemed necessary. The Consultant shall also contact the Board if it concludes that further immediate action is required and is beyond the authority granted to the Executive Director or Investment Staff. In any event, all such material matters will be reported to the Board at its next regularly scheduled meeting.

Investment Managers

Except for direct investments, investments for the Fund shall be made and managed by one or more investment managers (“Managers”) who meet the requirements of Sections 802.203(d) and 802.204, Texas Government Code. Managers will construct and manage a portfolio of investments (the “Portfolio”) consistent with the investment philosophy and strategy they are hired to implement in compliance with this policy and/or any agreement(s) they execute with the System. The Board’s Investment Implementation Policy sets out specific processes and procedures with respect to manager selection, contracting, monitoring, and retention.

Custodian(s)

Custodian bank(s) (“Custodian” or “Custodians”) will maintain custody of the cash, securities, commingled funds and other investments of the Fund. The Custodian(s) will be responsible for safekeeping, clearing and settling securities as appropriate for the accounts they are assigned. The Custodian(s) will regularly value, list and summarize these holdings for review by the Board, Staff and Consultant. In addition, a bank or trust depository arrangement with the Custodian(s) may be utilized to invest cash in liquid, interest-bearing instruments.

A Master Custodian will be designated to accurately record all transactions affecting the Fund. The audited entries from the Master Custodian shall constitute the official book of record for the Fund. All Custodians will be directed to provide timely and accurate information to the Master Custodian.

III. FIDUCIARY CONDUCT

An investment fiduciary includes, but is not limited to, a person who exercises discretionary authority or control in the investment of the investments of the System or who renders, for a fee, advice to the System. The term investment fiduciary includes, but is not limited to, the members of the Board, the General Counsel of the System, the System’s Staff, Investment Consultant(s), Managers, and the Custodian.

An investment fiduciary shall discharge his or her duties exclusively in the interest of the participants in the System and their beneficiaries and shall:

1. Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
2. Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;

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3. Act in accordance with this Policy and ensure that the Fund is invested in a manner consistent with this Policy;
 4. Make investments for the sole purpose of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of supervising, safeguarding, and investing the assets of the System; and
 5. Give appropriate consideration to those facts and circumstances that an investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role which the investment or investment course of action plays in that portion of the investments for which an investment fiduciary has responsibility. For purposes of this subdivision, "appropriate consideration" shall include, but is not necessarily limited to, a determination by an investment fiduciary that a particular investment or investment course of action is reasonably designed, as part of the investments of the System, to further the purposes of the System, taking into consideration the risk of loss and the opportunity for gain or other return associated with the investment or investment course of action. Trustees shall give consideration of the following factors as they relate to System's investment strategy:
 - (a) the diversification of the investments of the System;
 - (b) the liquidity and income profile of the investments of the System relative to the anticipated cash requirements of the System; and
 - (c) the projected return of the investments of the System relative to the funding objectives of the System.

Every investment will be subject to thorough due diligence, which shall be conducted by Staff with assistance from the Investment Consultant and reviewed by the Investment Committee. Notwithstanding the performance of such due diligence, the determination of whether prudence has been exercised with respect to an investment decision shall be made by taking into consideration the overall diversification of the Fund within the context of its investment strategy rather than evaluating the merits of a single investment in isolation.

In adopting this Policy, the Board requires all Trustees and Staff involved in the investment of Fund assets to make all investment decisions in the best interest of the System and to abide by the System's Ethics Policy. This Policy states that no covered person may solicit, accept, or agree to accept any gifts, personal benefits, or personal favors offered to them because of their position with the System.

Within this context, the acceptance by Staff of invitations to seminars, conferences, receptions and business meals when (1) such event has a presentation or discussion of topics pertinent to the investment of Fund assets or relates to the official duties of the individual and (2) the sponsor or a representative of the sponsor is present are permitted if not otherwise prohibited by law. This exception also applies to the acceptance of transportation, lodging and meals in connection with conferences, seminars, and advisory committee meetings where the services rendered by Staff are more than merely perfunctory as in accordance with applicable laws. In all cases,

Staff should use reasonable care and judgment to not place themselves in a situation that might cause, or be perceived to cause, a loss of independence or objectivity.

IV. INVESTMENT RISK MANAGEMENT

Purpose and Scope

The Board recognizes that bearing prudent levels of compensated investment risk is critical in meeting the Fund's long-term return objectives, which are in turn essential to the sustainable provision of adequate benefits.

- **Market Risk (i.e., Volatility or Absolute Risk):** Market risk is associated with making investments in the pursuit of long-term capital gains while facing the potential for infrequent but significant losses. Market risk is typically defined in terms of market volatility, which is often expressed as the standard deviation of monthly returns over three or more years. Given the System's purpose, liquidity requirements, absolute return objective and predictability of contributions, the Board elects to assume levels of market risk, defined as realized long-term volatility, of approximately 10%-12% on an annualized basis. that rank in the second or third quartile of its comparable peers in pursuing the investment program. Based on this philosophy and its absolute return objective, the Fund's long-term volatility is expected to be approximately 10%-12% on an annualized basis. Based on this philosophy, the Board expects that market risk will likely rank in the second or third quartile of its comparable peers over the long term, but notes that differences in asset mix and risk regimes may cause risk to be higher or lower than these peer rankings.
- **Active Risk (i.e., Tracking Error or Relative Risk):** Active Risk refers to the amount of risk in the portfolio that is attributable to the management decisions made by its fiduciaries. A common measure of active risk is commonly called tracking error, which can be best estimated within portfolios of tradable liquid securities.

Tracking error budgets relative to the assigned benchmarks are established for the total Fund and its actively managed public market portfolios as follows:

	Neutral	Maximum
TOTAL FUND	150 bps	300 bps
US Equity	200 bps	500 bps
Developed Market Equity	400 bps	700 bps
Emerging Market Equity	500 bps	800 bps
Fixed Income	150 bps	300 bps
Real Assets	350 bps	500 bps
Multi-Asset	300 bps	600 bps

These figures shall be measured on both a realized and prospective basis using rolling three- and five-year horizons. Deviations from these risk ranges will be reviewed with the Board via the Investment Committee along with the justification and recommended remedy.

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- **Mission Risk.** Risk for the System should also be viewed more broadly to include the probability of not meeting its primary investment objective, which is to enable the provision of promised benefits in perpetuity. To this end, the Investment Risk Management effort seeks (1) to identify the key sources of uncertainty with the greatest potential impact on Fund performance, (2) to identify potential regime changes in market conditions that could have significant impact on the long-term performance of the Fund (such as economic growth and inflation) or affect the appropriateness of its asset allocation parameters and/or implementation approach, and (3) to measure, monitor and manage those risks in view of the level of compensation that has been realized and is expected for bearing those risks.

This risk budgeting framework defines the Board's tolerance for volatility and tracking error at the Fund level and provides a transparent, measurable methodology for allocating risk to implementation efforts in pursuit of the System's investment objectives. To ensure that this Risk Budget continues to be appropriate it will be reviewed at least annually concurrent with the Strategic Asset Allocation review and formal asset allocation study. A more in-depth review will be done at least every five years and coincide with the formal Asset/Liability Study.

Other Types of Investment Risk

The Board takes several steps throughout the investment process to identify, measure, and report on investment risk at a variety of different levels. The key risks that are to be identified and addressed in the internal processes of the Investment Staff include:

- **Strategy Risk:** Strategy risk is the risk of pursuing an inferior investment strategy due to lack of clarity in investment beliefs, objectives, and/or risk tolerance. To the extent any of these decision components change, the parameters established in the Strategic Asset Allocation may no longer be appropriate and require review. To ensure that the Strategic Asset Allocation process and parameters remain appropriate:
 - A formal pension financial (asset/liability) study will be conducted at least every five years, or whenever there have been material changes to the contribution or benefit policy.
 - A formal asset allocation study will be conducted at least every three years to validate or amend the SAA parameters.
 - The Strategic Asset Allocation process and parameters will be reviewed at least annually for reasonableness relative to significant economic and market changes and to changes in the Board's long-term goals and objectives.
- **Asset Allocation Risk:** the Board uses a number of critical assumptions to set the Strategic Neutral Allocations and Rebalancing Ranges for the Fund as part of the SAA process. This effort is in support of its goal of establishing an investment program that will allow the System to meet its long-term liabilities through investment returns as well as contributions, but faulty assumptions can jeopardize this aim. The Board via the Investment Committee will monitor these

assumptions as well as Fund positioning relative to SAA parameters set forth elsewhere in this Policy at least quarterly.

- **Implementation Risk:** Implementation Risk is the risk of losses or unmet expectations due to either poorly designed investment guidelines or Managers not delivering on the expectations that are embedded in well-designed guidelines. These risks are managed through proper and timely initial and ongoing due diligence programs, portfolio oversight and monitoring, and a willingness to make timely changes when appropriate.
- **Liquidity Risk:** the Board acknowledges that sufficient liquidity must be maintained to meet benefit payment obligations. The allocation to highly liquid investments will be monitored on a quarterly basis, as will the Fund's anticipated contributions, benefit payments, and any capital calls or other investment commitments. Liquid investments may be used to meet short-term cash needs and due consideration will be given to transaction costs when raising cash to meet benefit payments and other commitments.
- **Currency Risk:** to the extent that the Fund invests extensively in international markets, a negative currency return may result from adverse movements in foreign exchange rates. Over long periods of time, currency movements are not expected to add significant returns to the portfolio but may add to its volatility. As such, the Board may authorize Staff to hedge this risk or seek return from this risk by employing active currency management at the Fund level. The Fund utilizes unhedged benchmarks and does not require its Managers to hedge the currency exposure in their portfolios.
- **Leverage Risk:** Leverage is an exposure to an asset class that is not fully collateralized by cash or an exposure to an asset that has been acquired without being fully funded. There are two primary types of leverage: financial leverage and economic leverage. Leverage by itself does not necessarily create additional market risk or variation in market returns, and in fact can be used to deliver greater diversification and better risk-adjusted returns than an unlevered but concentrated portfolio.

The Fund has exposure to leverage through different structures and vehicles and that leverage is inherent in some investment strategies as a means to achieve their target market exposures. The use of leverage will be monitored in portfolios where derivatives or other forms of leverage are employed (such as in Real Estate and Infrastructure) and also at the Fund level.

- **Statutory Risk:** the Board will track compliance with any and all statutes or laws related to the investment program.
- **Solvency Risk:** trends that could serve to erode the long-term funded status of the System (such as low investment returns, weak global growth, and poor demographics) are to be identified, considered, and evaluated on a regular basis.

V. ASSET ALLOCATION

Strategic Asset Allocation

The Board, with advice from Investment Staff and Investment Consultant, is responsible for establishing the Strategic Asset Allocation (SAA) process and parameters for the Fund. SAA refers to the establishment of neutral weights and suitable ranges for the appropriate asset types (i.e., financial instruments sharing certain fundamental and risk-based characteristics) that determine the distribution of investments within the Fund. The SAA process will seek to optimize expected return net of fees for the Fund within the established risk budget over a long-term horizon by maintaining a highly efficient portfolio at all times. Key parameters of the SAA in this regard will include the Strategic Neutral Allocations, Strategic Rebalancing Ranges, and Tactical Rebalancing Ranges as described further below.

Since the Fund is designed to benefit both current and future generations of beneficiaries, its time horizon is long. More specifically, the Board should calibrate the SAA process toward the aim of meeting the System's investment objectives and risk budget over a time horizon of ten years or more. However, since the benefit payment obligations of the System must be met on a timely and regular basis, cash flow considerations (including the potential for a sustained period of net outflows) will generally be given precedence over the long-term liability stream when setting the SAA parameters and the associated risk budget.

At least every five years (or more frequently if warranted by a material event in either the liability structure of the Fund, the contribution policy, and/or the capital markets) the Board will conduct a formal Asset/Liability Study to review asset classes, risk-return assumptions, and correlation of returns, and implementation styles using applicable benchmarks and other relevant data. These periodic studies will provide the primary basis for significant changes to the Fund's strategic asset allocation parameters.

The primary objective of the Asset/Liability Study shall be the development, through statistical modeling techniques and the use of capital market assumptions, of a highly diversified portfolio structure that specifies a long-term neutral position for each asset class and sub-asset class (the "Strategic Neutral Allocation") as well as prudent maximum and minimum ranges ("Rebalancing Ranges") of portfolio exposures around those neutral weights. These SAA parameters represent the policy weights on a market value basis that, under current assumptions and when effectively implemented by Staff, are expected to maximize the probability of meeting the Board's investment objectives.

Experience has shown that the long-term performance of the SAA process depends greatly on the accuracy of the assumptions used to establish its key parameters. As such, this information should be monitored continually and revisited regularly by Investment Staff with the results reported to the Board each quarter via the Investment Committee. Formal reviews of the adopted SAA parameters using updated capital market assumptions and other market-related inputs shall also be conducted at least annually.

Asset Class Diversification

The Board has found it prudent to diversify both across and within the major asset classes in order to construct a highly efficient portfolio (i.e., one that delivers strong compound returns on a long-term, risk-adjusted basis). Each of the major asset classes outlined below provides a distinct and purposeful role within the Fund, and careful attention should be paid to the changing correlations between them. The sub-asset class categories within each major asset class and their proportion of the total are shown below.

Asset Class/Sub-Asset Class Policy Weights & Rebalancing Ranges						
	Asset Class	Min ^S	Min ^T	Neutral	Max ^T	Max ^S
Growth-Oriented Assets	Global Equity	46.0%	51.0%	56.0%	61.0%	66.0%
	US Equity	<u>22.0</u> 21.0%	<u>29.0</u> 28.0%	<u>34.0</u> 33.0%	<u>39.0</u> 38.0%	<u>47.0</u> 46.0%
	DM Equity	<u>11.0</u> 10.0%	<u>13.5</u> 12.5%	<u>16.0</u> 15.0%	<u>18.5</u> 17.5%	<u>20.0</u> 19.0%
	EM Equity	<u>2.0</u> 3.0%	<u>4.0</u> 5.5%	<u>6.0</u> 8.0%	<u>10.5</u> 12.5%	<u>13.0</u> 15.0%
	Real Assets	10.0%	11.0%	15.0%	19.0%	20.0%
	Real Estate Equity	5.0%	7.0%	10.0%	13.0%	15.0%
	Infrastructure Equity	0.0%	1.0%	5.0%	7.0%	10.0%
Liquidity & Diversifying Assets	Fixed Income	16.0%	18.0%	21.0%	27.0%	33.0%
	US Treasuries	9.0%	11.0%	13.0%	21.0%	25.0%
	US Mortgages	2.0%	3.0%	4.0%	6.0%	8.0%
	US Credit	1.0%	2.5%	4.0%	7.0%	10.0%
	Multi-Asset	2.5%	4.5%	7.0%	12.5%	15.0%
	Asset Allocation	2.5%	3.5%	5.0%	7.5%	10.0%
	Commodities & Other	0.0%	1.0%	2.0%	5.0%	10.0%
	Cash & Equivalents	-10.0%	-5.0%	1.0%	5.0%	10.0%
	US Dollar instruments	-10.0%	-5.0%	1.0%	5.0%	10.0%
	Other currencies	0.0%	0.0%	0.0%	1.0%	2.0%

T: Tactical Rebalancing Range S: Strategic Rebalancing Range

While proper diversification is prudent and central to the System's investment strategy of bearing prudent levels of well-compensated risk, over-diversification can be detrimental to the Fund. Therefore, the Board will not typically consider a sub-

asset class for inclusion in the SAA framework that does not warrant a maximum weight of least 4%, with ~~cash~~ Cash & Equivalents and Commodities & Other being the standing exception_s.

Based on its most current determination of the appropriate risk tolerance of the Fund and its long-term return expectations, the Board in consultation with the Staff and Investment Consultant has established the Strategic Neutral Allocations, Strategic Rebalancing Ranges, and Tactical Rebalancing Ranges as percentages of the Fund's asset classes and sub-asset classes shown below. These prescribed ranges for the policy weights allow for the fluctuations in Fund positioning that are inherent in market values of portfolio investments and for prudent risk management for the Fund in pursuit of an efficient portfolio.

These rebalancing ranges are established according to the following philosophy and criteria:

- Tactical Rebalancing Ranges are calibrated to reflect the diversity of asset mix among peers with second or third quartile allocations as determined by investment consultant data. These ranges aim to delineate the typical operating range of the actual positioning of the Fund under normal market conditions.
- Strategic Rebalancing Ranges are calibrated to reflect the diversity of asset mix among peers with first quartile and fourth quartile allocations excluding those peers in the top or bottom five percent as determined by investment consultant data. These ranges aim to delineate the less typical operating range of the actual positioning of the Fund under unusual market conditions.

Fund positioning shall in all cases conform to the prescribed ranges unless otherwise authorized at a regular or called meeting of the Board.

Rebalancing

The goal of rebalancing is to ensure that the long-term investment objectives of the System are achieved by allowing Investment Staff the flexibility to adjust for market movements and to adapt Fund positioning to current market conditions. The Board has chosen to adopt a rebalancing policy that allows Investment Staff to rebalance the portfolio between major asset classes as well as within the sub-asset classes, a framework that is governed by the Board-approved risk budget and ranges rather than fixed allocations or time periods. These ranges are specified in the table above and are a function of the volatility of each asset class and sub-asset class relative to the proportion of the Fund allocated to each.

The Strategic Rebalancing Ranges serve to establish the outer bounds for the allocation of the Fund and to allow for flexibility during times of market stress or dislocation. The Tactical Rebalancing Ranges allow for routine fluctuations that are inherent in market values of portfolio investments and establish Board-approved parameters for management of the Fund's risk exposures and overall diversification level by Investment Staff.

Staff is authorized to effect rebalancing under any of the following three conditions:

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- **Market drift:** Market movements and cash draws for benefit payments may cause current Fund positioning to drift away from neutral positioning and potentially beyond the prescribed ranges above.
 - When a month-end report shows that Fund positioning has drifted outside the Strategic Rebalancing Ranges at either the asset class or sub-asset class level, rebalancing shall be effected to increase its positioning to the midpoint of the Strategic Minimum and the Tactical Minimum (if the allocation has fallen below the Strategic Minimum) or to reduce its positioning to the midpoint of the Strategic Maximum and the Tactical Maximum (if the allocation has increased above the Strategic Maximum) by the end of the next month.
 - When two consecutive month end reports show that Fund positioning has drifted from within to outside the Tactical Rebalancing Ranges at either the asset class or sub-asset class level, rebalancing shall be effected to increase its positioning to the Tactical Minimum (if the allocation has fallen below the prescribed minimum) or to reduce the positioning to the Tactical Maximum (if the allocation has increased above the prescribed maximum) by the end of the next month unless a temporary deviation until the next Investment Committee meeting is granted in writing by the Executive Director.
 - Determinations made under this authority shall include adjustments as needed to account for notional exposures beyond the market values shown in reports from the custodian and/or investment consultant. Any rebalancing under this authority shall be carried out by Investment Staff after prior notification to the Executive Director and in consultation with the Investment Consultant.
 - **Risk management:** Changing market conditions may cause the risk-return profile of the Fund to deviate from the risk budget prescribed in this document. Changing market conditions may also cause the near-term risk/return characteristics of one or more asset classes or sub-asset classes to diverge from its long-term absolute fundamentals or from its peers on a relative basis. In such cases, one or more deviations from neutral positioning may be desirable to improve the risk-return profile (i.e., the diversification level) of the Fund overall.

When the analytical framework employed by Investment Staff, which for the purposes of this Policy shall be referred to as the Investment Risk Framework (IRF), leads to a determination that one or more deviations is likely to be advantageous to the Fund's risk-return profile, Staff is authorized to rebalance the Fund within the Tactical Rebalancing ranges for both asset class and sub-asset classes. Such rebalancing authority under this provision shall be distinct from any authority to reallocate between managers granted by this Policy or the IIP.

The IRF, including its underlying philosophy and key inputs, will be approved by the Board prior to deployment and its outputs reported at regular meetings

of the Investment Committee and more frequently if market conditions warrant. The Executive Director shall be responsible for ensuring that rebalancing undertaken under this authority is based on the consistent application of the IRF.

Rebalancing activities under this authority shall result in Fund positioning that falls within the Tactical Rebalancing ranges and conforms to the risk guidelines set forth elsewhere in this Policy unless otherwise authorized by a regular or called meeting of the Board.

- **Phased transition:** During times of phased transition to a new set of SAA parameters, interim rebalancing weights and procedures may be chosen until the implementation of the new parameters can be prudently completed. In addition, Staff and Consultant may each recommend to the Board temporary deviations from these weights if it is believed that doing so can be reasonably expected to further the investment objectives set forth in this Policy or to more effectively implement the program. During the transition towards the new parameters, certain asset classes may exceed prescribed limits and will serve as either a funding source for new strategies or portfolios, or as a proxy pending implementation of certain allocations.

Investment Staff is responsible for developing and overseeing all portfolio rebalancing activities, and is authorized to carry out these activities in accordance with this section. All rebalancing activities permitted by this section must be authorized by the Executive Director in the form of approved instructions to the investment manager(s) and/or custodial bank.

In all cases the potential benefits of rebalancing must be weighed against the costs, including explicit transaction costs such as commissions and market impact as well as opportunity costs such as Staff time and focus. Investment Staff will report the results of rebalancing activity to the Executive Director and Investment Consultant upon completion of the rebalance. The Board shall be notified of any such changes (1) by email within one business day of initiating the rebalancing with the Custodian and/or Manager(s) and (2) in writing at the next regular meeting of the Investment Committee.

VI. OPERATIONAL GUIDELINES

For the purposes of operational risk management, investment activities shall also be subject to the following guidelines:

- **Diversification.** Fund investments will be broadly diversified in order to minimize the risk of large losses from individual securities. The Fund will have beneficial ownership (as determined pursuant to Rule 13d-3 of the Securities Exchange Act of 1934) of no more than:
 - 3% of its investments at market value in the securities of any one corporation;
 - 5% of any class of voting securities of any one public corporation; and
 - 20% of a single commingled investment vehicle, based on market values, except as explicitly approved by the Board as a seed investment.

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- **Counterparty Requirements.** Counterparty creditworthiness will be monitored closely, and the following restrictions shall apply:

- The Custodian(s) shall maintain a credit rating of at least A+ or equivalent
- Futures Commission Merchants shall maintain a credit rating of at least A+ or equivalent
- Broker/dealers shall be selected by Investment Managers in accordance with their internal trading policies as reviewed during the due diligence process

Credit ratings criteria should be met on both a long-term and short-term basis as rated by at least one nationally recognized rating services organizations (NRSROs) such as Moody's, S&P, and Fitch.

- **Leverage.** In addition to gross notional exposure, net exposure levels will be monitored at the asset class level and at the Fund level. Financial leverage is restricted at the Fund level to risk management purposes as described further in this section. Financial leverage is permitted under this Policy as a result of the following permissible activities:
 - Derivative overlay strategies used to carry out the System's investment strategy and deployed within the parameters of the Strategic Asset Allocation;
 - Derivative overlay strategies used to implement currency hedging;
 - Embedded leverage within commingled fund structures; and
 - Collateralized funding including securities lending activities.
- **Derivative Instruments.** The only authorized uses of derivative instruments are (1) to efficiently manage portfolios and risk and (2) to implement investment strategies authorized by this Policy more effectively and at a lower cost. The following derivative instruments are allowable, subject to the constraints listed below: futures, forwards, structured notes, and options. At the Fund level, purchases or short sales, or both, of appropriate derivatives may be used to:
 - Manage the total Fund more efficiently by altering its market (systematic) exposure in lieu of trading the underlying cash market securities;
 - Hedge and control risks so that the risk-return profile of the total Fund is more closely aligned with its target risk-return profile; and
 - Facilitate transition trading when rebalancing or reallocating among permissible investments as a result of policy changes.

Managers may only engage in derivatives transactions that are consistent with their investment guidelines as well as applicable laws and regulations. Specifically, these instruments may be used for constructing portfolios with risk and return characteristics that could not be created with cash market securities consistently with the objectives in this Policy and in compliance with applicable law.

- **Cash Management.** As a mature pension plan, cash disbursements of the System are expected to exceed cash receipts for the medium term. As such, sufficient funds must be made available for transfer from the System's

investments to meet the operating needs of the System. On at least a quarterly basis, Finance Staff will project the cash flow needs of the System based on the amount budgeted for administrative expenses and projected benefit payments, including retiree payroll. Cash draws should generally be made from asset classes and individual portfolios that are overweight relative to their strategic neutral weight, with those funds then transferred to the System's cash account at the Custodian Bank. A standing direction may be issued for monthly transfers from managed investments to address projected cash flow needs.

Each month, the Chief Financial Officer will review the anticipated disbursements, and will compare the disbursement requirements to funds available at the Operating Bank. A recommendation of the amount of cash draw required from the Custodian Bank will be made to the Executive Director, who will authorize the Custodian Bank to transfer the required funds to the Operating Bank on a specified date. Each quarter Staff will provide to the Board via the Investment Committee a report detailing all cash movements from the prior quarter that are related to investment program operations.

- **Securities Lending:** The Board may select a Securities Lending Agent(s) to generate incremental income by making term loans of eligible securities. Any such program shall not inhibit the trading activities of Managers and should not run counter to the investment strategy of the Fund overall. The agent(s) or its parent organization must:
 - be experienced in the operation of a fully secured securities lending program;
 - indemnify the System against any loss resulting from borrower default or from its own failure to properly execute its responsibilities under the lending agreement;
 - maintain a SSAE16 or ISAE 3402 report reflecting appropriate risk controls;
 - maintain a rating of at least "A" by two NRSROs; and
 - maintain Tier 1 and Total Capital Ratios of at least 7% and 10%, respectively.

The agent(s) shall have full discretion over the selection of borrowers and shall continually review credit worthiness of potential borrowers through adequate analysis of all relevant information. The agent must act as a fiduciary in the management of the account and manage the market risk of the reinvestment of cash collateral through careful monitoring and consideration of the maturity structure of the reinvested cash collateral relative to the System's outstanding loans.

The securities lending program shall utilize a high-quality and reasonably conservative cash collateral re-investment program that safeguards the return of principal and maintains adequate daily liquidity to support trade settlement activity and portfolio restructuring activities. Cash collateral or US Government securities must be received by the Securities Lending Agent, and should be held in a fully paid segregated account invested according to approved guidelines described below:

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- All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit. Collateralization of such loans shall be at least 102% domestic/105% international of the market value of the loaned securities plus accrued income for U.S. and non-U.S. loans, respectively. Such collateralization procedures should be marked-to-market daily by the agent.
 - The securities lending agent must have written/internal guidelines for the investment of cash collateral, which shall be reviewed and incorporated into the System's agreement with the securities lending agent. A copy of the agent's cash collateral investment policy shall be sent to the System at least annually and any other time a material change is made to the document.
 - Income earned from securities lending in separate accounts will be deposited monthly in an account specified by Staff and invested in short-term instruments until allocated or used as needed to meet the liquidity requirements of the System.
 - The agent will be responsible for in-depth ongoing credit review of borrowers, independent of the agent's securities lending decision-makers. Staff may work with the securities lending agent to create and maintain a custom approved borrower list.

Should a violation of these guidelines occur, the Agent will notify Investment Staff within 3 business days who will promptly notify the CIO of the guidelines breach and appropriate steps to remedy the breach (if any), accompanied by a recommendation. However, a breach will not in itself cause the suspension or termination of the lending program.

Cash collateral may also be reinvested through a pooled fund managed by the Securities Lending Agent. Investment Staff shall evaluate and may recommend the use of a commingled pool by considering any liquidity benefits a pooled structure may offer along with its investment objectives, guidelines, restrictions, and strategy. Such analysis will also consider transparency of the investment process and internal controls.

For commingled funds where securities lending is performed by the Manager, Staff is authorized to adjust the allocation between lending and non-lending share classes to manage the risk profile of the program. The Board shall be notified of any such changes (1) by email within one business day of initiating the transaction with the Custodian and/or Manager(s) and (2) in writing at the next regular meeting of the Investment Committee.

- **Securities Litigation:** As a large institutional investor, the Fund frequently holds securities that are the subject of individual and class action securities litigation. The Custodian and other parties (the "Claims Processor") may be appointed by the Board to monitor such lawsuits, report to the Executive Director and Investment Staff, and file notice of claim as necessary or other necessary documentation. The Custodian-Claims Processor shall notify Managers of any potential or pending legal action.

In its role as a fiduciary, the Board may, with the advice and assistance of the System's General Counsel, determine that the Fund should pursue litigation where it has been harmed due to securities fraud or other bad acts. In most cases, the Funds' interest in securities litigation claims will be adequately addressed solely through participation as a class member, rather than taking a lead plaintiff role in such litigation. The following sections outline the process and delegated authority for pursuing lead plaintiff or a separate prosecution of claims.

Screening: The Board has set a "Threshold Value" to determine when the estimated financial loss to the System may warrant pursuing lead plaintiff status in a class action or separate prosecution of claims. The Threshold Value is defined as an estimated financial loss that exceeds 0.03% of Fund assets as of the most recent quarter end. Investment Staff shall promptly notify General Counsel and Executive Director of potential claims that exceed the Threshold Value. In certain rare cases, General Counsel and Executive Director may determine that the materiality of the financial loss to the Fund is exceptional and/or that the Trustee's fiduciary obligation requires active participation as lead or co-lead plaintiff in a class action or separate prosecution of claims.

Designated Authority: In those circumstances that the General Counsel and Executive Director determine that active participation as lead plaintiff in a class action or separate prosecution of claims is advisable, the Executive Director will generally present to the Board a filing recommendation. Notwithstanding the foregoing, the Executive Director is granted authority to make a filing decision in the event that any exigent circumstances require such a decision to be made quickly to preserve or protect any claim or right of the System. The Executive Director shall confer with the General Counsel and notify the Chair of the Board prior to exercising such authority. In all circumstances the Executive Director has authority to not pursue or not recommend a filing. The Executive Director will report any such actions taken in this paragraph at the next regularly scheduled meeting of the Board.

Case Management: The General Counsel or designee bears the primary responsibility for the management of all litigation matters and coordination with the Claims Processor. The authority granted in this paragraph shall be exercised, as warranted, in consultation with the Executive Director and Chief Investment Officer. The General Counsel and Executive Director will report on any ongoing case management matters regularly to the Board throughout any litigation process under this section.

In such event, the filing of any claim shall be prepared, processed, and managed by the Custodian on behalf of the Fund, at the direction and with the oversight and approval of Staff.

In those rare cases it may be determined that the materiality of the financial loss to the Fund is exceptional and/or that the Trustee's fiduciary obligation requires active participation or separate prosecution of claims. If so, the Executive Director may refer the case to appropriate legal counsel for evaluation and recommendation to the Board.

VI. REPORTING, EVALUATION AND REVIEW

Regular performance evaluation of the Fund by the Board is designed to monitor the effectiveness of the investment process in meeting the long-term objectives of the System. The purpose is to test the continued validity of the associated decisions and to prompt a review of underperformance or excessive risk. All performance measurement should be based on total returns, net of fees, adjusted for risk, as measured over a sufficient time period to reflect the benefits of any active decisions (typically a minimum of three years and preferably over five or more years and/or a full market cycle).

Investment Staff and Consultant, in consultation with the Executive Director, shall provide to the Board via the Investment Committee a written summary of the Fund's performance each quarter. This report shall include a comparison to performance benchmark objectives as well as the investment performance of other appropriate funds. The Consultant will conduct an in-depth performance attribution analysis, which will quantify the extent to which specific allocations, strategies, and/or managers added or detracted from overall Fund performance.

Strategic Objectives

The central strategic criteria for Fund performance will be the ability of the Fund's returns to fully fund the liabilities of the System over time. That is, the investment program overall should be oriented toward the outcome of achieving a long-term, annualized absolute rate of return that meets or exceeds the assumed actuarial rate of return for the System.

On a regular basis (typically quarterly but not less than annually) the Board will review actual investment results achieved and the attribution of those results to determine whether:

- the Fund meets or exceeds its long-term target rates of return;
- the extent to which Fund risk remains within budget in the pursuit of these objectives;
- the Fund's Strategic Asset Allocation process and parameters remain reasonable and appropriate in light of the long-term goals of the system (including its funding objectives and projected liabilities) and the prevailing conditions in the capital markets.

These assessments should also regularly consider the potential effects of past realized returns on future expected performance, such as whether high recent returns imply lower returns in the future or vice versa. Investment Staff shall report annually to the Investment Committee on the status and performance of delegated responsibilities including rebalancing, manager selection, and risk management.

Investment Risk

Widely accepted quantitative measures of risk such as volatility (i.e., standard deviation of returns) shall be regularly measured and monitored. The risk management efforts of the program are also to consider other statistical measures of historical and projected absolute risk such as Value-at-Risk (VaR) and maximum

drawdown. While acknowledging that investment risk cannot be eliminated but can instead be managed through appropriate diversification, the Board seeks to ensure that investment risks are adequately rewarded over time and that return expectations are consistent with the risk budget established by the SAA process. The program should target a long-term Sharpe Ratio of at least 0.5 for the Fund overall to ensure a level of investment efficiency in risk taking that is on par with its best-in-class peers.

Risk monitoring activities should also consider downside risk, which for these purposes is considered to be the permanent impairment of capital. However, since many risk models assume normality of returns and thus often fail to anticipate the severity of drawdowns, it is imperative to monitor the Fund's downside risk using forward-looking techniques such as scenario analysis and stress testing. These techniques can provide insight into potential future downside risks by utilizing historical market dislocations and potential future events to consider the resulting impacts on the portfolio. As such, these approaches will be incorporated into the Asset/Liability Studies and should also be incorporated into regular reporting where possible.

For actively managed strategies, the investment program should target an Information Ratio of at least 0.5 to ensure that the associated risk is adequately compensated. However, when relying on relative measures of risk such as tracking error, it is critical to note that the tracking error calculation does not distinguish between strategies that increase absolute risk from those that reduce it. As such, relative measures should be evaluated in conjunction with the absolute level of risk borne by that asset class or investment strategy. For example, when an asset class or investment strategy is outperforming its stated benchmark, if it does so with substantially more absolute risk than the benchmark that investment may in some cases be deemed unsuccessful. Likewise, the underperformance of a stated benchmark with substantially less risk may in some cases be deemed a success.

Fund/Asset Class/Sub-Asset Class Performance

Each asset class is to be benchmarked by an associated index that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the index should serve as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Within each asset class, the Chief Investment Officer, in consultation with the Executive Director, shall adopt portfolio implementation strategies and investment styles to meet the overall investment objective of each asset class. Investment Staff shall report to the Board via the Investment Committee quarterly on the current status and historical performance of these implementation decisions.

The ~~primary-relative~~ performance objectives for the Fund ~~is-are~~ to obtain risk adjusted net returns equal to or greater than the stated benchmark, including incremental returns that are proportionate to the amount of additional risk (tracking error or other appropriate risk metric) assumed. Benchmark returns for composite allocations are weighted according to the Neutral Weights set forth in the SAA parameters. Specifically, the Fund's net return shall aim to meet or exceed the:

- **Passive Benchmark:** This benchmark is intended to reflect the investment mix prevailing among institutional peer portfolios as implemented via low-cost passive investable indices. Outperformance relative to this benchmark should represent the value added through decisions made in the Strategic Asset Allocation process and should be evaluated on a risk-adjusted basis. As such, this can be interpreted to show the value of pursuing an investment program and the Board's adoption of a highly diversified portfolio structure. The Passive Benchmark will be set as outlined below.

Major Asset Classes			
Asset Class	Weight	Benchmark Index	Bloomberg Ticker
Global Equities	60%	MSCI All Country World Net Total Return USD Unhedged	NDUEACWF
Global Fixed Income	40%	Bloomberg Global Aggregate Total Return USD Unhedged	LEGATRUU

- **Policy Benchmark:** This benchmark is intended to reflect a passive implementation of the neutral weights established by the Board during the SAA process, and outperformance should represent the value added by investment implementation and risk management activities. As such, this can be interpreted to show the value gained while implementing this Policy through a variety of activities including, but not limited to, manager selection, index selection and Fund positioning. The Policy Benchmark is a neutral weighted composite of the benchmarks selected to track the major asset classes in the Strategic Asset Allocation and as such shall also be known as the Fund's Strategic Benchmark. The Strategic Benchmark will be set as outlined below.

Asset Class/Sub-Asset Class Benchmarks			
Asset Class		Benchmark Index	Bloomberg Ticker
Global Equity		MSCI All Country World IMI Net TR	MIMUAWON
	US Equity	MSCI USA Net TR	NDDUUS
	DM Equity	MSCI World ex-US Net TR	M1WOU
	EM Equity	MSCI Emerging Markets Net TR	NDUEEGF
Real Assets		Neutral weighted blend of sub-asset class benchmarks	COAERSSRA
	Real Estate	FTSE NAREIT Equity REITS TR	FNRETR
	Infrastructure	S&P Global Infrastructure Net TR	SPGTINNT
Fixed Income		Bloomberg Global Aggregate Bond TR	LEGATRUU
	US Treasuries	Bloomberg US Treasuries TR USD	LUATTRUU
	US Mortgages	Bloomberg US MBS TR USD	LUMSTRUU
	US Credit	Bloomberg US Credit TR USD	LUACTRUU

Multi-Asset		COAERS Passive Benchmark	COAERSPAS
	Asset Allocation	COAERS Passive Benchmark	COAERSPAS
	Commodities & Other	Bloomberg Commodity TR Index	BCOMTR
Cash		Bloomberg 1-3 Month US T-Bill	LD12TRUU
	US Dollars	Bloomberg 1-3 Month US T-Bill	LD12TRUU
	Other currencies	Bloomberg 1-3 Month US T-Bill	LD12TRUU

- **top quartile** of comparable peers, which is to be used as a measure of the performance realized from the prevailing opportunity set within the global capital markets.

The baseline time period for achieving these objectives is three years, though shorter and longer time periods should also be considered. These benchmarks should be reviewed annually for potential adjustment, with attention paid to the selection of the constituent indices for continued relevance, applicability, and investability. These benchmarks are not expected to change except to reflect substantial changes in either long-term market opportunities and/or asset allocations by the System or its institutional peers.

Similar to the total Fund, the performance objective for asset class and sub-asset class composites is to obtain risk-adjusted returns in excess of those of stated objectives and peer results. Active returns relative to the adopted benchmark returns are expected to exceed the cost of management and be proportionate to the amount of risk assumed.

Board Approved Policy

Subject: Investment Implementation Policy

Review Committee: Investment Committee

Date Implemented: December 11, 2018

Date Updated: ~~June 29~~ March 31, 2024 [effective April 1, 2022]

Signature of Chairperson:

Chris Noak

Revised
~~June 29, 2021~~ March 31, 2022

Investment Implementation Policy (IIP)

for

City of Austin Employees' Retirement System (COAERS)

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CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM INVESTMENT IMPLEMENTATION POLICY (IIP)

I. PURPOSE, SCOPE AND REVISION

This Policy aims to support the ability of the Board of Trustees and Investment Staff of the City of Austin Employees' Retirement System (the "System") to carry out their responsibilities with respect to selection, contracting, monitoring, and retention of Managers. This Policy is intended to complement the Investment Policy Statement (IPS) and is hereby incorporated into that document by reference. The Board will formally review this Policy at least annually to determine whether it remains appropriate considering the Board's investment philosophy and objectives, changes in the capital markets, and/or Fund structure. Any revisions to this document will be promptly supplied to the appropriate parties promptly in written format.

This Policy and all addenda hereto be construed and administered such that they comply with all applicable federal and state laws and regulations, as such may be amended from time to time. The Executive Director is authorized to approve variances from the policies set forth herein in furtherance of such compliance. The Executive Director is also authorized to update this Policy for strictly administrative items subject to approval by the General Counsel. The Executive Director shall report any variances or updates to the Board via the Investment Committee at its next quarterly meeting.

II. STRATEGY AND PHILOSOPHY

The Board has granted authority to the Investment Committee to oversee Managers and make recommendations to the Board regarding the System's Premier List. The Board believes that a superior process for developing and maintaining these relationships is critical to achieving the System's strategic goal of consistently delivering results that are in the top quartile of peers. In this regard, the Board intends this process to deliver long-term performance that is superior to the traditional approach to manager selection that focuses heavily on recent returns relative to a benchmark.

The Fund will develop long-term, mutually beneficial partnerships with Managers that meet or exceed the objectives of their specific mandates. To that end, the Board supports disciplined and rigorous processes for selection, monitoring, and retention of Managers, processes that are to be set forth in greater detail within internal Investment Staff procedures.

Implementation decisions should be made with particular attention to the Board's stated Investment Beliefs regarding the potential benefits of diversification and the significant impact of costs. Within that context, implementation of the investment strategy and Strategic Asset Allocation parameters set forth in the IPS may be carried out through:

-
- both public and private market vehicles, with public markets representing the default given their lower cost structure and greater liquidity. Specifically, private markets investments should be expected to add meaningful amounts of diversification to the Fund and/or earn returns that compensate at least fairly for the incremental risks (such as illiquidity, governance, etc.) that such structures typically entail.
 - through both active and passive strategies, with passive strategies representing the default option given their lower cost structure and greater liquidity. Specifically, active management should be expected to add meaningful amounts of diversification to the Fund and/or earn returns that compensate at least fairly for the incremental risks (including tracking error, turnover, etc.) that active strategies typically entail.
 - through both pooled vehicles and separate accounts, with separate accounts representing the default option given their greater transparency, customization, and liquidity. However, it is recognized that in some strategies and geographies (such as emerging markets) pooled vehicles may offer significant advantages over separate accounts such that they become the preferred implementation approach.

While the System may find great strategic benefit and economies of scale in concentrating its assets with certain managers, such concentration also carries potential risks. In active strategies no more than 15% of the System's investments shall be managed on a permanent basis by a single investment firm and for passive index strategies no more than 30%. Under no circumstance may any Manager oversee more than 30% of the System's investments. The System's investments shall not permanently constitute more than 20% of any firm's assets under management within the asset class managed for the System. Quarterly reporting on these restrictions shall be provided by Managers and presented by Investment Staff to the Board via the Investment Committee.

III. FIDUCIARY CONDUCT

In all cases, relationships with Managers should seek to mitigate agency problems and conflicts of interest that prevail in the financial services industry. Specifically, the use of performance-based contracts should be considered whenever possible. Conflicts of interest shall be disclosed at least annually or as required in accordance with the System's Ethics Policy. The process for selecting, monitoring, and terminating Managers shall protect against improper and/or unethical behavior including bribery, corruption and other contact between System representatives and Managers intended to influence the outcome inappropriately. Direct inquiries by Managers to individual Trustees regarding the System's investment program will be referred to Investment Staff.

IV. MANAGER RESPONSIBILITIES

The Board, acting through its Investment Committee and with advice from Investment Staff and its Investment Consultant(s), hires Managers to carry out its duties to implement the System's investment program. The terms, provisions, and

requirements set forth in this Policy, the IPS, applicable laws (which shall include US sanctions programs), relevant fund documents, and the agreement(s) executed by the Manager with the System (sometimes referred to herein as the “IMA”) establish the requirements governing the investment of System assets. Such requirements are sometimes collectively referred to as the “Guidelines” hereinafter.

The execution and delivery of an Investment Management Agreement (IMA) or other agreement approved by the Board by the Manager is an acknowledgement by the Manager that it has received the IPS and this policy, and that it will fully comply with the applicable terms and provisions therein as well as those of the IMA and all other Guidelines. No deviation or exemption from these requirements is permitted unless specifically authorized by the Board.

Within these Guidelines, Managers with live mandates are granted full discretion to manage the assigned Portfolio(s) by selecting specific investments as appropriate, either in a pooled vehicle or separate account as agreed with the System. Within this context of the strategy or strategies it is assigned, each Manager is expected to:

- maintain a consistent philosophy and strategy,
- perform well on a risk-adjusted basis versus peers pursuing a similar strategy,
- add value net of all costs, and
- provide investment management in accordance with the Guidelines.

Each Manager with a live mandate shall comply with all Annual and Quarterly Reporting Requirements set forth in Appendix III. Each Manager shall promptly inform the Investment Staff and Investment Consultant regarding all significant matters pertaining to its assigned mandate(s).

Each Manager with a live mandate shall maintain the insurance coverage established in their IMA with the System. If this insurance coverage lapses or violates established minimums, the Manager shall promptly notify the Investment Staff and Investment Consultant.

Each Manager with a live mandate is responsible for monitoring transaction costs and settlement processes. Each Manager is hereby authorized and empowered to vote proxies unless this delegation is revoked by the System, and all such voting shall be performed in good faith and for the exclusive benefit of the System participants and beneficiaries.

The Board via the Investment Committee shall be kept informed by the Investment Staff and Investment Consultant of major changes in investment strategy, portfolio structure, market value, strategy/fund assets, and other matters. The Board via the Investment Committee shall also be informed regularly of significant changes in the ownership, affiliation, organizational structure, financial condition, or professional staffing of the Manager’s organization.

V. MANAGER SELECTION

The Board believes that developing long-term relationships with a small group of high potential managers allows for a more thoughtful and robust evaluation of potential candidates than starting each search from scratch. As such, the

Investment Staff, in coordination with the Investment Consultant, will develop and maintain a “Premier List” of 3-4 viable managers (including at least one passive index option, which for Multi-Asset shall include allocating back to the Fund) for potential inclusion within each sub-asset class of the Fund. Doing so is intended to allow for (1) ongoing competitive benchmarking of existing managers and (2) rapid, effective replacement of any Manager that may be deemed by the Board to no longer be able to accomplish its mandate(s), including an emergency termination by the Executive Director as described in this Policy.

Mandate specification. The evaluation of potential Premier List candidates will begin with Investment Staff working with the Consultant to outline the specific needs of the particular mandate for which a Manager would be considered. Key characteristics to be articulated include the portfolio role, potential mandate size, and an evaluation of the likelihood of success for active managers within these mandates. For example, Investment Staff should evaluate the median universe returns within an asset class or strategy to determine whether a typical manager adds value net of all costs, which can in turn inform the extent to which active managers should even be considered.

Initial diligence. Once the specifications of the mandate have been established, available managers should be sourced and filtered from a variety of sources, including:

- Direct sourcing from inbound inquiries, conferences, etc.
- Commercial databases such as eVestment, Preqin, Bloomberg, etc.
- Investment Consultant diligence materials and research

This pool of managers should be screened on minimum performance metrics using performance analysis, Investment Consultant analytics, and philosophical agreement on investment style. Strategies that look promising will be subject to more detailed analysis, including via the use of statistical tools to the maximum extent possible to capture all available quantitative information available from the available data. For example, the analysis should look beyond the simple time period performance data and consider the trajectory of those returns over time using techniques such as CUSUM analysis. Managers should also be evaluated for fit within the existing portfolio using historical analysis of performance, risk measures, factor exposures, etc.

Finalist evaluation. Potential finalists should complete a strategy-specific Due Diligence Questionnaire (DDQ) on matters that shall include, but not be limited to:

- | | |
|------------------------------|--------------------------|
| • Investment style/process | • Organization/personnel |
| • Historical risk and return | • Fees and other costs |
| • Factor exposures | • Trading capabilities |
| • Assets under management | • Conflicts of interest |

Onsite diligence with potential finalists shall be conducted according to the policies set forth in Appendix II and as supplemented by internal policies. Following the completion of onsite diligence that it deems successful, Investment Staff is authorized to negotiate an Investment Management Agreement (or other fund

documents as appropriate) for the potential mandate as a means to establish the fees and other terms under which an investment could be made by the System.

Review by IC/Board. Investment Staff shall propose successful candidates for the Premier List to the Investment Committee for potential recommendation to the Board, with all proposals including a proposed neutral and maximum allocation. Once approved by the Board, transitions between managers on a Premier List will typically occur with prior notification to the Investment Committee except in the cases of risk management or an emergency as determined by the Executive Director on the advice of Investment Staff and in consultation with the Investment Consultant. If the allocation to a manager breaches the maximum approved by the Board on a quarter end report, Staff shall report this variance to the Investment Committee at its next regularly scheduled meeting as well as any recommendations to bring the allocation to within guidelines. In the event of a transition, the Executive Director will notify the Board (1) by email within one business day of initiating the transition and (2) in writing at the next quarterly meeting of the Investment Committee. In all cases the potential benefits of transition must be weighed against the costs, including explicit transaction costs such as commissions and market impact as well as opportunity costs such as Staff time and focus.

Investment Staff shall also propose any removals from the Premier List to the Investment Committee for potential recommendation to the Board. The Premier List for each asset class shall be presented to the Investment Committee for ongoing review at least annually.

VI. MANAGER CONTRACTING

General investment guidelines are described within the asset class guidelines contained in this Policy and the IPS. In addition, guidelines more specific to a Manager's mandate may be appropriate and will be documented in the Manager's contract, side letter, or other agreements with the System. The Board may delegate to the Executive Director authority to contract with Managers subject to approval of the General Counsel and/or Investment Counsel regarding the form of the agreement and its consistency with Board intent.

In advance of funding, consensus should be reached among the Investment Staff, Investment Counsel, and the Manager regarding specific parameters to be contained in the Manager's contract which will include:

- authority of the Manager
- specific descriptions of the mandate
- relevant restrictions reflecting the risk management policies
- benchmarks and performance standards
- communication and reporting requirements
- proxy voting responsibilities
- fees
- termination clauses

The IPS, IIP and subsequent revisions must be referenced and become a part of all agreements related to separately managed accounts.

While managers will typically be compensated based on assets under management, the System may also enter into performance-based fee agreements with managers as a means to enhance alignment. While each specific contract will be the ultimate authority regarding the actual compensation arrangement, the following features should be consistent in any such contract unless otherwise determined to be favorable to the System:

- A **base fee** will be paid quarterly to the manager regardless of performance.
- A **percentage sharing formula** shall calculate the dollar amount of manager's net outperformance (net of the base fee) over the assigned benchmark for the determined period subject to a highwater mark, hurdle rate and/or loss carryforward as appropriate.
- A **performance fee ceiling** expressed in basis points that will not be exceeded regardless of performance.
- A rolling **time horizon** period for which the returns of both the Portfolio and the benchmark will serve as the basis for the performance calculation.

The Custodian's pricing of the Portfolio will serve as the primary basis for calculation of the specific Portfolio's market value for fee calculations and performance by Investment Staff and Investment Consultant. If such data from the custodian is unavailable or unreliable, verifiable manager data may instead be used as the basis for these calculations. Publisher data will determine the performance of the benchmark. If a Manager has a dispute with the Custodian's pricing, the Manager will express the discrepancy in writing to the Custodian, Investment Staff, and the Investment Consultant. Investment Staff will work with the Manager to resolve any fee calculation disputes.

VII. PORTFOLIO GUIDELINES

All portfolios will be invested exclusively as described here and in the Permissible Investments section. Managers are expected to avoid market-timing decisions by being fully invested at all times except as noted below. Managers will acknowledge that the effects of cash holdings on performance will be included for evaluation purposes.

Strategy Consistency

The most important feature any individual manager brings to the multi-manager diversification approach of the Fund is strategy adherence. Fundamental portfolio characteristics and strategy benchmark comparisons will be continually monitored for adherence to the Manager's assigned strategy.

For equity managers, the market capitalization of each stock in the portfolio shall be within the market capitalization range of the assigned benchmark (e.g., large cap, small cap, etc.) at the time of purchase. If more than 10% of aggregate holdings of the portfolio on a market value basis fall outside the capitalization range of the assigned benchmark for a period of over 30 days, written notification and justification shall be provided to Investment Staff and Investment Consultant.

For portfolios managed within a commingled or mutual fund structure, special reporting and notification arrangements may be granted by the Board on a case-by-case basis (e.g., notification of exception as of quarter-end, etc.).

Currency management within individual portfolios is at the discretion of the active managers with international exposure wherever permitted by the Guidelines.

Diversification

Appropriate diversification of the securities held in the Portfolio among sectors and issuers within the context of the mandate is the responsibility of the Manager. The Manager shall comply with the concentration limitations as presented in this Policy and the Guidelines. SEC Rule 144(a) securities shall be limited to no more than 5% of the portfolio at market value of any manager's portfolio.

Eligible Holdings

Managers shall not initiate any transaction that is in violation of this Policy or the Investment Policy Statement. In the event that changes in market conditions beyond the control of the Manager (e.g., changes in benchmark construction, change in credit rating, and change in security prices) occur that cause the Manager's Portfolio to violate these guidelines, the Manager shall promptly notify Investment Staff and the Investment Consultant.

If the Manager (as a fiduciary) deems it in the best interest of the Fund to remain in violation of the guidelines, the Manager shall prepare a written recommendation to Investment Staff stating as such. Following the receipt of the written Manager recommendation, Investment Staff shall accept, amend, or reject the recommendation and provide notification to the Board via the next quarterly meeting of the Investment Committee. The Manager shall be notified whether the recommendation has been accepted, and if it is not accepted the Manager will be provided with written instructions. During the period between the occurrence of the violation and the notification of the determination, the Manager (as a fiduciary) shall act as it deems appropriate in the sole interest of the System.

Equity Portfolios

Equity portfolios will be invested in publicly traded equity securities or via strategies that otherwise seek to achieve equity-like levels of risk. Initial Public Offerings are permissible investments, but restricted or letter stock are not permitted. Portfolios invested in publicly traded equities are to be fully invested (defined as less than 5% in cash equivalents) at all times, though cash may be held briefly between the time when a security is sold and a decision is made as to which new security should be purchased. If a manager remains less than fully invested for more than 30 days, the manager shall notify Investment Staff and the Investment Consultant in writing.

Fixed Income Portfolios

Fixed income portfolios will be invested in publicly traded fixed income securities unless otherwise authorized by the Board. Fixed income Managers may be exempted from the requirement to not have cash exceed 5% of the Portfolio value to allow the use of "barbell" strategies in constructing a fixed income Portfolio.

Fixed income securities shall not be rated lower than investment grade (Baa3 by Moody's or BBB- by Standard & Poor's or Fitch) by any of the three designated rating agencies unless authorization is granted to a Manager by the Board or the mandate provided to a Manager specifies otherwise. Split-rated securities in which the middle rating is below investment grade shall not comprise more than 5% of the market value of any Manager's Portfolio unless specific authority has been granted.

The issues of individual entities rated AAA to Aa3 (Moody's) or AA- (S&P, Fitch) may have a 7% position at market value. Issues of individual entities rated below Aa3 (Moody's) or AA- (S&P, Fitch) may have a 3% position at market value.

The ratings criteria and percentage limit requirements do not apply to direct obligations of the U.S. Government and its agencies (including GNMA, FNMA and FHLMC) as defined in the Permissible Investments section of this Policy, but the securities issued by any one issuer shall not otherwise, in the aggregate, exceed the foregoing limitations.

If specific Managers are given latitude to invest in securities issued by non-U.S. entities, the same quality restrictions shall apply.

Money market instruments shall have a minimum quality rating comparable to an A3 (Moody's) or A- (Standard & Poor's and Fitch) bond rating and commercial paper shall be rated A1/P1 unless held in a diversified short-term commingled fund.

VIII. PERMISSIBLE INVESTMENTS

Commingled vehicles including mutual funds and limited partnerships must always be invested in accordance with the relevant fund documents such as the prospectus, limited partnership agreement, etc. Managers of such investments must also comply with side letters or other such agreements with the System and promptly notify Investment Staff of any deviations.

For portfolios that are implemented in the public markets, the investments listed below are specifically permitted under this Policy. They are categorized according to the asset allocation guidelines in this Policy and the Investment Policy Statement.

Unless given authorization in writing, managers of public markets portfolios are allowed to invest only in the investments listed below for the asset classes for which they have been retained and, when included in this Investment Policy or the relevant agreement with the System, the assigned benchmark.

Global Equities

- Common Stocks
- Preferred Stocks
- Exchange Traded Funds (ETFs)
- Equity Futures
- Options on Equity Indices, Futures and ETFs

Fixed Income

- Domestic and Yankee Bonds
- Mortgages and Mortgage-Backed Securities
- Asset-Backed Securities
- Global Corporate Bonds
- Global Sovereign Debt
- Fixed Income Futures
- Interest Rate Futures

Cash & Equivalents

- Cash on deposit
- Cash-Equivalent Securities
- Money Market Funds, Bank STIF and STEP Funds
- Foreign currency deposits or futures

Real Assets

- Real Estate Investment Trusts
- Infrastructure Equities

- Options on Fixed Income Indices, Interest Rates, Futures and ETFs

- Digital currencies backed by a sovereign entity

Multi-Asset

- Assets allowable in other asset classes
- Commodity Futures

1. The above asset types may be held in separately managed accounts as well as commingled funds. If held in a Board-approved commingled fund or mutual fund, the prospectus, organizational document, or Declaration of Trust (including the associated list of permissible investments) takes precedence over this document solely to the extent of any conflict with this document, unless provided otherwise in a written agreement between COAERS and the Manager. If held in a collective investment trust, the terms of the relevant group trust governing such collective investment trust shall be incorporated by this reference and become a part of the System's plan solely with respect to the management of the assets held by such collective investment trust.
2. No investment may be made that is prohibited by the Internal Revenue Service, the Department of Labor, or other federal or state law.
3. SEC Rule 144(a) fixed income securities are allowable but private placement bonds are not.
4. Cash equivalent securities are defined as any fixed income investment with less than one year to maturity or reset date and may also include fully collateralized cash & carry futures strategies with a duration of less than one year.
5. Staff is authorized to select Money Market Funds that offer a constant net asset value (CNAV) and a minimum quality rating comparable to A3 (Moody's) or A- (S&P or Fitch).
6. The following portfolio concentration limitations will apply.
 - The securities representing equity of any one company shall not exceed 6% of the market value of any manager's Portfolio.
 - Fixed income securities of any corporate issuer may not exceed 6% of the Portfolio at market. This restriction also applies to asset-backed securities, non-agency mortgage-backed securities (including commercial mortgage-backed securities) and taxable municipals. This restriction does not apply to any agency mortgage-backed securities (including agency commercial mortgage-backed securities).
 - The total holdings of a federal agency-issued mortgage-backed security of the same coupon and maturity series of the same agency (i.e., issuance by issuance as identified by the same CUSIP) shall not exceed 20% of the Portfolio at market (such securities include, but are not limited to GNMA's, FNMA, and FHMLC).

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- The direct debt of the US government (Treasury bonds, TIPS, bills and notes) and its agencies (including any mortgage-backed securities issued or guaranteed by GNMA, FNMA and FHLMC) shall not be restricted as a percentage of the Portfolio.
7. Quantitative or Enhanced Index strategies may deviate from the above concentration limitations provided the manager is following a pre-established process and relative position limitation (i.e., index weight plus 1%) authorized in the IMA or specifically granted as an exception within this Policy. The manager of passive index replication strategies may also deviate from the above concentration limitations to the extent the underlying index does. The Manager shall monitor the account and shall promptly inform Investment Staff and Investment Consultant if the concentration restriction noted above is exceeded regardless of authorization or specifically granted exception.
 8. Equity managers may invest in depository receipts if the underlying security is permissible within these guidelines and the investment does not expose the Fund to any greater risk than the risk from holding the underlying security.
 9. Domestic equity managers can invest in dollar-denominated, SEC registered stock of foreign domiciled companies traded on the NYSE, AMEX or OTC markets. Concentration restrictions for these securities are the same as for any other equity security.
 10. Managers may be hired to invest primarily in closed-end and open-end funds as approved by the Board. In such accounts, closed-end and open-end funds are permissible holdings.
 11. Derivatives are permissible for the purpose of equitizing cash (e.g., an overlay program, reducing cash exposure, or in Portfolio transitions and rebalancing activities).
 12. Managers may be authorized to manage portfolios that gain exposure to asset classes by investing in futures and other derivative instruments.
 13. Securities are not allowed that use any form of leverage in which interest or principal position is tied to anything not specifically allowed in this Investment Policy or the IMA unless otherwise specifically authorized by the Board.
 14. The use of futures to invest in commodities shall include the ability to take delivery of warrants (i.e., legal document of title) as may be advantageous to the Fund.

IX. REPORTING, EVALUATION AND MONITORING

Manager Reporting

Managers with live mandates are required to assist the System in monitoring the Portfolio(s) and applicable data for compliance with the Guidelines. The form, content, and organization of the required report(s) for each Manager shall be presented as detailed in Appendix III. Managers shall immediately notify Investment Staff and the Investment Consultant of any changes in the primary personnel assigned to the

Portfolio, who shall in turn provide notification to the Board via the Investment Committee.

Managers that do not currently have live mandates will assist the System in monitoring the performance of the relevant strategy by proactively supplying regular updates to Investment Staff and Investment Consultant.

All Premier List Managers may be required to provide additional information as may be deemed necessary by the Board, the Investment Committee or Investment Staff.

Valuation Practices

Liquid assets (e.g., publicly traded securities held in SMAs) shall be valued using custodian pricing based on public market data unless an alternative pricing source has been documented in the agreement(s) executed by the Manager with the System.

Less liquid assets (e.g., commingled funds with daily NAVs, etc.) shall be valued using custodian pricing based on third-party sources unless an alternative pricing source has been documented in the agreement(s) executed by the Manager with the System.

Illiquid assets (e.g., limited partnerships and other funds that do not strike a daily NAV, etc.): shall be valued consistent with industry best practices and reported by funds on at least a quarterly basis. The scope of the valuation work must be sufficient to demonstrate that the value of the underlying assets has been appropriately determined. These practices should include but are not limited to:

- Documenting and following their internal written valuation policies.
- Using appropriate, established, industry-specific valuation techniques.
- Notifying Investment Staff and Investment Consultant of any changes to internal valuation policies.
- Ensuring oversight, review, and approval is independent of the portfolio manager.
- Reconciling any significant variance(s) from the prior appraisals.
- Providing sufficient documentation for auditors to re-compute key calculations

If an external valuation firm is used to conduct any part of the appraisal process, they must be performed in accordance with the appropriate authoritative standard for the country in which the asset is domiciled. Any material differences between external valuation and the valuation used in reporting by the Funds, as well the reason for the differences, must be disclosed to Investment Staff and Investment Consultant.

Investment Staff is required to confirm compliance by such funds with appropriate valuation procedures on an annual basis.

Performance Evaluation

Performance evaluation is designed to monitor the process of making manager selection decisions, to test the continued validity of the resulting decisions, and to develop a well-informed assessment of the results achieved related to the risks taken.

Comprehensive reviews will include an appraisal of the Manager's historical performance, current investment strategy or style, and other issues related to the

Manager's organization, personnel, investment philosophy and process. Evaluations may be made using the criteria below and other applicable standards:

- Against appropriate benchmark indices on both a risk-adjusted and nominal basis,
- Against peers within their style groups if data is available,
- Adherence to their stated investment styles,
- Adherence to the IPS, IIP and relevant Guidelines, and
- Against the specific expectations attributed to them within the framework of the System's Strategic Asset Allocation process and parameters.

Passive strategies are expected to produce gross of fees returns that match those of their assigned benchmark (and before accounting for any securities lending income) with low amounts of tracking error.

For actively managed strategies, the total return of portfolios should rank above the peer median on a risk-adjusted absolute and relative basis. Such mandates are to exceed, after fees and long-term on a risk-adjusted basis, the total return of the assigned benchmark. Actively managed mandates should target an Information Ratio of at least 0.5 to ensure that the associated risk is adequately compensated.

When relying on relative measures of risk to evaluate actively managed strategies, it is critical to note that tracking error calculations do not distinguish between strategies that increase absolute risk from those that reduce it. As such, relative measures should be evaluated in conjunction with the absolute level of risk incurred by that strategy. For example, a strategy that has outperformed its stated benchmark with substantially more absolute risk than the benchmark may in some cases be deemed unsuccessful. Likewise, underperforming a stated benchmark with substantially less risk may in some cases be deemed a success.

When performance or organizational issues arise for a specific mandate or Manager, Investment Staff should be in contact with the Manager on a regular basis until the issues are resolved. On a timely basis, normally quarterly, but not less than annually, the Board via the Investment Committee will review actual investment results achieved by each live mandate to determine whether:

1. Each Manager's strategy remains consistent with the Guidelines and the process represented by the Manager.
2. Managers performed in accordance with the Guidelines and objectives set forth herein and satisfactorily when compared with peers and assigned benchmark indices.
3. On an annual basis, Investment Staff and Consultant will review the Manager proxy voting procedures and proxy voting records as submitted in accordance with this Policy; and
4. On an annual basis the Investment Staff and Consultant will review commissions paid, commission rates incurred, and brokerage firms used by Managers. Compliance with specific directives regarding commission cost management will be regularly reviewed.

Shorter term examinations of the performance of each mandate will focus on strategy adherence, peer comparisons and assigned performance benchmarks.

Investment Staff and Investment Consultant, in consultation with the Executive Director, shall on a quarterly basis provide to the Board in writing a summary of the Fund's performance at the mandate level. This report shall include a comparison to performance benchmark objectives as well as the investment performance of other appropriate funds. Both absolute and relative results will be considered in the evaluation of the investment performance by Managers in the execution of the mandates they are assigned.

Staff Reporting

At least annually Investment Staff shall provide a report to the Board via the Investment Committee regarding compliance with the provisions regarding manager assets under management with this Policy. Investment Staff shall also provide a report to the Board via the Investment Committee of investment costs including management fees and commission costs not less than annually.

A comprehensive review of each Premier List Manager, both with and without live mandates, is to be conducted and documented at least annually. These reviews shall include quantitative as well as qualitative factors and should incorporate an onsite visit at least once every three years. The results of these reviews, any ad hoc review, and any resulting recommendations will be reported to the Board via the Investment Committee.

X. RETENTION

Manager retention decisions can have the same potential impact on performance as the initial selection of the Manager, and as such should be afforded the same degree of attention. As in the search process, a discipline is needed which will minimize the probability of retaining an underperforming Manager that will continue to underperform (i.e., a Type 1 error) or terminating a currently underperforming Manager just before a period of strong performance (i.e., a Type 2 error). Statistical methods shall be employed to maximize the probability of making sound decisions, recognizing that such decisions are probabilistic in nature and rooted in inherent uncertainty across all feasible time horizons.

Investment Staff shall maintain a Manager Watch List for the purpose of ensuring that concerns regarding any Manager with a live mandate are appropriately recognized, addressed, and resolved. At the discretion of the CIO based on written internal procedures and in consultation with the Investment Consultant, a Manager may be included on the Manager Watch List. The contents of this list will be reported to the Investment Committee at each regular meeting. Performance for each these Managers will be subject to additional scrutiny until either (1) the Investment Staff removes the Manager from the Watch List, or (2) a recommendation to terminate the mandate(s) assigned to the Manager and/or remove the Manager from the Premier List is made to the Board via the Investment Committee.

In addition to quantitative factors, adverse qualitative events may be considered a reason to include a Manager on the Manager Watch List. Examples include, but are not limited to:

- Significant changes in firm ownership and/or structure,
- Loss of one or more key personnel,
- Significant loss of clients and/or assets under management,
- Shifts in the firm's philosophy or process,
- Lack of adherence to best execution policies,
- Significant and persistent lack of responsiveness to client requests,
- Chronic violations of this IPS or guidelines, or
- Any other material issue of which Investment Staff and/or Consultant become aware.

Each situation should be handled on a case-by-case basis. Under certain circumstances, the Executive Director may exercise the authority granted within this Policy and the IPS (see Roles and Responsibilities) and act to terminate the mandate(s) assigned to a Manager in accordance with this section and transfer those assets to other manager(s) on the Premier List.

Investment Staff and Consultant shall provide notice to the Board via the Investment Committee when it is judged unlikely that a Manager will achieve the System's performance objectives for its mandate(s). The Board shall then require further action which may include, but not be limited to, special reporting, onsite diligence, or termination. Investment Staff shall notify the Custodian of potential action prior to termination of any live mandate(s), and upon termination shall notify the Custodian as soon as possible to eliminate the Manager's authority to trade the account(s) as appropriate.

Managers are expected to maintain a robust compliance system that tests compliance with the Guidelines on a daily basis, and ideally to do so on a pre-trade basis to ensure that they are in accordance with the Guidelines at all times. However, in the event of a violation of any Guideline(s), Managers must notify Investment Staff within one business day of detection of the violation and must provide a written plan for curing that violation or request an exception specific to the violation, subject to approval by the CIO.

To the extent the criteria above are not met, Managers may be removed from the Premier List and the associated mandate(s) terminated. Notice shall be given pursuant to any agreements between the Manager and the System.

In rare cases where it would be imprudent to delay termination of a Manager's mandate(s) pending formal approval, the Board delegates to the Executive Director the authority to terminate a Manager's mandate(s) and/or initiate redemption from a Fund in which the System is invested. Such termination(s) or withdrawal(s) must be based on recommendation by both the CIO and Investment Consultant, supported by proper documentation and, at the discretion of the Executive Director, reviewed by Investment Counsel and/or General Counsel.

If a Manager is terminated in accordance with this section, the Executive Director is authorized to act on the following, as appropriate, based on recommendation by the Investment Staff and Consultant:

- Transfer assets from the terminating Manager to another Premier List Manager under contract with the System; or
- Transfer authority to manage the assets to another Premier List Manager under contract pending selection of the replacement Manager.

If necessary, the Executive Director is authorized to negotiate a contract with the Manager receiving the assets to reflect the revised scope of their responsibility and related fees in regard to the assets. In determining the proper course of action, consideration will be given to the actual asset and sub-asset allocations relative to target allocations, impending portfolio structure changes, and Investment Manager exposure. If any such action affects Board-approved asset and sub-asset allocation targets, the Board will ratify this action or otherwise direct Investment Staff at the next scheduled Board meeting.

If the Executive Director terminates a Manager's mandate(s) or initiates a redemption process under these circumstances, the Executive Director will immediately notify the Board regarding such action and provide a full report on the matter at the next scheduled Board meeting.

XI. TRANSITION MANAGEMENT

One or more Transition Managers (TMs) may be retained by COAERS to assist in the transfer of assets from one mandate to another. In this capacity TMs may serve as a liaison between the Investment Staff, the Custodian, the Manager distributing assets, and the Manager receiving assets. A key role of TMs is to facilitate clear communication between all parties, work to minimize market impact, trading costs, and opportunity cost. Transitions may occur either within an asset class or between asset classes.

The Executive Director and CIO, with advice from the Investment Consultant, will determine the most efficient and prudent manner to perform the transition, including determining whether to use a Transition Manager, the legacy Manager(s), or the target Manager(s) to effect the contemplated asset restructuring. If the use of TMs is deemed appropriate, Investment Staff will select a Transition Manager from the Board's pre-approved list of TMs after review of pre-trade analysis submitted by the TMs, as well as each Transition Manager's expertise for the asset class(es) to be transitioned.

The Executive Director is authorized to engage a Transition Manager on the Board's pre-approved list of Transition Managers under the terms of a master agreement executed with each such Transition Manager. Such agreements shall require that TMs:

- be a registered investment advisor under the Investment Advisers Act of 1940 as amended (unless properly exempted from registration by the SEC) or

-
- otherwise regulated by an appropriate governmental regulatory oversight organization (unless exempt from such registration requirement),
 - act as a fiduciary to the System and not delegate such fiduciary responsibility, and
 - provide agency-only execution services.

TMs are specifically authorized to utilize derivatives to manage exposures and risks efficiently in any transition.

Following the completion of each transition event, Investment Staff will report to the Board on the results of the selection process as well as the estimated and actual costs of the transition. The Transition Manager will provide a detailed post-trade analysis to Investment Staff, which Investment Staff will summarize for the Board as needed. On a periodic and as-needed basis, Investment Staff and Investment Consultant will provide analysis and a written opinion to the Board as to the status of the Board's pre-approved list of Transition Managers, the qualifications and performance of its members, and other relevant information.

XII. PROXY VOTING

Active voting of proxies is an important part of the investment program and a key fiduciary responsibility of the System. For separately managed accounts, proxy voting is generally delegated to Managers and will be authorized via the Manager's contract to represent COAERS prudently on issues of corporate governance regarding the portfolio. Records of proxy votes will be maintained by the Managers and submitted to Investment Staff and/or external service providers on request or at specified intervals. However, should the Board decide that the interests of the Fund are best suited by voting according to a different set of rules, it may revoke this delegation at its discretion.

Investment Staff will monitor the proxy voting practices of the Managers. External service providers may be retained by the Board to assist Investment Staff in its monitoring efforts. This monitoring will be coordinated with each Manager to reasonably assure the Investment Staff that Managers are fulfilling their fiduciary responsibilities with respect to proxy voting. Investment Staff will provide a proxy voting summary report for separately managed accounts to the Executive Director, on an annual basis as soon as practical after fiscal year-end. At a minimum, the summary report will contain, for each applicable Manager, the number of ballots cast, the number of issues voted upon, and percent of issues voted with management, against management and designated as abstaining.

Appendix I: Summary of Specific Manager Guidelines

For the purposes of performance evaluation, current COAERS Investment Managers are assigned benchmark indices and peer universes. They are also given tracking error budgets to achieve target levels excess return above the assigned benchmark net of fees. These guidelines are to be described in the relevant Premier List document that is reviewed by the Board at least annually.

Managers are permitted to deviate from the Guidelines of the IPS and this Policy only if the Board approves the deviation in writing. Below is a current listing of such approvals:

1607 Capital Partners – International Equity

In that 1607 invests in listed closed-end funds which are typically diversified equity portfolios, the portfolio concentration limits for individual holdings shall be 20% at both cost and market. Index exchange-traded funds (ETFs) used for the purpose of achieving international equity market exposure (limited to country, region, or overall index trackers) as part of the initial funding of the account or subsequent additions to the account shall not be subject to portfolio concentration limitations.

Additionally, due to the need to own such funds at times when opportunities within the closed-end fund universe are limited, the portfolio concentration limit for individual ETFs shall be 10% at cost. In extreme cases where the manager feels the necessity to have more than 10% in any single ETF, approval by Staff (as delegated by the Board) would be required. If aggregate ETF exposure reaches greater than 30% of the market value of the portfolio, 1607 will provide timely written notification to COAERS.

Furthermore, in recognition that some of the closed-end funds in which 1607 invests may employ leverage in their process, the 5% cash limitation is raised to 10%.

Finally, in recognition that the market capitalization of the underlying holdings of closed-end funds may not be timely available to 1607, requirements relating to market capitalizations shall be modified to require monthly estimates of capitalization ranges.

Mellon – Dynamic US Equity (DUSE) and Dynamic Equity ex-US (DEXUS)

These strategies are authorized to invest in futures and other derivative instruments to carry out the strategy as described in the relevant fund documents.

Appendix II: Onsite Diligence

Onsite diligence is considered a key part of the System's investment decision making process to ensure that proper initial and ongoing due diligence is conducted with respect to investment related service providers and to fulfill the fiduciary responsibilities of the System's fiduciaries. The purpose of onsite diligence is to provide a means for these fiduciaries to assess the current state of the process, personnel, operations and facilities of both retained and prospective investment service providers including, but not limited to, investment managers, custodians, and investment consultants.

A primary goal of these visits is to provide valuable due diligence information and insights, which are often best gathered by an onsite examination of the offices of Managers, Custodians, and other service providers. While meetings conducted in the System's offices may provide some level of information regarding current or prospective investment service providers, full due diligence is best achieved by conducting onsite diligence to verify information received and to inform the investment process further. Though onsite diligence is best conducted in person and at the location of the vendor, virtual diligence may be substituted as necessary during times of emergency such as pandemics or other extenuating circumstances.

Common examples of areas of onsite appraisal would include consistency of investment philosophy, management's ongoing commitment to the business, staffing levels and turnover, technology infrastructure, and the suitability of facilities. Communications with principals and staff may also seek to determine the degree of consistency of between what has been stated in any representations made to the System's representatives and what the diligence may reveal, including compliance with Investment Policy.

Routine onsite diligence will be conducted with each retained service provider every five years, or more frequently if necessary. These visits will be planned at the convenience of the diligence team. Onsite diligence will be conducted to allow the team to review the firm's office procedures and practices. It is to be understood by all involved parties that these visits are for the purpose of conducting formal due diligence rather than providing a venue for receiving marketing presentations.

Other basis for onsite diligence would include diligence on a prospective service provider and to assess concerns and/or problems with performance, staffing, or other significant issues. Onsite diligence may also be conducted when traveling, for any reason, when nearby a service provider's office(s).

Common areas of inquiry during onsite diligence would include:

- visit with all persons involved with the COAERS portfolio
- visit with all firm principals in the office at time of diligence
- visit with custodian bank liaison
- evaluate the firm's current client roster
- meet trading staff and review trading process
- attend a meeting of the firm's investment committee
- review current issues in markets and their impact on the COAERS portfolio

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- discuss other products available through the firm
 - examine the firm's other lines of business

The Chief Investment Officer and the Investment Consultant should be included on all onsite diligence to provide continuity. Investment Staff shall prepare a written report summarizing the diligence findings for review at future Investment Committee meetings and for future reference. The Executive Director may participate in any diligence at his or her discretion, and Trustees will generally not participate in such diligence. No decision-making authority is vested with the onsite diligence team. Funding for upcoming onsite diligence will be considered by the Board during the annual investment budget process, and onsite diligence shall be conducted in accordance with the System's Code of Ethics.

Appendix III: Reporting Requirements for Investment Managers

Annual Reporting Requirements

Each Manager who complies with the CFA Institute Trade Management Guidelines and CFA Institute Soft Dollar Standards will annually provide COAERS attestation of compliance and all required disclosures. If a Manager determines that it is no longer in compliance with either the CFA Institute Trade Management Guidelines or the CFA Institute Soft Dollar Standards, the Manager shall promptly notify COAERS and, without waiting for annual reporting deadlines, promptly provide COAERS with disclosures ~~for Managers who do not claim compliance~~ as described in the following paragraph.

Each Manager who does not claim compliance with the CFA Institute Trade Management Guidelines and the CFA Institute Soft Dollar Standards shall annually disclose to COAERS the areas of non-compliance in particular noting and detailing the extent to which any area of non-compliance impacts trading for the investment product in which COAERS is invested.

Each Manager shall:

- provide information and documentation on specific broker transactions as requested.
- keep accurate records of proxy voting of and provide such information upon request.
- report annually to the Board in writing as to actions taken regarding proxy voting issues in cases where the Manager votes in opposition to company management.
- furnish the System and the Investment Consultant a current copy of the approved Manager's SEC ADV Form annually when filed, and thereafter as and when amended.
- furnish documentation of the Manager's valuation methodology.
- furnish audited financial statements at least annually.
- report in writing any information required under the Board Approved Policy C-3 "Code of Ethics" Section VI.C.

All portions of Annual Reporting are to be combined and submitted as an attachment to the 4th quarter reporting materials.

Quarterly Reporting Requirements

Quarterly Reporting Requirements for Managers with live mandates have both general (applicable to all managers) and specific (applicable only to managers described herein) requirements. Specific reporting requirements are dependent on investment vehicle, investment strategy and asset class.

General Quarterly Reporting Requirements (All Managers):

1. Current Market Values & Investment Performance: Provide Portfolio returns and composite performance. Disclose the highest performing and the lowest performing account for all time periods. If there is a dispersion of returns among the accounts, what is the source of dispersion? How is dispersion controlled among accounts? Use tables *Market Value and Asset Growth Summary*, and *Total Fund Rates of Return*, to provide this information.

2. **Market Environment:** In this section, include information on the market environment, market analysis, sector analysis or other items deemed appropriate regarding your strategy. It is not necessary for the Manager to compare its strategy of management to others unless it impacts the investment strategy. Focus this section on the market environment applicable to the Portfolio. Provide a brief discussion of market liquidity for the portfolio during the quarter, including a basis point estimate of the cost to liquidate 10% of the portfolio.

3. **Investment Process:** Please detail any changes to the investment process (i.e., change(s) in geographic focus, addition/removal of investment factors, benchmark changes, etc.)

2.4. **Stewardship:** Please detail any changes to the stewardship process or philosophy (i.e., change(s) to proxy voting guidelines, compliance with sustainability reporting standards or organizations, etc.)

3.5. **Organizational Issues:** Discuss the progress and the changes of your firm over the last three years.

- Complete the *Organizational Issues* table.
- What are the major initiatives planned for the firm over the next 3, 5 & 10 years?
- List all personnel departures from the group responsible for the management and investment of the Portfolio and the responsibilities of each departing person.
- Discuss the growth in capabilities on a firm-wide basis as well as within the Product group. List new Products offered in the last 3 years and if the additional capabilities for these new Products were developed internally or purchased?
- How are the Portfolio management, administration, research, firm management and marketing efforts separated within the firm? Identify the key decision makers in each of the above areas. What percentage of the Manager's time is spent in each area (total must add to 100%).
- Has a cap been placed on assets under management in this product? Why or why not?
- The percentage of strategy assets and firm assets represented by the account.

64. **Reconciliation of Assets and Returns:** Provide a brief discussion of your process for reconciling portfolio assets with our Custodian and portfolio returns with our Investment Consultant.

75. **Regulatory Compliance Reporting:** combine with your quarterly report a copy of any regulatory or compliance-related reporting you have provided the System during the quarter.

86. **Most Favored Nation (MFN) Provision Certification:** If applicable, certify that more favorable pricing has not been given to a similar account as described by applicable policy documents.

97. List for each of the last quarter, the calendar year-to-date, and last year the total commissions generated in the Portfolio. For each full commission broker, separately list

the amount spent each year with that broker, the soft dollar total, and a description of benefits received for the commissions paid.

Specific Reporting Requirements:

By Investment Vehicle:

- **Separate Accounts:** On the first page of the report, the guidelines, objectives and other measurements from the Investment Policy and any pertinent items from the IMA will be listed. Verify compliance status on a point-by-point basis. The Manager may also summarize this section to explain the Manager's position on compliance. Sign and date this page. If the Manager recommends any change be made to the Guidelines, each suggested change and the rationale behind each change shall be listed.
- **Commingled Funds:** On the first page of the report, the guidelines, objectives, and other measurements from any pertinent items from the side letter agreement (if applicable) will be listed. Verify compliance status on a point-by-point basis. The Manager may also summarize this section to explain the Manager's position on compliance. Additionally, certify that the Manager is in compliance with governing fund documents. Sign and date this page. If the Manager recommends any change be made to the Guidelines, each suggested change and the rationale behind each change shall be listed.

By Asset Class:

- **Equity Strategies:**
 1. Portfolio Appraisal: Provide an asset statement to include the following for each security: Name, Number of Shares, Current Market Value Per Share, Total Market Value for Security, % of Total Market Value, Gain/Loss for each Security, Categorize by Sector, Totals.
 2. Transactions (active strategies only): List all purchases and sales for the period. Show the sales price per share, total proceeds from sale, and gain/loss for each transaction. If a security was held in the portfolio for less than 30 days, explain the rationale for both the purchase and sale of the security.
 3. Brokerage: broker used, and commission charged per share for both purchases and sales. Total by brokerage firms all transactions traded with each firm.
 4. Proxy Voting: domestic equity managers shall report and list, on a quarterly basis, the proxy votes by security that your firm voted against management.
- **Real Estate Strategies:** Portfolio Appraisal: include the following information: a full portfolio appraisal, a summary of any transactions, a summary of all valuation changes, and a summary of fund income.
- **Multi Asset Strategies:** Include the following information: a full portfolio net asset value, a summary of the net asset value changes, a description of whether there have

been any impairments in liquidity necessary to meet participant redemptions during the quarter (if such an impairment occurs).

Tables:

Organizational Issues

Assets Under Management (firm-wide)	
Assets Under Management (in this Product)	
Number of Accounts in this Product	
Accounts Gained in Last Quarter (firm-wide)	
Accounts Gained in Last Quarter (in this Product)	
Accounts Lost in Last Quarter (firm-wide)	
Accounts Lost in Last Quarter (in this Product)	

Market Value and Asset Growth Summary for Periods Ended MM/DD/YYYY

	Calendar Year-to-Date	1 Year	3 Year	Inception-to-Date
Beginning Market Value				
Contributions				
Withdrawals				
Manager Fee Paid				
Return on Investment				
Ending Market Value				

Present the portfolio balance as reconciled with the Custodian's data. Complete market value reconciliation with the Custodian in writing and an explanation must be provided if your market value does not match.

Total Fund Rates of Return for Periods Ended MM/DD/YYYY

	Current Quarter	Calendar YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Rate of Return Gross of Fees							
Rate of Return Net of Fees							
Benchmark Return							
Value added/detracted vs. Return net of Fees*							
Composite Performance							
Highest returning account within composite							

Lowest returning account within composite							
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The Value-Added column above may be footnoted to explain your rationale to value added/lost to the benchmark.

Appendix IV: Policies Regarding Third Party Marketing; Political Contributions; Improper Influence; Placement Agents and Finders

1. Scope.

This Appendix applies to all COAERS investment transactions in which a Placement Agent or third-party marketer or revenue sharing agreement or Finder is or may be involved, including new agreements (inclusive of follow-on and co-investments), extension of existing agreements, increase in funding or capital commitment to an existing relationship or Investment Manager, or an amendment that increases management fees or compensation under an Investment Management Agreement.

This Appendix IV also applies to attempts to influence COAERS investment decisions through contacts with Trustees, or contacts with, or a political contribution made for the benefit of, one or more Texas Elected Officials, and also applies to contacts with persons employed by any such Texas Elected Official.

If any provision of this Appendix conflicts with a provision of another policy adopted by the Board, the stricter provision shall apply.

In addition to all other requirements of this Appendix, all persons, firms, corporations and legal entities contacting any member of the Board or any office or employee of the System for the purpose of soliciting business with, or providing any service or Product to, the System, shall fully comply with Chapter 176, Tex. Loc. Gov't Code. Links to Chapter 176, Tex. Loc. Gov't Code and a copy of the Vendor Conflict of Interest Questionnaire can be found at <http://www.coaers.org/disclosure.html>.

2. Purpose.

The purpose of this Appendix is to safeguard the integrity of all COAERS investment transactions and conformity with the highest fiduciary, ethical, and legal standards by all parties involved. All investment decisions made by the Board and the Staff must be based solely on the merits in conformity with fiduciary standards and applicable law. All recommendations made regarding any Fund, Manager Party or investment, and all recommendations by the Investment Consultant, Investment Managers, and advisers, must be based solely on the merits after the necessary due diligence. All investment decisions and recommendations must be free of impropriety or improper influence and the appearance of either.

3. Philosophy.

The Board requires the Staff to obtain full disclosure regarding all known or suspected matters having the potential to harm COAERS's reputation or the integrity of COAERS's investment processes, or that could constitute unethical or unlawful conduct during the investment due diligence process.

4. Required disclosures.

At a minimum, all external Fund, Manager Party(s) and Investment Managers shall provide detailed written responses to the questionnaire attached to this Appendix as Exhibit "A" as early as reasonably possible in the due diligence process for a COAERS investment transaction. The Board may revise this Appendix or Exhibit "A" from time to time as it deems to be in the best interest of COAERS and consistent with the purpose and intent of this Appendix.

In addition, all Investment Managers, and all Funds and Manager Parties negotiating or dealing with COAERS regarding proposed investment services, shall provide a detailed description of the services to be performed by the Placement Agent and how the Placement Agent is used (e.g., with all prospects, or only with a subset of prospects). The System shall obtain a copy or summary of the terms of an agreement to compensate a Placement Agent for the due diligence file. The System shall provide all prospective Investment Managers with a copy of this Appendix upon commencement of due diligence.

5. Contractual representations warranties and covenants.

Each Investment Manager shall represent and warrant to COAERS in the executed Investment Management Agreement that its responses in Exhibit “A” to this Appendix IV and to all questions or enquiries presented by the System, and in any supplemental responses are true, correct, and complete in all material respects, and shall also covenant to update any such information within 10 business days of any change in the information in the responses.

In addition, each Placement Agent shall fully disclose the terms of its arrangement with a Fund, or Manager Party, or Investment Manager for payment of a Placement Fee and any political contributions by the Placement Agent to any Texas Elected Officials and shall certify as to the matters addressed in this Appendix, as applicable, to COAERS in a writing executed by an authorized officer that the disclosures required by this policy are true and complete in all material respects.

Each Investment Management Agreement shall provide COAERS with the option to receive a reimbursement of management or advisory fees equal to the amount of Placement Fees to be paid to any and all Placement Agents, and, in addition and not in the alternative, the right to terminate the Investment Management Agreement or withdraw without penalty from the investment vehicle or vehicles if any certificates or contractual representations, warranties or covenants relating to this Appendix have been breached.

6. Prohibitions.

No COAERS investment may be made if the Board, in consultation with legal counsel, determines that a disclosed contact with a COAERS Board member or Texas Elected Official, or a contribution to a Texas Elected Official, has created an unacceptable risk to the integrity and reputation of the COAERS investment program or has been made in violation of a COAERS policy or applicable law. A contact-based referral, without more, by a Trustee of either an investment opportunity or a prospective Investment Manager or Fund contact to the Executive Director or Chief Investment Officer does not constitute such a risk or a violation of this Appendix.

7. Reporting.

The System staff shall compile all responses to the questionnaire and report the results to the Board at least annually. Reports shall include the amounts and recipients of any political contribution or Placement Fee and the relationship of the recipients to the Placement Agent or Texas Elected Official, as applicable.

8. Definitions applicable to this Policy.

Affiliate – means a person or entity controlled by or under common control with another person or entity.

Fund or Manager Party – includes, (a) as to a private investment fund, a fund sponsor, the general partner, managing member, or its equivalent with respect to a fund, fund sponsor, or fund management firm, (b) as to an external, separate account investment manager, the asset management entity and the parent of such asset management entity, and (c) as to (a) and (b), any Affiliate, principal, owner, officer, shareholder, director, managing member, or employee having authority to act on behalf of such fund or firm.

Placement Agent – includes any third party, whether or not affiliated with a Fund or Manager Party, that is a party to an agreement or arrangement (whether oral or written) with a Fund or Manager Party for the direct or indirect payment of a Placement Fee or revenue sharing arrangement in connection with a COAERS investment. Any other person or entity who claims a Placement Fee or who by agreement with a Placement Agent will share in a Placement Agent’s Placement Fee is deemed to be a Placement Agent whether or not the person or entity is an Affiliate, principal, owner, officer, shareholder, director, managing member, or employee of a Placement Agent. A “finder” is a Placement Agent.

Placement Fee – includes any compensation or payment, directly or indirectly, of a commission, finder’s fee, or any other consideration or benefit to be paid to a Placement Agent.

Relative –means a spouse (including an ex-spouse), parent, child (including adopted), sibling, niece, nephew, aunt, or uncle.

Texas Elected Official – includes a member of United States Congress or Senate that is elected from the State of Texas, the City of Austin or the County of Travis, including but not limited to the governor, lieutenant governor, comptroller of public accounts, attorney general, and any member of the Texas Legislature, the mayor, member of the city council, county judge or county commissioner and also includes a campaign fund or political action committee, or PAC for an elected official, and a Relative of a Texas elected official.

COAERS Person – means any person listed on Exhibit No. 1 attached to Exhibit “A” to Appendix IV to this Policy or to any other due diligence document, and includes without limitation any current or former COAERS board member, the Executive Director, the Chief Financial Officer, the Chief Investment Officer, the General Counsel, or any Investment Consultant or actuary, any other outside counsel engaged by COAERS, and any Relative of a COAERS Person, whether or not listed on an Exhibit A, COAERS Persons. The Executive Director shall cause a current list of COAERS Persons to be kept on file with the System and shall cause the current list to be provided to persons required to complete the Questionnaire.

Appendix IV: Exhibit “A” -- Questionnaire

Third Party Marketing; Political Contributions; Improper Influence; Placement Agents and Finders

Capitalized terms are defined in main text of policy.

A) Contacts with State or City Officials; Political Contributions. Has any person lobbied, communicated with, or made political contributions during the past three years on behalf of the Fund or Manager Party to a Texas Elected Official in connection with a prospective investment transaction with a Texas state or City of Austin affiliated investment entity, including COAERS?

- 1) If the answer is “yes,” please provide a complete list of the name(s) of the entities and individual(s) involved, the approximate dates of the contributions, the amounts of the contributions, a summary of the contacts or communications, and the nature of the discussion in regard to the investment with any Texas state investment entity, including COAERS.

B) Contacts with COAERS Board Members. Has any person lobbied or otherwise communicated on behalf of the Fund or Manager Party with a current or former member of the COAERS Board of Trustees during the past two years for the purpose of asking the current or former member to seek to influence a decision by the COAERS investment staff or a COAERS advisor or Investment Consultant to recommend that COAERS invest?

- 1) If the answer is “yes,” please provide a complete listing of the name(s) of the entities and individual(s) involved, the approximate dates of the contacts or communications, and the nature of the discussion in regard to this investment.

C) Placement Agents and Placement Fees. Is or was the Fund or Manager Party a party to any agreement or arrangement (whether oral or written) to pay a Placement Fee to or for the benefit of any Placement Agent in connection with COAERS’s prospective investment in a fund or engagement of an external manager?

- 1) If the answer to C) is “yes,” please provide a copy of the written agreement or agreements creating the obligation to pay a Placement Fee. If the agreement is not written, please provide a written summary of the agreement. Additionally, please state the amount of the Placement Fee (or the formula for its determination if the amount is not yet determined) and the date of its payment or anticipated payment.
- 2) If the answer is “yes,” please list the name(s) of the person or entity. If the party to the agreement is an entity, please also list the names of the principal owners, officers, directors, or managing members of the Placement Agent and provide a resume for each such person.
- 3) If the answer is “yes,” state whether the Placement Agent, or any of its Affiliates, is registered as a lobbyist with any state government or the federal government and identify the registrants and the applicable jurisdictions where registered.
- 4) Will or did any COAERS Person or any Relative of a COAERS Person receive, has any such person received, or might any such person receive, any compensation or payment, directly or indirectly, of a commission, finder’s fee, or any other consideration or benefit to be paid to a Placement Agent (a “Placement Fee”) in connection with COAERS’s investment? If the answer is “yes,” please list the name or names of the COAERS Person or Relative of a COAERS Person and provide details about the terms of the Placement Fee.
- 5) Will or did any Texas Elected Official or a Relative of a Texas Elected Official receive a Placement Fee in connection with COAERS’s investment? If the answer is “yes,” please list the name or names of the official and provide details about the terms of the Placement Fee, including the amounts and timing of payments.
- 6) Did (or will) any third-party person or entity who is not employed or otherwise affiliated with a Placement Agent, including a current or former COAERS Person, either (a) recommend the

Placement Agent or (b) receive a share of a Placement fee or any other economic benefit in connection with COAERS's investment, whether directly or indirectly through a Placement Agent engaged by you?

- 7) If the answer to 6) is "yes," please list the name of the person or entity, the relationship of the person or entity to the Placement Agent and your firm and provide a description of the arrangement and the reason for the payment.
- 8) State whether the Placement Agent or any of its Affiliates is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or a similar agency outside the United States. Provide details about registration or explain why registration is not required.

The undersigned certifies, represents and warrants on behalf of the Fund or Manager Party that, to the best of its knowledge after due inquiry, (a) the foregoing responses to this questionnaire are true and correct and do not omit any statement or fact necessary to make any statement made not misleading in any material respect, and (b) no prior statements or representations, if any, whether oral or written, made on behalf of the Fund or Manager Party relating to the subject matter of this questionnaire in connection with COAERS's due diligence inquiries and a prospective investment management agreement or subscription to the fund, as the case may be, including any side letter agreements, were untrue or misleading in any material respect when they were made.

[Signature block for Fund or Manager Party]

Attachment: Exhibit No. 1, COAERS Persons

7C. Investment Committee:

Discuss and consider Premier List for
Multi Asset

AGENDA ITEM 7:
Investment Committee

C. Discuss and consider Premier List for Multi Asset

AGENDA ITEM OBJECTIVE

The Board will review proposed updates to the System's investment strategies and the status of System's funded investment managers.

RELEVANCE TO STRATEGIC PLAN

This agenda item is part of the core competency set forth in the **COAERS Strategic Plan** "*Prudent investment management: Fulfilling fiduciary duty through monitoring performance within adopted process and stated goals.*" Board review of the implementation of the investment program ensures that Trustees monitor the performance of the portfolio.

RECOMMENDATION FOR COMMITTEE ACTION

The Investment Committee recommends that the Board approve the proposed changes to the Multi Asset Premier List.

BACKGROUND

The Investment Implementation Policy (IIP) requires Staff to develop and maintain a Premier List of viable managers for potential inclusion within each allocation of the Fund. The IIP also requires the Premier List for each asset class to be reviewed with the Board via the Investment Committee on an annual basis.

Staff will lead the required annual review of the current construction and composition of the Multi Asset allocations, including the associated Premier List.

ATTACHMENTS

1. Staff Presentation "Review of Multi Asset Portfolio" [Portions CONFIDENTIAL]
2. Proposed COAERS Premier List [CONFIDENTIAL]



Annual Review of Multi-Asset Portfolio

David Stafford

March 30, 2022



Evolution of Multi-Asset Mandates

Strategic Approach

May 2017

- In 2017 and 2018, the Board reviewed the strategic approach to the investment program and implemented a variety of improvements referred to as the “Austin Model” of investment management
- Staff noted that **80-90%** of long-term performance is determined by the effectiveness of asset allocation choices, while investors typically only allocate **20%** of their resources to this process

During this process, the Board considered better alternatives for investment resources, governance, and mandate specification



Organizational beliefs

- Asset allocation is by far the most important investment process for the Fund
- Diversification across sources of return can improve Fund performance
- Diverse opinions from trusted advisors are valued when making important decisions



Organizational challenges

- Of 15 COAERS managers, none was positioned to advise on asset allocation
- Internal resources were insufficiently developed to inform allocation decisions
- Board relied solely on its investment consultant for advice on asset allocation

Approach to Multi-Asset Mandates

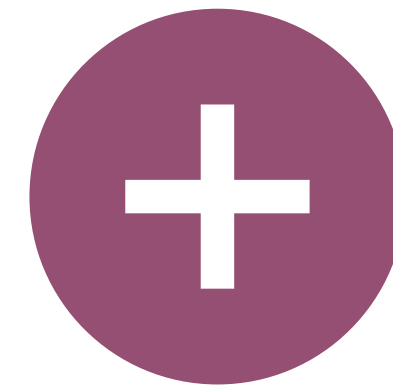
- In a multi-year process, one adopted solution to bolster the investment program's capabilities was the use of Multi-Asset mandates through dedicated allocations in the Strategic Asset Allocation
- Multi-Asset mandates are unique in that they allow a single mandate to invest across all the investable asset classes in the Strategic Asset Allocation
- These strategies are intended to provide a variety of differentiated benefits to the System:



Diversification:
Highly diversified
strategy across asset
classes and risk factors
in one mandate



Partnership:
Strategic advice from
well aligned partners to
help strengthen the
“Austin Model”



Performance:
Risk-adjusted returns
in excess of key
COAERS benchmarks

Evolution of Multi-Asset

- Over the past several years, Multi-Asset mandates have taken a variety of forms which have helped inform the overall strategy for the investment program:

Risk Parity: highly leveraged strategies which attempt to target volatility by allocating to equities, bonds and inflation sensitive assets

- + Adding leverage to a highly diversified portfolio is more efficient than concentrating risk
- Difficult to balance volatility targeting with reasonable amounts of leverage

Strategic Partnership: customized strategies which are given investment guidelines similar to the Strategic Asset Allocation

- + COAERS is big enough for customized partnerships, but just barely
- Differentiated processes can be hamstrung by marrying them too tightly to our SAA

Asset Allocation: smaller, complementary mandates through an “off the shelf” allocation to mutual funds

- + Research and knowledge share is valuable and available, though not always in a timely fashion
- High fees and poor performance from the underlying mandates



Continued Evolution of Multi-Asset

- Throughout this process, Staff and the Board have gained valuable insights into portfolio construction and the best ways to strategically implement the investment program
- Through the Premier List and Investment Risk Framework, many of the organizational challenges faced by the Board are now well addressed
- Looking forward, Staff views this portion of the SAA as an opportunity for continued evolution which could include restructuring into new asset classes or approaches

Organizational Challenge:	Lack of internal resources for asset allocation	Board solely relied on investment consultant for asset allocation advice	No investment managers able to inform asset allocation decisions
Key Achievement:	Investment staff increased from 1 to 4	Investment Risk Framework process	Premier List approach to partner with best-in-class managers

Key Takeaways from Multi-Asset's Evolution & Implementation

- Strategies that are truly differentiated from peers require an acceptance of the respective risk(s) (i.e., new assets classes, fewer constraints, more leverage, etc.)
- COAERS is the right size for current strategic allocations to public securities, but will have to think creatively about allocating to private assets
- Strategies and managers with high fees are acceptable when value is being created



7D. Investment Committee:
Discuss and consider funding
implementation plan

AGENDA ITEM 7:
Investment Committee

D. Discuss and consider the proposed funding implementation plan

AGENDA ITEM OBJECTIVE

The Board will review a proposed implementation plan to rebalance the Fund and implement changes to the Premier List for Multi Asset

RELEVANCE TO STRATEGIC PLAN

This agenda item is part of the core competency set forth in the **COAERS Strategic Plan** “*Prudent investment management: Fulfilling fiduciary duty through monitoring performance within adopted process and stated goals.*” Board review of the implementation of the investment program ensures that Trustees monitor the performance of the portfolio.

RECOMMENDATION FOR COMMITTEE ACTION

Staff recommends that the Board approve the proposed funding implementation plan.

BACKGROUND

Following the annual review of the Premier List for Multi Asset alongside changing market conditions, Staff will propose a rebalance of the Fund detailed in the proposed implementation plan.

ATTACHMENT

1. Staff report “Proposed Funding Implementation Plan”

8. Discuss and consider System long-term sustainability including contribution, benefit, and governance policy proposals

Presented by Christopher Hanson and Ed Van Eenoo,
City of Austin

AGENDA ITEM 8:

Discuss and consider System long-term sustainability including contribution, benefit, and governance policy proposals

AGENDA ITEM OBJECTIVE

This agenda item is intended for Trustees to discuss and consider possible changes to contribution, benefit, and governance policies as part of the efforts to ensure the System's long-term financial sustainability.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item meets **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.**

This agenda item is a Strategic Plan action item for 2022 and supports the actuarial funding objectives for Goal 1.

RECOMMENDATION FOR BOARD ACTION

At the Board's discretion. The Benefits and Services Committee referred the proposed framework to the Board for consideration.

BACKGROUND

At the December 2021 Board meeting, COAERS and City Staff discussed forming a working group to develop a framework that would be the basis for pension legislation during the 88th Legislative Session. The Board supported the working group's approach and directed COAERS Staff to report back to the Committee in the first quarter of 2022.

COAERS and City Staff, along with their actuarial consultants, have met regularly in 2022 to discuss benefit, contribution, and governance policy options which would strengthen the System's long-term financial sustainability. The respective members of the working group will present their work related to benefit, contribution, and governance policy recommendations.

ATTACHMENTS

1. COAERS Staff Presentation: "Long-Term Plan Sustainability"
2. City of Austin Staff Presentation: "COAERS Plan Sponsor Reform Recommendations"

SUPPLEMENTAL MATERIALS PROVIDED VIA CONVENE

1. City of Austin Staff Report: "Summary of Austin Police Retirement System (APRS) Legislation"
2. City of Austin Report: "Defined Contribution Plan Design Considerations for an Optional Offering"



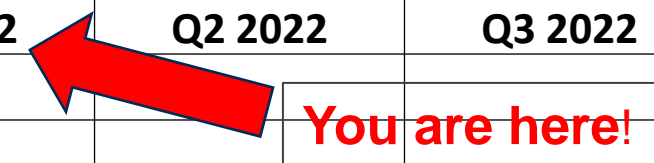
Long-Term Plan Sustainability

COAERS Board of Trustees

March 31, 2022

Timeline and Action Items

TIMELINE AND ACTION ITEMS FOR 88TH SESSION PENSION LEGISLATION - CONVENES JANUARY 10, 2023							
DESCRIPTION	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Define Roles and Responsibilities							
Establish Goals							
Establish Timeline and Action Items							
Discuss and Consider Policy Options							
Benefit							
Contribution							
Governance							
Administration							
Governmental Relations Communication							
Austin Delegation							
House and Senate Pension committees							
Pension Review Board							
Development and Adoption of Funding Policy							
COAERS Board Final Approval							
Presentation at Member Meeting							
Bill Drafting							
Bill Sponsor							
Bill Filing							



COAERS and City of Austin Working Group



PENSION REFORM FRAMEWORK

Governance

Contributions

Benefits



Governance

Convert one active member board position to a city-appointed position

Require citizen appointed positions to have finance or investment expertise

Establish a risk-sharing valuation study (RSVS) process

Future cost-of-living adjustments (COLA) require both COAERS and City of Austin support before seeking legislative approval



Contributions

Employer Contributions: Move to an actuarially determined employer contribution rate (ADEC)

1. Annual contributions by City comprised of normal costs plus future amortization layers of gains and losses of not more than 30-years; and
2. Carve out the UAAL as the “Legacy Liability” and pay off on a schedule of not more than 30-years with phase-in over three years.
3. Base the total employer contribution on a 6.75% discount rate.

Employee Contributions

Increase the employee contribution rate by 2% from 8% to 10%.

ADEC Corridor and Corrective Steps

Structure the ADEC with corridors and built-in corrective actions: 5% corridor bands around the ADEC with automatic employee contribution increase of up to 2% if corridor ceiling is breached; COAERS and City develop further modifications problems persist thereafter.



Benefits

Maintain service purchase options but modify the cost methodologies to mitigate the risk of actuarial losses:

Military Service Purchase: Remove the 75% subsidy, allow purchase only at retirement

Supplemental Service Purchase: Allow purchase only at retirement

Non-contributory Service Purchase: Allow purchase only at retirement

Prior Service Purchase: Consider limiting window for purchase

Sick Leave Conversion: Continue to review for most appropriate method to mitigate future actuarial losses



Next Steps for Q2

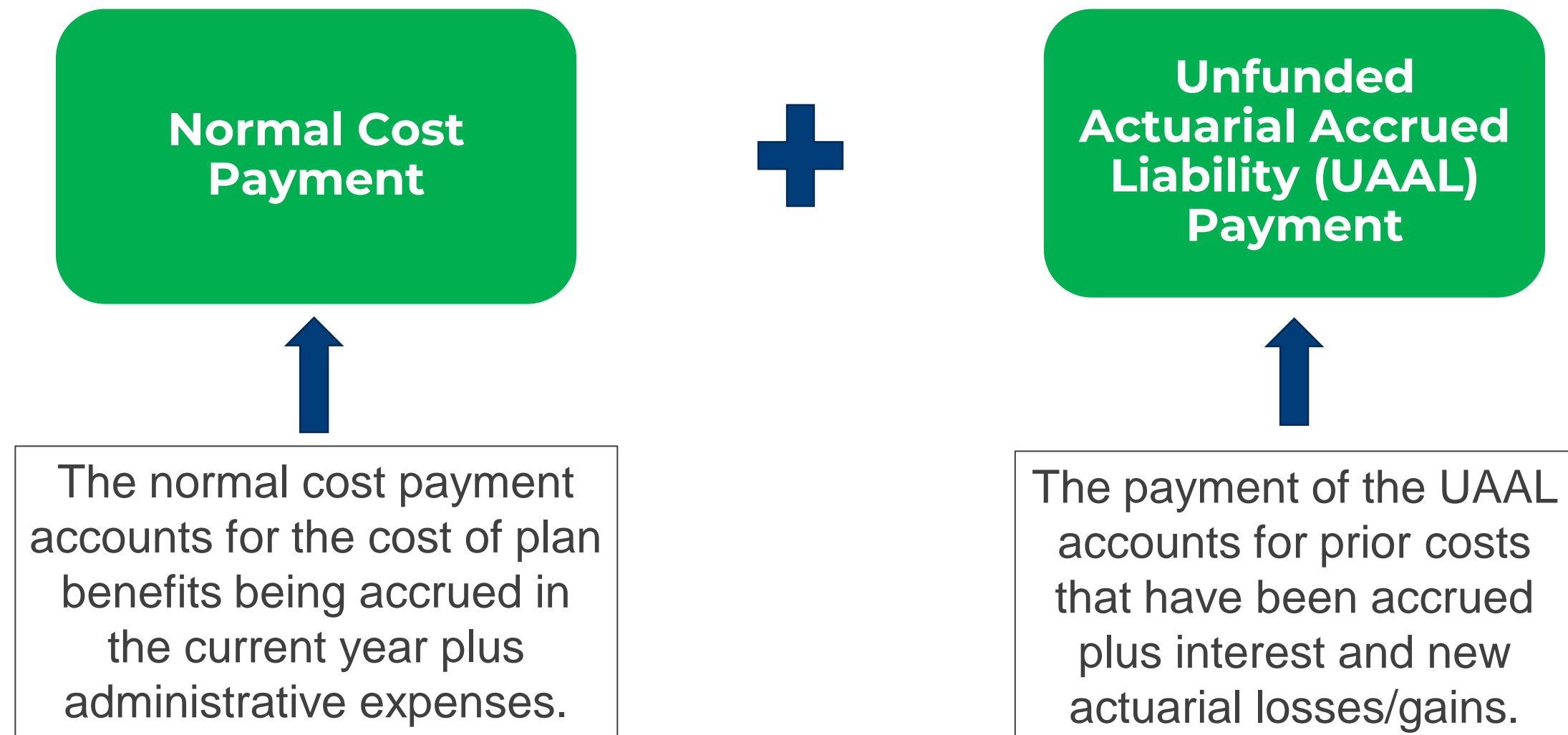
1. Explore viability of DC plan option for possible consideration by Board
2. Statutory revisions related to plan administration
3. Trustee term limits and Board Chair qualifications
4. Additional details for pension reform framework:
 - Amortization period and layers
 - City-Appointed seat
 - Certain service purchase options

APPENDIX

1. ADEC Funding Models
2. Discount Rate

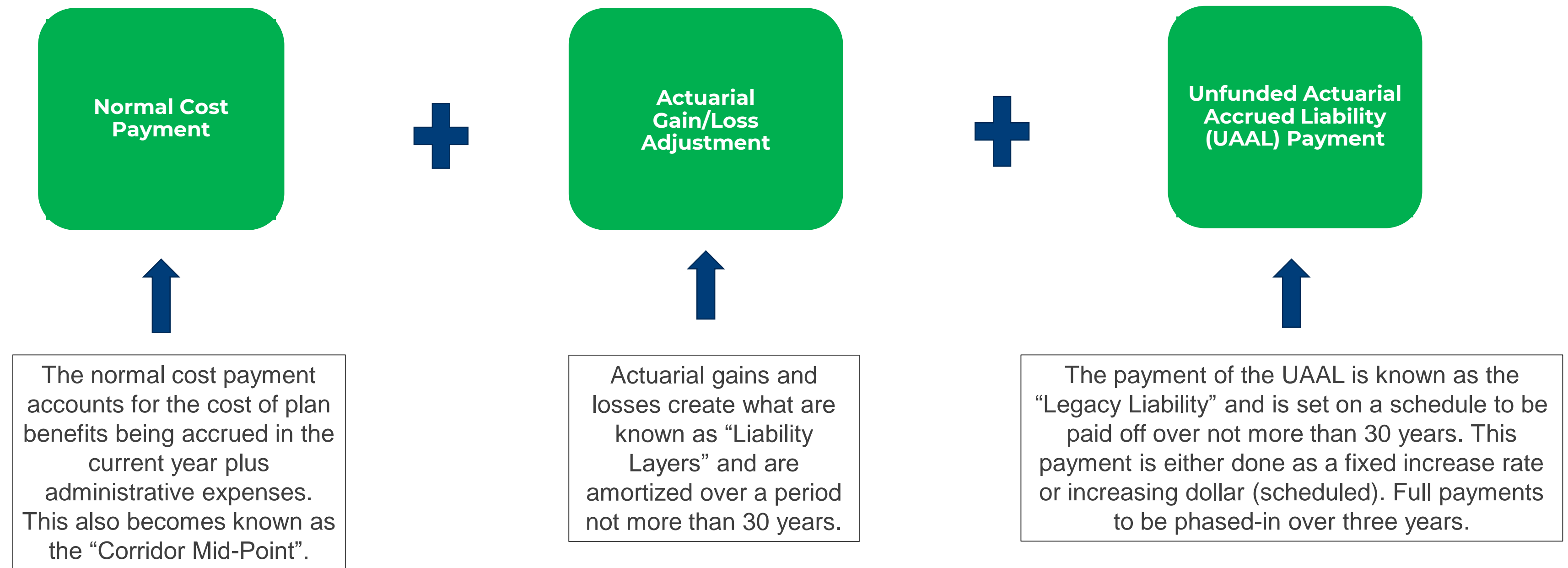
Actuarially Determined Employer Contribution (ADEC)

The traditional calculation of an Actuarially Determined Employer Contribution (ADEC):



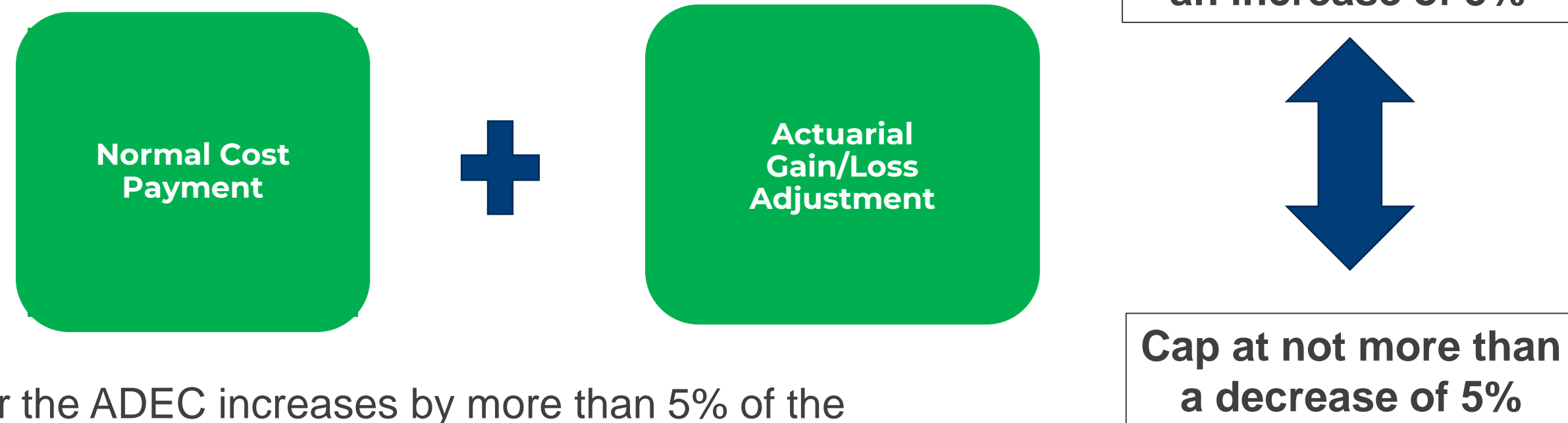
APRS-Style Actuarially Determined Contribution (Employer)

The calculation of an Actuarially Determined Employer Contribution (ADEC) for APRS:



APRS-Style Actuarially Determined Contribution (Employer)

How the Corridor calculation works:



- If the calculated rate for the ADEC increases by more than 5% of the corridor midpoint (original normal cost), then the employee contribution rate increases to make up the difference up to a maximum of 2%.
- If after the employee rate is increased as noted above, if the ADEC is still above the corridor maximum of 5%, then the City and COAERS must work together to develop further reforms.
- The lower end of the calculated ADEC serves as a floor for the City contribution rate until the System achieves a certain funded ratio (possibly 80% or 90%).

Discount Rate Consideration

The working group has reviewed the APRS-style ADEC model under two different discount rate scenarios:

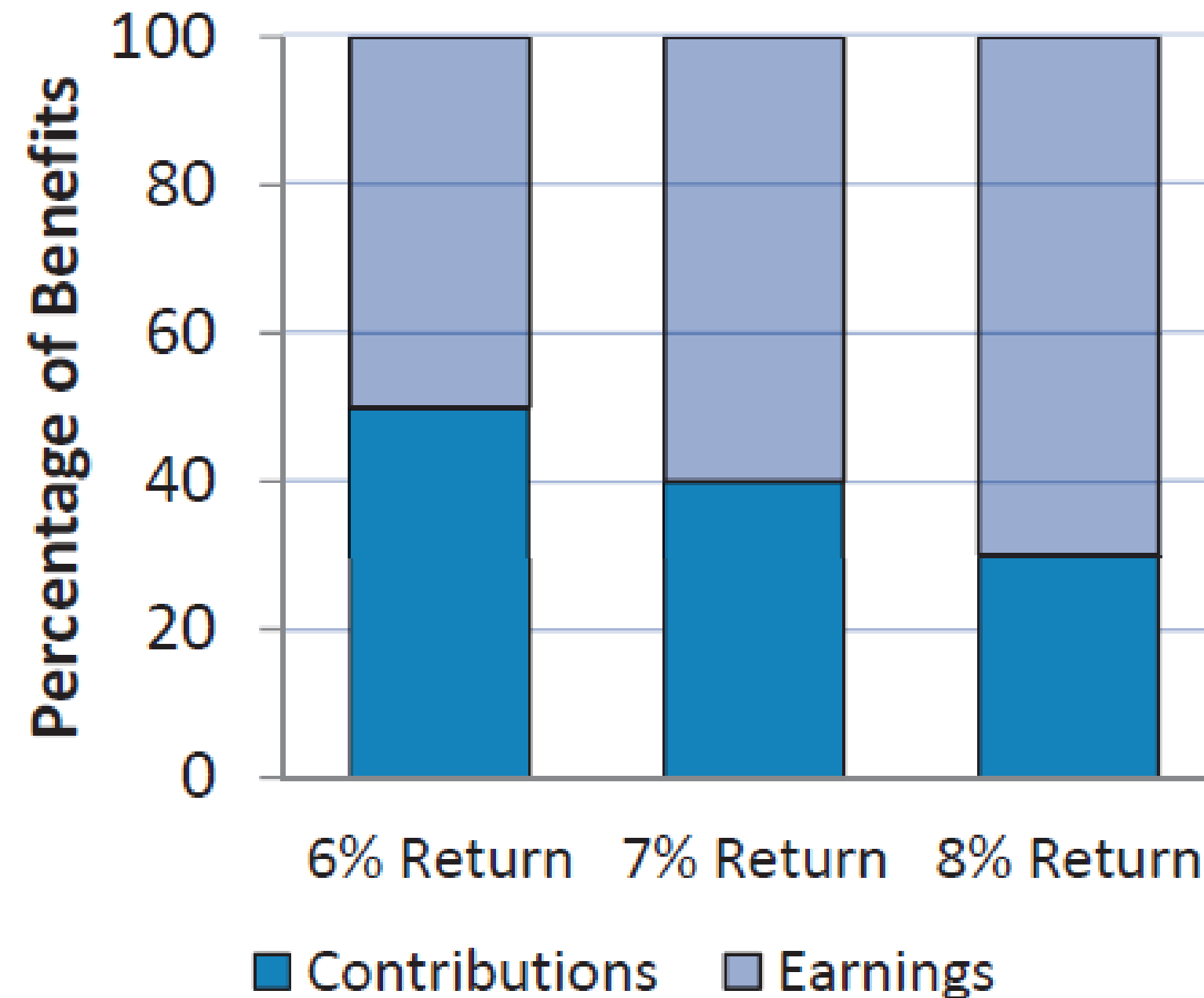
- 1. The current 7% rate, and
- 2. A reduced discount rate of 6.75%

	<u>7.0% Rate of Return</u>		<u>6.75% Rate of Return</u>	
	<u>8% EE Rate</u>	<u>10% EE Rate</u>	<u>8% EE Rate</u>	<u>10% EE Rate</u>
30 years	20.21%	18.57%	21.77%	20.11%
25 years	21.55%	19.90%	23.25%	21.58%
20 years	23.61%	21.94%	25.52%	23.83%

The resulting employer contribution rates are shown above

Discount Rate Consideration

Reducing the discount rate takes long-term risk off the investment portfolio as a smaller percentage of benefits are paid from investment earnings



Source: GRS Retirement Consulting, October 2019

Discount Rate Consideration

COAERS Investment Consultant, RVK Inc., conducted Monte Carlo comparisons of the current Board-approved Strategic Asset Allocation using 2022 Capital Market Assumption



The analysis indicates a decreasing likelihood of achieving the current 7% discount rate (assumed rate of return)

1 Year	Current Target
Target 6.50%	49
Target 6.75%	48
Target 7.00%	47

3 Years	Current Target
Target 6.50%	44
Target 6.75%	43
Target 7.00%	42

5 Years	Current Target
Target 6.50%	42
Target 6.75%	40
Target 7.00%	38

10 Years	Current Target
Target 6.50%	37
Target 6.75%	35
Target 7.00%	33



City of Austin Employees' Retirement System

Plan Sponsor Reform Recommendations

*Ed Van Eenoo, Chief Financial Officer, City of Austin
March 10, 2022*



City of Austin Reform Principles



- Honor benefit promises to the greatest extent possible
 - Benefit reductions should apply only to new employees
 - Alternatives to defined benefit plans should be considered only as an employee option
- Maintain prudent actuarial assumptions and long-term affordability
- Employees and plan sponsor share in system sustainability efforts
- Actuarially determined funding approach for City contributions with a strong preference for the model approved in the 87th Legislature for APRS
 - Actuarially sound model developed by GRS
 - Proven support from Legislature

City of Austin Reform Principles



- Enact more restrictive requirements for implementing future COLAs and benefit enhancements
- Establish more balanced board composition
- To the extent reforms are implemented, they should be implemented equitably across the systems

Reform Equity – Lower Benefit Tier & Funding Model



	APRS	COAERS: City Staff Recommendation
Lower Benefit Tier for New Hires	<ul style="list-style-type: none"> ○ 2.5% multiplier for members hired on or after January 2022 ○ Increase in retirement eligibility age ○ Reduction in normal cost from 25.1% to 19% 	<ul style="list-style-type: none"> ○ 2.5% multiplier for members hired on or after January 2012 ○ Increase in retirement eligibility age ○ Reduction in normal cost from 20.2% to 14.2%
ADEC Model	<ul style="list-style-type: none"> ○ City contributions to legacy liability paid on a fixed 30-year repayment schedule ○ Remaining City contribution rate actuarially determined within $\pm 5\%$ corridor ○ 30-year funding period with 7.25% rate of return for future liability layers ○ Contribution increase phased in over 3 years ○ Aggregate City contribution rate of approximately 33.6% of pay once fully implemented (prior statutory rate 21.7%) 	<ul style="list-style-type: none"> ○ City contributions to legacy liability paid on a fixed 30-year <i>or less</i> repayment schedule ○ Remaining City contribution rate actuarially determined within $\pm 5\%$ corridor ○ 30-year <i>or less</i> funding period for future liability layers (<i>rate of return tbd</i>) ○ Contribution increase phased in over 3 years ○ Aggregate City contribution rate of approximately 20% of pay once fully implemented (prior statutory rate 8%)
Employee Contributions	<ul style="list-style-type: none"> ○ Increased from 13% to 15% ○ Additional 2% contribution if upper corridor breached 	<ul style="list-style-type: none"> ○ Increase from 8% to 10% ○ Additional 2% contribution if upper corridor breached

- Blue font represents new changes approved for APRS by the 87th Legislature and City recommendations for COAERS changes to be implemented in the 88th Legislature.

Reform Equity – Service Purchases



	APRS	COAERS: City Staff Recommendation
Service Purchases	<ul style="list-style-type: none"> ○ <u>Military service purchase</u>: No subsidy, made only at retirement ○ <u>Prior service purchase</u>: Repurchased at contributions plus 8% ○ <u>Sick leave conversion</u>: None (paid out for unused sick leave upon termination) ○ <u>Supplementary Service Purchase</u>: Up to 5 years; made at retirement ○ <u>Employer Purchase of Service Credit</u>: None ○ <u>Noncontributory Service Purchases</u>: Repurchased at contributions plus 8% 	<ul style="list-style-type: none"> ○ <u>Military service purchase</u>: Remove 75% subsidy; Allow purchase only at retirement; Calculate at actuarially neutral cost ○ <u>Prior service purchase</u>: Calculate at actuarially neutral cost ○ <u>Sick leave conversion</u>: Allow purchase only at retirement; Continue to review with focus on minimizing future actuarial losses ○ <u>Supplementary Service Purchase</u>: Up to 5 years; Price at 200 basis point premium; Allow purchase only at retirement ○ <u>Employer Purchase of Service Credit</u>: No change ○ <u>Noncontributory Service Purchases</u>: Allow purchase only at retirement; Calculate at actuarially neutral cost

- Blue font represents new changes approved for APRS by the 87th Legislature and City recommendations for COAERS changes to be implemented in the 88th Legislature.

Reform Equity – DC Option and System Governance



	APRS	COAERS: City Staff Recommendation
Actuarial Review	<ul style="list-style-type: none"> Established an actuarial review and reconciliation process allowing the City to provide input on actuarial assumptions and methods 	<ul style="list-style-type: none"> Establish an actuarial review and reconciliation process allowing the City to provide input on actuarial assumptions and methods
Benefit Increases	<ul style="list-style-type: none"> Future benefit increases and COLAs require legislative approval 	<ul style="list-style-type: none"> Future COLAs and lump-sum payments require legislative approval
Board Composition	<ul style="list-style-type: none"> Removed one active member seat and replaced with one citizen seat 	<ul style="list-style-type: none"> Remove one active member seat and replace with one City-appointed seat
Employee Option DC Plan	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Member-option to participate in City-sponsored DC plan in lieu of DB Plan Must be established in a manner that is actuarially neutral to the DB plan

- Blue font represents new changes approved for APRS by the 87th Legislature and City recommendations for COAERS changes to be implemented in the 88th Legislature.

9. Discuss and consider the December 31, 2021 actuarial valuation results

Presented by Lewis Ward, GRS

AGENDA ITEM 9:

Discuss and consider the December 31, 2021 actuarial valuation results

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to receive the results of the December 31, 2021 actuarial valuation.

RELEVANCE TO STRATEGIC PLAN

This agenda item is an action item in **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system**. The valuation results presented by the COAERS consulting actuary provide Trustees with information on the actuarial status and health of COAERS.

RECOMMENDATION FOR BOARD ACTION

The Benefits and Services Committee recommends the Board adopt the December 31, 2021 actuarial valuation results with a 6.75% investment rate of return assumption, composed of a core inflation component of 2.5% and a real rate of investment return component net of expenses of 4.25%.

Staff recommends that the Board defer administrative implications of the investment rate of return change until pension reform legislation can be enacted.

BACKGROUND

GRS Retirement Consulting conducted an actuarial valuation of the System as of December 31, 2021. The preliminary results were presented to the Benefits and Services Committee for discussion and a recommendation. Mr. Lewis Ward from GRS Retirement Consulting will present the initial December 31, 2021 actuarial valuation results.

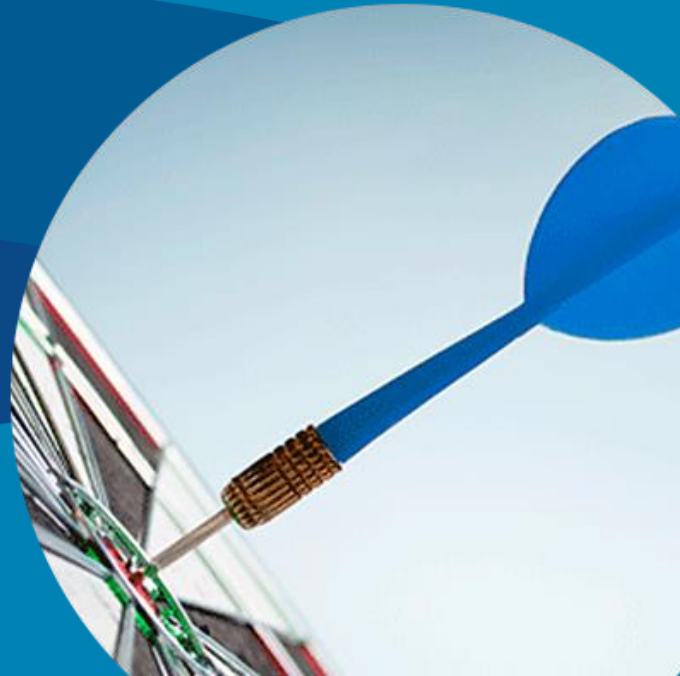
ATTACHMENT

1. 2021 Actuarial Valuation Results, GRS Consulting



City of Austin Employees' Retirement System

Actuarial Valuation as of
December 31, 2021
March 31, 2022 Board Meeting



Actuarial Valuation

- Prepared as of December 31, 2021, using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods as in effect on that date
- Purposes:
 - Measure the actuarial liabilities
 - Determine adequacy of current contributions

Actuarial Valuation

- Purposes (Continued):
 - Provide other information for reporting
 - GASB #67
 - CAFR
 - Risk Analysis
 - Explain changes in actuarial condition of COAERS
 - Track changes over time
 - Alert to possible future issues

Actuarial Valuation – Key Changes and Issues

- City increased its contribution rate by 1% of pay to a total of 19.0% effective January 1, 2021
- COAERS exceeded its 7.00% return on assets assumption
 - 12.9% return on market value of assets
 - Dollar-weighted, net of investment expenses
 - Earnings on market value of assets over \$188 million more than expected
 - \$109 million net gain on actuarial value of assets
 - \$220 million in deferred gains still to be recognized
- Liability experience gain of more than \$18 million
 - Largest gain was due to lower than expected salary increases
- Change in investment return assumption increased liabilities by \$142 million

Actuarial Valuation – Key Results

- Funding period is now 33 years (32 last year)
 - Would have been 28 without change in investment return assumption
 - Good investment returns resulted in actuarial gain on assets and increased deferred investment gains
- UAAL is \$1.69 billion
 - UAAL is \$1.63 billion last year
- Funded Ratio is 66.5%
- City contribution rate does not satisfy Board Funding Policy
 - Funding policy employer rate is 21.88% of payroll
 - Last year policy rate was 21.02%
 - Reflects closed 25-year funding period from 12-31-2020 and 15 year layer amortization of gains and losses

Actuarial Results – Key Results

- \$220 million in deferred gains in AVA
 - \$130 million last year
- Key Results based on MVA
 - Funding period is 27 years (28 years last year)
 - UAAL is \$1.47 billion
 - Funded ratio is 70.8%

Other Key Results

- City increased its contribution by 1% of pay
 - Total City contribution rate is 19%
- 2021 normal cost % = 17.69% (17.04% in 2020)
 - Rate expected to decrease in future as Plan B members replace Plan A members
 - Increase this year due to change in investment return assumption
 - Group A NC% = 21.24%
 - Group B NC% = 14.90%
- Total contribution rate = 27.00%
- Contributions towards UAAL
 - For 2021: 9.96%
 - For 2022: 9.31%
 - For 2050: 12.48%

Assets (Actuarial Value)

- Actuarial calculations are primarily based on actuarial value of assets, not market value
- Must remember that expectation is the investment return assumption, not zero
 - Fund had positive 12.9% return on market in 2021
 - \$189 million of new investment gains this year
 - Based on 7% expectation
 - \$130 million deferred gains from prior years
 - Total investment gains of \$319 million in gains split between recognition now and in future
 - \$99 million recognized immediately in actuarial value of assets
 - \$220 million in deferred gains remaining for future years

Source of Actuarial Gain\ (Loss)

(\$ in Millions)

	<u>2021</u>	<u>2020</u>
1. Asset Gain/(Loss)	\$ 108.5	\$ 57.9
2. Liability Experience Gain/(Loss)	18.5	(1.5)
3. Assumptions & Methods	(142.3)	0.0
4. Benefit Enhancements	<u>0.0</u>	<u>0.0</u>
5. Total Actuarial Gain/(Loss)	\$ (15.3)	\$ 56.4

Analysis of Liability Experience

Gain\ (Loss) by Source

(\$ in Millions)		<u>2021</u>	<u>2020</u>
1. Salary Increases	\$	13.7	\$ 0.5
2. Service Retirement		8.2	9.0
3. Withdrawal		1.6	(8.5)
4. Disability Retirement		0.0	(0.1)
5. Active Mortality		0.0	0.1
6. Retiree Mortality		3.4	6.4
7. Rehires		(1.7)	(1.0)
8. Other (Mil. and S.L. purchases, proportionate service)		<u>(6.6)</u>	<u>(7.9)</u>
9. Liability Experience Gain/(Loss)	\$	18.5	\$ (1.5)
10. Gain/(loss) as percent of total AAL		0.4%	0.0%

What This Valuation Means

- Positive returns on investments the prior three years have increased the actuarial value of assets more than expected
- Change in the investment return assumption offset the experience gains on assets and liabilities
- Funding period increased one year to 33 instead of decreasing by one year due to change in assumptions
- The funding period is still above the maximum period in the Board's funding policy
- Without additional gains the UAAL is expected to grow for the next 14 years
- We recommend that the Board continue discussions with the City about improving the sustainability of the System with additional funding and/or other changes to the System

Outlook – Assuming no future gains or losses

- Projections show that the System is expected to be fully funded in 2054
 - Funding period of 33 years
 - Based on 6.75% earnings on actuarial assets
 - No anticipation of membership growth
- Funded status expected to increase slowly
 - 80% in 2043
- UAAL expected to grow until 2035

Impact of Lowering Rate of Return Assumption to 6.75%

Rate of Return Assumption	6.75%	7.00%
Normal Cost %	17.69%	16.83%
Actuarial Accrued Liability (\$ in billions)	\$5,032	\$4,890
Unfunded Actuarial Accrued Liability (\$ in billions)	\$1.687	\$1.544
Funding Period	33 years	28 years
City Rate for Board Funding Policy*	21.88%	19.60%

*This is the City rate necessary to meet the Board's Funding Policy

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report issued in April 2022. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.

10. Discuss and consider Board Bylaws

Presented by Christopher Hanson

AGENDA ITEM 10:
Discuss and consider Board Bylaws

AGENDA ITEM OBJECTIVE

This agenda item is for the Board to review proposed changes to the Bylaws which would clarify the presiding officer of a Board or Committee meeting if the Chair or Vice-Chair is attending via videoconference.

RELEVANCE TO STRATEGIC PLAN

This agenda item aligns with one of the five core competencies established in the COAERS Strategic Plan: “**Transparency:** *Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.*”

RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board adopt the Bylaws as revised.

BACKGROUND

COAERS' bylaws were written before the pandemic and do not address all situations that can occur with the use of videoconferencing. Staff worked with General Counsel to propose updates to the Bylaws which would provide for the Board Chair, Committee, Chair or Vice-Chair to attend a meeting via videoconference while making clear which Trustee physically present for the meeting would serve as the presiding officer during that meeting.

ATTACHMENT

1. Draft of Proposed revisions to Board Bylaws

Bylaws of the Board of Trustees of the City of Austin Employees' Retirement System

ADOPTED ~~DECEMBER 12, 2017~~MARCH 15, 2020
31 , 2022

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**Bylaws of the Board of Trustees
of the
City of Austin Employees’
Retirement System
ADOPTED DECEMBER 12, 2017**

**ARTICLE 1
Organization of the Board of Trustees**

1.1 Authority. The City of Austin Employees’ Retirement System (“COAERS” or the “system”) has been established pursuant to Article 6243n of Texas Revised Civil Statutes (the “Act”), which requires COAERS to have a Board of Trustees (the “Board”) to administer COAERS and invest its funds. The assets of the COAERS pension fund are required by state and federal law to be held in trust for the exclusive benefit of plan participants and beneficiaries.¹ The Board of Trustees of COAERS is the trustee of all plan assets, is responsible for the general administration and operation of COAERS, and is authorized by law to adopt rules for the administration of COAERS and the transaction of the business of the Board.² The Board may, at its discretion, delegate authority to carry out the administration of the system but may not delegate the responsibility for the system. All powers of trusteeship are held in the Board’s fiduciary capacity. The exercise or non-exercise of the Board’s powers are subject to the fundamental duties of prudence, loyalty, and impartiality; to a duty to respect the terms and purposes of the system; and to other fiduciary duties of trusteeship. Although a trustee’s duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the members and beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship.

1.2 Composition. The Board is composed of eleven members. Place one serves at the pleasure of the City Council of the City of Austin (the “governing body”). Place two serves at the pleasure of the City governing body or, in the case of the City Manager’s designee, the City Manager, unless earlier terminated as provided in the Act. Places three through eleven serve for staggered four-year terms beginning on January 1 of the year after appointment or election unless earlier terminated by death, disability, resignation, removal, or loss of qualifications. Trustees are appointed or elected in accordance with statutory requirements.³

A trustee whose term expires or resigns shall continue to perform the duties of the office

¹ Texas Constitution, Art. 16, Section 67(a); 4(a) of the Act; Texas Government Code Section 802.203; United States Internal Revenue Code Section 401(a).

² See Section 4(q) of the Act.

³ Sections 4(b) – (m) of the Act.

until his or her successor shall be duly qualified.⁴ Limited exceptions to holding over in office may arise, one of which is the removal of an office holder as authorized by the Act.

1.3 Chair of the Board of Trustees. The chair shall:

- (a) Except as provided in Section 2.1.7, preside over meetings of the Board and perform such other duties as are assigned by statute, these Bylaws, or other action of the Board;
- (b) provide leadership to the Board;
- (c) address individual Trustee issues as appropriate;
- (d) encourage the Board's full discharge of its fiduciary duties according to adopted policies and procedures;
- (e) oversee Board governance and determine appropriateness of meeting discussion to the Board's policy making and monitoring role;
- (f) facilitate proper flow of information to the Board, reviewing adequacy and timing of material;
- (g) plan adequate time for effective study and discussion of business under consideration;
- (h) act as liaison between the Board and the Executive Director;
- (i) serve as the spokesperson for COAERS;
- (j) be the co-signatory on COAERS checks with Board vice chair;
- (k) be the signatory on contracts for banking services, Investment Managers, Investment Consultant services and other investment-related contracts, Auditor and Actuary services; and
- (l) serve at the pleasure of the Board.

1.4 Vice Chair of the Board of Trustees.

1.4.1 In case of the absence, death, resignation, disability, removal, or disqualification of the chair, the vice chair shall perform the duties of the chair until the chair shall resume his or her office or a successor chair has been appointed.

1.4.2 The vice chair serves at the pleasure of the Board.

⁴ Texas Constitution, Art. 16, Section 17.

1.5 Absence of Chair and Vice Chair. In the case of the absence, death, resignation, disability, removal, or disqualification of both the chair and vice chair, the member of the Board with the longest service on the Board (considering all Board service), as certified by the executive director, shall exercise the duties of the chair, as acting chair, until the chair or vice chair shall resume his or her office or until a successor chair has been elected or a successor vice chair has been elected. In the event there are two or more members with equal length of service, an action of the Board shall designate an acting chair from among the members with equal length of service.

1.6 Chair and Vice-Chair Elections.

- 1.6.1** Each January, the Board shall elect a chair and vice-chair for one-year terms⁵.
- 1.6.2** No Trustee may be elected to the chair or vice-chair position for more than two consecutive terms.
- 1.6.3** A former chair or vice-chair will again become eligible for the position after the office has been held by another Trustee.
- 1.6.4** In December prior to the January meeting in subsection 1.6.1, the Executive Director or designee will provide electronic notification to current and incoming Board members to call for nominations for the chair and vice-chair position. The notification will include a description of the nomination process, a list of all Board members eligible to serve as chair and vice-chair, and the deadline for nominations. One week before the nomination deadline, the Executive Director or designee will provide second electronic notification to Board members to again call for nominations for the chair and vice-chair position. This notification will include a list of all Board members eligible to serve as chair and vice-chair, a list of current nominees for each position, and the deadline for nominations.
- 1.6.5** Nominations for the chair and vice chair of the Board shall be provided to the Executive Director or designee not later than two weeks before the date of the January meeting in subsection 1.6.1. A Board member may self-nominate for any such position. The Executive Director or designee will notify any Board member nominated for the chair and/or vice-chair position within 72 hours of such nomination unless that Board member self-nominated. Board members may withdraw from consideration at any time before the Board vote.
- 1.6.6** Board members may provide a written statement regarding their candidacy to be included in the Board materials distributed in advance of the January meeting in subsection 1.6.1. The Executive Director will notify all Board members nominated for the chair and vice chair of the deadline for such written statement. Board members may also make a verbal statement or

⁵ Ibid.

provide a written statement prior to the Board vote.

- 1.6.7 Elections conducted in Board meetings shall be conducted in an open meeting by acclamation or by a roll-call vote pursuant to a motion that has been seconded.
- 1.6.8 When the position of chair or vice chair becomes vacant, the Board shall elect a Trustee to serve the remainder of the term for the vacant position at the next Board meeting for which notice can be given in accordance with the Texas Open Meetings Act (the "TOMA").
- 1.6.9 Subject to the provision that such persons serve at the pleasure of the Board, persons elected to the positions of chair and vice chair under this section serve for a term that expires upon the next election for that position or upon the person vacating his or her position on the Board due to death, disability, resignation, removal, or replacement by another Trustee by election or appointment.

1.7 Responsibilities of the Board. Board trustees are COAERS fiduciaries and shall discharge their duties in the exclusive interest of members and beneficiaries for the purpose of providing authorized benefits to participants and their beneficiaries. The Board shall:

- (a) establish and periodically review the COAERS mission in light of the Board's constitutional and statutory authority and set the strategic direction for its accomplishment;
- (b) adopt policies, resolutions, and bylaws as deemed appropriate for the administration of the system;
- (c) be responsible for the selection, job description, assignment of duties, performance evaluation, compensation, and discipline, including dismissal, of the executive director;
- (d) provide oversight and direction to the executive director to ensure that effective management practices are followed in the organization;
- (e) approve the annual administrative operating budget;
- (f) receive reports from the staff, investment consultant, and others regarding the investment portfolio;
- (g) review investment performance, asset mix, portfolio characteristics, cash flow, transactions, and monitor compliance with investment policies and guidelines;
- (h) ensure the establishment of a system for equitable and effective hiring, evaluation, compensation, and termination of employees;
- (i) monitor and evaluate the effectiveness of the system;
- (j) ensure an adequate working environment for staff members;
- (k) establish committees as are necessary to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not exercise authority required under these Bylaws or by state or federal law to be exercised by the Board as a whole, and the Board may consider or take any action otherwise specified to be taken or considered by a committee created

pursuant to article 3 of these Bylaws;

- (l) delegate authority to the staff through the executive director;
- (m) consider appeals as provided in Board policy;
- (n) consider applications for disability retirement in as required by the Act;
- (o) maintain confidentiality as required by the Act and other applicable laws;
- (p) select and evaluate an actuary to make periodic valuations of the system and provide other assistance to the Board as deemed necessary;
- (q) select one or more custodian banks to provide custodial services for COAERS assets;
- (r) be authorized to retain the services of one or more investment managers to invest and manage the assets of the system;
- (s) be authorized to select and evaluate one or more investment consultants to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
- (t) be authorized to select and evaluate legal counsel to advise, consult, assist, and represent the Board with respect to any legal matter, issue, cause, or claim that comes before the Board or may affect the operation of the system;
- (u) be authorized to select and evaluate other professional service providers such as auditors and medical review physicians;
- (v) approve all contracts and engagement letters for professional service providers;
- (w) assume responsibility for overall Board evaluation;
- (x) delegate to the executive director the responsibility for administrative functions; and
- (y) perform such other duties and responsibilities and exercise such authority provided for in the Act and applicable state and federal law.

1.8 Trustee Responsibilities. Individual trustees provide leadership and guidance by working together with other trustees to fulfill the mission of COAERS. Trustees shall:

- (a) devote the time required to fulfill the duties of a Board Trustee;
- (b) exercise reasonable judgment in all matters before the Board;
- (c) acquire and maintain the knowledge required to effectively evaluate those to whom duties are delegated;
- (d) avoid conflicts of interest and appearances of impropriety;
- (e) agree to comply with the terms of COAERS' Code of Ethics;
- (f) complete COAERS' Financial Disclosure/Conflict of Interest Affidavit;
- (g) follow the provisions of the Act and maintain confidentiality as required;
- (h) refer proposals or other communications regarding potential or existing investments or other contracts directly to the Executive Director;
- (i) comply with the requirements for training with respect to the Open Meetings and Public Information Act;
- (j) comply with state minimum education requirements;
- (k) conform to the Board's policies regarding governance, prudence, ethics,

- conflicts of interest, education, and travel;
- (l) avoid becoming involved in operational management except as requested by the Executive Director;
- (m) avoid campaigning or public endorsement of any City of Austin Employees' Retirement System's proposed legislative issues, other than supporting Board approved actions and/or recommendations for changes; and
- (n) assume responsibility for self-evaluation.

1.9 Board Travel.

- 1.9.1** Members of the Board shall be reimbursed for allowable travel expenses as specified by Board policy.
- 1.9.2** Each Board member will receive, through the budget process, reimbursement of allowable Board travel expenses to attend conferences and other educational activities meeting the following criteria:
 - (a) The purpose of the expense is related to the business of COAERS and the Board;
 - (b) Attendance at the function will benefit the Board or a Board member in the exercise of COAERS responsibilities; and
 - (c) All trustees would be eligible to participate in the function.
- 1.9.3** Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred.

1.10 Board Education.

- 1.10.1** Each Board member shall comply with the minimum education requirements established by the State of Texas and with approved Board policies.
- 1.10.2** Trustees are encouraged to attend workshops and training sessions on such topics as fiduciary duties, actuarial matters, risk management, governance, benefits administration, ethics, investments, pension accounting, legal, and regulatory issues, which may enable the Board member to better fulfill trustee responsibilities to the system.

ARTICLE 2

Meetings of the Board

2.1 Meetings of the Board.

- 2.1.1** The Board shall meet as necessary to carry out its duties under the Act. The dates for regular meetings will be published annually in advance of the first regular meeting of each year or as soon thereafter as practicable. When necessary, and in addition to the provisions of this section of this article, the Board may add or cancel a regular meeting or change the date, time, or location of a regular meeting by call of the Chair, or by call of at least four members, or by action of the Board.

- 2.12** Special meetings of the Board may be held either upon the call of the chair of the Board or the call of at least four members of the Board, or upon action of the Board. A call by the chair or by other members of the Board must be communicated to the executive director within sufficient time to permit posting of the meeting as required by law. The call or action of the Board, as applicable, shall specify the date of each special meeting and may specify the time and place for each special meeting.
- 2.13** Meetings of the Board shall be held at a place designated by the agenda of each Board meeting, except as may be otherwise authorized by TOMA in the event of a catastrophe that prevents convening the meeting at the location stated in the agenda.⁶
- 2.14** Regular and special meetings shall begin at the time the chair calls the meeting to order; provided that the meeting shall be called to order no earlier than the time set forth in the agenda.
- 2.15** Emergency meetings may be called or emergency additions added to an agenda less than seventy-two (72) hours before a meeting in the same manner as special meetings, provided that the reason for calling the meeting qualifies as an emergency under the TOMA.⁷ The Board member who initiates the call for an emergency meeting shall provide the executive director with the reason that an emergency meeting or emergency addition to an agenda is requested. The executive director shall consult with the general counsel to confirm whether the reason qualifies as an emergency under the TOMA. The agenda for an emergency meeting or containing an emergency addition shall include language identifying the reason for the emergency meeting or emergency addition as required by TOMA.
- 2.16** In addition to the provisions of subsection 2.1.3 of this article, a special or emergency meeting of the Board may be canceled or rescheduled, or the location of the meeting changed, only by action of the Board, by a call of at least four members of the Board, or by call of the Chair and the Vice Chair, communicated to the executive director within sufficient time for COAERS to comply with all posting requirements for the meeting. Unless a time has been specified in the call or action of the Board rescheduling the meeting, the chair may set the time of a rescheduled meeting, though any such time must meet all posting requirements of applicable law.
- 2.16.17** If the Chair is not present at the physical location of the Board meeting, the Vice Chair shall serve as the presiding officer. If both the Board Chair and the Vice Chair are not present at the physical meeting location, the member of the Board with the longest service on the Board (considering all Board service), as certified by the executive director, who is present at the physical meeting location shall serve as the presiding officer. In the event there are two

⁶ Section 551.0411, Texas Government Code.

⁷ Section 551.045, Texas Government Code.

or more members with equal length of service present at the physical meeting location, the presiding officer shall be the Trustee designated by agreement of the members present at the physical meeting location or by drawing lots.

2.2 Public Comment at Meetings.

- 221** The Board will allow reasonable opportunity for public comment to the Board on any issue under the jurisdiction of the Board. The chair may determine the total time to allot to public comments at a meeting of the Board.

2.3 Meeting Agendas.

- 231** The agenda for each Board meeting shall be set by the chair of the Board and when appropriate other Board members in consultation with the executive director. The executive director shall prepare and distribute to the Board the agenda and relevant written materials.
- 232** Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the executive director prior to posting. The executive director shall determine the initial order of the agenda items prior to posting. Board members desiring to add an agenda item shall submit it to the executive director by 5:00 p.m. not later than the tenth COAERS business day before the meeting.
- 233** Agenda items may be added to a posted agenda by the chair, or by the executive director or by written request of any Board member with the consent of the chair, provided that the proposed addition is submitted to the executive director in time to post the amendment to the agenda in compliance with the TOMA. If the item is requested to be added less than 72 hours before a meeting, the request to add the item must include a valid reason for the emergency that allows posting less than 72 hours before the meeting under TOMA, as determined by the executive director in consultation with the general counsel, and allowed by the Chair.

2.4 Notice of Meetings. The executive director will cause meeting notices to be posted in compliance with these Bylaws and the TOMA.

2.5 Board Attendance. Trustees shall attend Board meetings to comply with or exceed the requirements of the Act⁸, which states that any Trustee who is absent from four consecutive meetings of the Board shall be removed from the Board and replaced.

2.6 Auxiliary Aids or Services at Meetings. Persons who do not speak English as their primary language or persons with disabilities may request auxiliary aids or services to be provided at a meeting, such as language interpreters or interpreters for persons who are deaf or hearing impaired, or readers or large print or Braille texts for persons who are visually

⁸ Section 4(q) of the Act.

impaired. If the request is made to the executive director with adequate advance notice before the meeting, the executive director shall cause reasonable accommodations to be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

2.7 Procedure.

- 271** A quorum of the Board is six trustees. A quorum is required for the board to conduct business. A vote of six members of the Board is required for action or decision by the Board.⁹ Abstentions are not counted in determining the outcome of a vote.
- 272** The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with other Board-adopted rules of procedure, these Bylaws, or applicable law, shall generally guide the rules of parliamentary procedure and order for the Board and its committees. The COAERS general counsel shall assist and advise the chair of the Board or of a committee regarding interpretation and application of the rules of parliamentary procedure. The failure of the Chairperson and/or the Board to follow Robert's Rules of Order shall not create any right or violate any right of any Board Trustee, third party, member, person or citizen, or create or give rise to any due process claim for or on behalf of any such Board Trustee, third party, member, person or citizen.
- 273** The minutes of the Board shall contain each subject of discussion and deliberation, all motions, seconds, if any, and the vote, if any, on such motions. The minutes shall reflect the start and end times of meetings, and the time Trustees arrive and depart during the meeting. A certified agenda shall be kept for executive sessions in accordance with TOMA. Each Board member shall be given an opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote.

ARTICLE 3

Committees

3.1 Standing Committees. In accordance with section 1.7 of these Bylaws, the Board may establish standing committees by amendment of this article. A quorum of a standing committee shall be a majority of the members of the committee. Any committee may convene in joint session with any other committee.

- 3.1.1 Audit and Risk Committee.** The Board shall have an Audit and Risk Committee, which shall meet in accordance with its charter or at the call of its chair. The Committee shall assist the Board in fulfilling its fiduciary oversight responsibilities for financial reporting, engagements with external auditors, risk management oversight, and processes for monitoring

⁹ Ibid.

compliance with laws and regulations.

- 3.1.2 Benefits and Services Committee.** The Board shall have a Benefits and Services Committee, which shall meet in accordance with its charter or at the call of its chair. The purpose of the committee is to review, research, and make recommendations to the Board concerning plan provision interpretation and improvements.
- 3.1.3 Disability Committee.** The Board shall have a Disability Committee, which shall meet in accordance with its charter or at the call of its chair to review, research, and make recommendations on the disability retirement program to the Board; review and make recommendations on disability applications to the Board; and approve the continuation of disability retirement benefits.
- 3.1.4 Investment Committee.** The Board shall have an Investment Committee, which shall meet in accordance with its charter or at the call of its chair to assist the Board in fulfilling its fiduciary oversight responsibility for the investment assets of the System. The Committee is responsible for formulating the overall investment policies of the System, subject to approval by the Board, and establishing investment guidelines in furtherance of those policies for recommendation to the Board for adoption. The Committee monitors management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.
- 3.1.5 Policy Committee.** The Board shall have a Policy Committee, which shall meet in accordance with its charter or at the call of its chair. The purpose of the Policy Committee is to consider and recommend Board adoption of policies regarding Board governance, Committee roles, authority, and procedures, and other general policy issues, and represent the Board on personnel issues in accordance with approved personnel policy.

3.2 Special Committees. Special committees other than standing committees established in section 3.1 may be created by action of the Board, which shall establish the purpose and responsibilities of the committee and may establish the term for which it shall exist.

3.3 Composition of Committees.

- 3.3.1** A committee will be composed of an odd number and at least five members of the Board unless otherwise provided by action of the Board or these Bylaws.
- 3.3.2** The chair of the Board annually shall appoint, in consultation with the vice-chair, committee members for the remainder of the calendar year as soon as may be practicable after the Board's first regular meeting of the year. The chair of the Board may terminate or change committee assignments in consultation with the vice-chair.
- 3.3.3** In accordance with the Act¹⁰, each Trustee will be required to serve on at least one Committee of the Board. In making appointments, the chair of the Board

¹⁰ Section 4(q) of the Act.

may consider the individual experience and rotation of appointments for professional development of Trustees. Trustees may request appointment to Committees in which they are interested.

- 3.3.4** The Board chair is an ex-officio voting member of all committees.
- 3.3.5** The chair of the Board shall designate the chair of each committee. Committee chairs serve as chair at the pleasure of the chair of the Board.
- 3.3.6** The Policy Committee shall be composed of the Board chair, Board vice chair, and the chairs of all standing Board Committees.
- 3.3.7** The chair of the Board may appoint an interim successor to the committee for a member whose Board term has expired or otherwise terminated, who is holding over as a Trustee, but who has resigned his or her committee position. Committee members hold over until a successor is appointed.

3.4 Committee Agendas. The agenda for each committee meeting shall be set in a manner similar to a Board meeting agenda, but with the committee chair and members having the same authority with regard to calling committee meetings and adding items to the committee agenda of committee meetings that the Board chair and members have with regard to the Board agenda of Board meetings.

3.5 Committee Attendance.

- 3.5.1** Individual trustees shall attend assigned Committee meetings. Failure to consistently attend assigned Committee meetings may result in removal from the Committee by the chair of the Board.
- 3.5.2** Any member of the Board may attend a meeting of a committee of which he or she is not a member but shall not vote. Because the attendance of six or more trustees at a Board committee meeting constitutes a quorum of the full Board, public notice of a committee meeting shall also be posted as a Board meeting under the TOMA in anticipation of a quorum of the full Board possibly attending the meeting. Also in compliance with the Open Meetings Act, a record shall be kept of the attendance of a quorum of the full Board at a Board committee meeting. The attendance of a quorum of the full Board at a Board committee meeting is not a regular, special, or emergency Board meeting under Article 2 of these Bylaws, relating to meetings of the Board. In addition, the attendance of a quorum of the full Board at a Board committee meeting is not a regularly scheduled Board meeting under the Act relating to grounds for removal of a trustee because of absence from Board meetings.

3.6 Committee Chair Responsibilities. The chair of a Committee shall:

- (a) provide leadership to the assigned Committee;
- (b) approve the schedule of Committee meetings;
- (c) approve Committee meeting agendas; if the Committee Chair is unavailable the Board Chair, then the Vice-Chair approves the agenda;
- (d) schedule appropriate minutes of the Committee meetings for approval, recording, and publication;
- (e) approve Committee minutes for inclusion in Committee materials;

- (f) present Committee report to the Board;
- (g) make motion to Board to approve Committee recommendations;
- (h) meet with staff to discuss performance, contract provisions, and working relationships of professional service providers, and shall report findings and/or recommendations to the Committee; and
- (i) act as a liaison between the Committee and the Board.

3.7 Procedure.

- 3.7.1** A quorum of a Committee is a majority of the number of trustees of the Committee. A quorum is required for the Committee to conduct business. A seconded motion of a Committee must be approved by a majority of the members of the Committee present and voting; provided that not less than a majority of the minimum number of members needed to constitute a quorum must vote in favor of the action or decision for it to be recommended to the Board. Abstentions are not counted in determining the outcome of a vote but are counted in determining a quorum. All Trustees are encouraged to attend and participate in all Committee meetings since extensive detail is discussed at the Committee level in consideration of any recommendations for Board action; however, only Committee Members may vote on actions taken by a Committee.
- 3.7.2** Unless specifically provided by Board action, Committee authority for action is limited to making recommendations to the Board.
- 3.7.3** If the Committee Chair is not present at the physical location of the Committee meeting, the ~~Committee meeting will be led by the~~ Board Chair shall serve as the presiding officer.; If both the Committee Chair and the Board Chair are not present at the physical meeting location, by the Board Vice-Chair shall serve as the presiding officer. ; If the Committee Chair, the Board Chair, and the Board Vice-Chair are not present at the physical meeting location, by the Trustee selected by the Committee Members present at the meeting with the longest service on the Board (considering all Board service), as certified by the executive director, present at the physical meeting location shall serve as the presiding officer. In the event there are two or more members with equal length of service present at the physical meeting location, the presiding officer shall be the Trustee designated by agreement of the members present at the physical meeting location or by drawing lots.
- 3.7.4** The conduct for each committee meeting shall be in a manner similar to a Board meeting as specified in Article 2.7.2.
- 3.7.5** The minutes of the Committee shall be set in a manner similar to Board meeting minutes, but with the committee chair and members having the same authority with regard to the minutes of committee meetings that the Board chair and members have with regard to the minutes of Board meetings.

ARTICLE 4

Executive Director

4.1 Responsibilities of Executive Director. The Board shall employ an executive director as required by law, with such duties as may be required by law of the chief executive officer and chief administrative employee of COAERS and with such other duties as may be established by the Board in its policies, resolutions, and other actions. In these Bylaws, the term “executive director” means the person appointed by the Board pursuant to Section 4(p) of the Act and these Bylaws.

4.1.1 With respect to the operations of the Board itself the executive director shall:

- (a) make preparations for all meetings of the Board and its committees;
- (b) under the direction of the chair of the Board or a relevant committee, prepare and distribute the agendas and appropriate documentation for all meetings of the Board and its committees;
- (c) under the direction of the chair of the Board or of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
- (d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
- (e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;
- (f) maintain the official copy of these Bylaws;
- (g) as directed by the Board, establish routine reporting mechanisms and procedures to the Board and prepare special reports to the Board; and
- (h) carry out other policies adopted by the Board.

4.1.2 The executive director is the chief executive officer of COAERS and is responsible to the Board for the general administration of COAERS in accordance with relevant state laws and policies adopted by the Board. The executive director shall:

- (a) manage the daily operations of COAERS as its chief executive officer;
- (b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;
- (c) assume authority and responsibility for the selection, job description, assignment of duties, performance evaluation, promotion, compensation, and discipline, including dismissal of all COAERS personnel;
- (d) prepare and submit an annual administrative operating budget for consideration by the Board;
- (e) administer member and personnel disputes in accordance with Board policy and the Act;
- (f) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;
- (g) organize COAERS to accommodate its mission; and

- (h) perform such other duties assigned by the Board.

4.2 Miscellaneous Duties.

- 4.2.1** The executive director shall provide to members of the Board, as often as necessary, information regarding their qualification for office, including the Act Sections 4(b), 4(q), and 4(dd), and their responsibilities under applicable laws relating to standards of conduct for local government officers, and any amended, new, or successor statutes.
- 4.2.2** The executive director shall provide to COAERS employees at the time of hiring information regarding their qualification for employment, including Texas Government Code Sections 573.001-.084 and their responsibilities under applicable laws relating to standards of conduct for public employees as may be applicable to those employees, including Texas Local Government Code Chapters 171 and 176, and Texas Penal Code Sections 32.43, 32.45, 36.02, 36.08, 36.10, 39.01, and 39.03, and any amended, new, or successor statutes.
- 4.2.3** In accordance with Sections 4(q) and 4(dd) of the Act, the executive director shall notify the chair of the Board if he or she has knowledge that a potential ground for removal of a trustee exists. The executive director shall notify the vice chair if the trustee in consideration for potential grounds for removal is the chair.

4.3 Absence of Executive Director. If the executive director will be away from the COAERS headquarters for a brief period, as contemplated by section 4.4 of this article, the executive director may designate any senior management staff member to act in his or her stead generally or for a particular purpose. In the absence of the executive director due to incapacity, resignation, removal or otherwise when the duration of the absence is unknown and the absence may be extended or permanent, the chair of the Board shall temporarily designate a senior management staff member to perform such duties as are necessary to the administration of the system and shall have the responsibility and authority of the executive director until the Board designates the person succeeding to the responsibilities and authority of the executive director, whether on an interim or permanent basis. A designee under this section shall have the responsibility and authority of the executive director. A member of the Board is not eligible for temporary designation or permanent appointment to serve in the capacity of the executive director under Texas law.

4.4 Delegating Responsibilities. The executive director shall designate an employee of COAERS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 of this article and may assign other employees of COAERS as necessary to assist in carrying out these and other duties.

4.5 Performance of the Executive Director. The Board shall evaluate the performance of the executive director annually. The evaluation shall consist of methods developed by the Board.

ARTICLE 5

Miscellaneous Organizational Provisions

5.1 Administration of COAERS. The administration of COAERS is governed by these Bylaws, Board policies, and applicable state and federal law. In the event of a conflict between these Bylaws and applicable state or federal law, the applicable state or federal law shall govern to the extent necessary to resolve the conflict.

5.2 Investments of COAERS. COAERS investments are authorized to be made only in accordance with policies adopted by the Board and applicable state, federal, and foreign law.

5.3 Custody of COAERS Trust Assets. COAERS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold COAERS trust assets.

5.4 Budgets and Fiscal Year. The budgets of the pension trust fund and any other trust funds administered by COAERS are adopted by the Board and may be amended by the Board in subsequent meetings. The COAERS fiscal year shall begin January 1 and shall end the following December 31.

5.5 Title to and Ownership of Assets. Accounts or assets of COAERS may be held in the name of COAERS, a nominee, or other agent in accordance with state law. The assets of COAERS shall not be considered at any time to be assets of the state, the City of Austin, or any employer of COAERS members but are to be held in trust for the exclusive benefit of COAERS members, annuitants, beneficiaries, or other trust participants.

5.6 Authority to Act for COAERS. The Board delegates authority for the following administrative matters:

- (a) contracts for the purchase of goods and services, to the executive director or his designee in accordance with the budget, and contracts for goods and services that are not provided for in the budget that do not exceed, in the aggregate, \$50,000;
- (b) release of assets held in the name of COAERS, its nominees, or other agents, in accordance with actions of the Board;
- (c) execution of vouchers for payment of COAERS funds, in accordance with actions of the Board; and
- (d) initiation, defense, and settlement of lawsuits and other claims, to the executive director or his designee, in accordance with applicable actions of the Board.

5.7 Fixed Asset and Non-Capitalized Equipment Disposal. The Executive Director may declare fixed system assets and non-capitalized equipment as surplus items due to obsolescence and/or having de minimis value to the system and establish standard operation procedures (the “Asset Disposal SOP”) for disposal of such assets. The assets shall be disposed of in accordance with the Asset Disposal SOP. The results of disposal

will be reported to the Board.

5.8 Personnel Policies. COAERS personnel policies shall be issued and disseminated to all employees by the executive director and revised from time to time, in compliance with Board policies and state law. COAERS is an at-will employer.

ARTICLE 6

Amendment of Bylaws

6.1 Amendment of Bylaws. These Bylaws may be amended only by a vote of at least six Trustees of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act.

11. Facility options

A. Convene into executive session

pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property

B. Reconvene into public session and

take action as determined appropriate by the Board regarding the purchase,

exchange, lease, or value of real property

Presented by Christopher Hanson

AGENDA ITEM 11:
Facility options

- A. Convene into executive session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property
- B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property

12. Review and discuss the Executive Director's report on the following matters:
- A. Operational matters including staffing
 - B. 2021 administrative budget
 - C. Update on October workshop
 - D. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson

AGENDA ITEM 12:

Receive report from Executive Director on the following matters:

A. Operational matters including staffing

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board a report on operational matters including staffing.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with one of the five core competencies established in the COAERS Strategic Plan: “***Dependable Operations: Managing the financial and operational commitments of the system within appropriate measurable standards.***”

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

AGENDA ITEM 12:

Receive report from Executive Director on the following matters:

B. 2021 administrative budget

AGENDA ITEM OBJECTIVE

This agenda item is for the Board to fulfill its monitoring responsibility with respect to System administrative expenses as the Executive Director will report on actual versus budgeted expenditures for 2021.

RELEVANCE TO STRATEGIC PLAN

This agenda item aligns with one of the five core competencies established in the COAERS Strategic Plan: “**Dependable Operations:** *Managing the financial and operational commitments of the system within appropriate measurable standards.*”

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

BACKGROUND

The Executive Director will review the final year-end administrative expenditures against the Board approved 2021 administrative budget.

ATTACHMENT

1. 2021 Administrative Budget Report

COAERS 2021 Administrative Budget Year-End Summary				
	2021 Budget	2021 YE	Remaining Balance	Percent Expended
Total Personnel Budget				
Total Salaries and Cash Compensation	2,898,292	2,800,354	97,938	96.6%
Payroll Taxes	209,458	178,938	30,520	85.4%
Group Insurance Benefits	471,248	388,892	82,356	82.5%
Retirement Contributions	542,886	512,485	30,401	94.4%
Contract labor	2,600	-	2,600	0.0%
Total personnel costs	4,124,484	3,880,669	243,815	94.1%
Total Approved FTEs: 24				
Professional Services				
Total Professional Services costs	454,920	393,793	61,127	86.6%
Building and Equipment				
Total Building and Equipment costs	512,200	464,408	47,792	90.7%
Information Technology Resources				
Total Information Technology costs	754,774	644,589	110,185	85.4%
Travel and Training				
Total Travel and Training costs	78,000	35,968	42,032	46.1%
Communications				
Total Communications costs	142,250	100,576	41,674	70.7%
Other Administrative				
Total Other Administrative costs	263,810	237,888	25,922	90.2%
Capital Projects and Events				
Total Capital Projects and Events costs	76,500	37,261	39,239	48.7%
Contingency Budget				
Total Contingency Budget costs	192,000	16,397	175,603	8.5%
Total Administrative Expense Budget	\$ 6,598,938	\$ 5,822,216	\$ 776,722	88.2%

COAERS 2021 Administrative Budget Year-End Detail				
	2021 Budget	2021 YE	Remaining Balance	Percent Expended
Total Personnel Budget				
Total Salaries and Compensation	2,898,292	2,800,354	97,938	96.6%
Payroll Taxes	209,458	178,938	30,520	85.4%
Group Insurance Benefits	471,248	388,892	82,356	82.5%
Retirement Contributions	542,886	512,485	30,401	94.4%
Contract labor	2,600	-	2,600	0.0%
Total personnel costs	4,124,484	3,880,669	243,815	94.1%
Total Approved FTEs: 24				
Professional Services				
Actuary	125,000	62,541	62,459	50.0%
Attorney: General Counsel	75,000	57,481	17,519	76.6%
Attorney: Tax Counsel	10,000	5,320	4,680	53.2%
Audit: Internal and External	135,000	121,375	13,625	89.9%
Medical Review: Disability	10,000	4,329	5,671	43.3%
Governmental Relations	48,000	48,000	-	100.0%
Governance Review	31,920	74,747	(42,827)	234.2%
Benchmarking Services	20,000	20,000	-	100.0%
Total Professional Services costs	454,920	393,793	61,127	86.6%
Building and Equipment				
Building Maintenance	31,200	14,257	16,943	45.7%
Northpoint Lease	460,000	431,377	28,623	93.8%
Equipment Maintenance & Leases	16,000	10,473	5,527	65.5%
Insurance: Property & Casualty	5,000	8,301	(3,301)	166.0%
Total Building and Equipment costs	512,200	464,408	47,792	90.7%
Information Technology				
Business Continuity	62,200	60,755	1,445	97.7%
General Computer Support	115,574	111,076	4,498	96.1%
Dynamics GP License and Support	30,000	13,514	16,486	45.0%
Pension Admin System Licenses and Support	277,000	207,807	69,193	75.0%
Cybersecurity Initiatives	220,000	202,838	17,162	92.2%
Telecommunications	50,000	48,600	1,400	97.2%
Total Information Technology costs	754,774	644,589	110,185	85.4%

COAERS 2021 Administrative Budget Year-End Detail				
	2021 Budget	2021 YE	Remaining Balance	Percent Expended
Travel and Training				
Board Continuing Education	33,000	16,812	16,188	50.9%
Staff Continuing Education	45,000	19,156	25,844	42.6%
Total Travel and Training costs	78,000	35,968	42,032	46.1%
Communications				
Printing	45,150	33,136	12,014	73.4%
Postage and Mailing	43,500	23,362	20,138	53.7%
Member Education	-	-	-	0.0%
Digital Communications	53,600	44,078	9,522	82.2%
Total Communications costs	142,250	100,576	41,674	70.7%
Other Administrative				
Insurance: Fiduciary/D&O Liability	188,750	184,916	3,834	98.0%
Advertising	3,000	2,706	294	90.2%
Bank Fees	4,500	4,209	291	93.5%
Delivery Service	2,000	1,872	128	93.6%
Memberships, Subscriptions, and Fees	40,000	34,062	5,938	85.2%
Meetings and Events	-	-	-	0.0%
Awards and Recognition	1,560	1,165	395	74.7%
Mileage	2,000	1,807	193	90.3%
Miscellaneous	2,000	1,121	879	56.1%
Office Supplies	20,000	6,029	13,971	30.1%
Total Other Administrative costs	263,810	237,888	25,922	90.2%
Capital Projects and Events				
Capital Projects				
Pension Administration System	45,000	12,038	32,963	26.8%
Capital Improvements Program	31,500	25,224	6,276	80.1%
Total Projects and Events costs	76,500	37,261	39,239	48.7%
Contingency Budget				
Building Maintenance	25,000	-	25,000	0.0%
Information Technology	30,000	-	30,000	0.0%
Traditional Meetings	12,000	2,246	9,754	18.7%
Office Furniture and Equipment	45,000	3,018	41,982	6.7%
Computer Hardware and Software	30,000	21,801	8,199	72.7%
Retirement/Terminal Pay	50,000	-	50,000	0.0%
Total Contingency Budget	192,000	27,065	164,935	14.1%
Total Administrative Expense Budget	\$ 6,598,938	\$ 5,822,216	\$ 776,722	88.2%

AGENDA ITEM 12:

Receive report from Executive Director on the following matters:

C. Update on October Board workshop

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board an update on options for the October Board workshop.

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

AGENDA ITEM 12:

Receive report from Executive Director on the following matters:

D. MET report and upcoming educational programs and conferences

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board a report on upcoming educational programs and conferences.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with one of the five core competencies established in the COAERS Strategic Plan: “**Education:** *Promoting educational opportunities that enhance knowledge and develop appropriate skill sets for Trustees, Staff, and customers.*”

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

BACKGROUND

Many Trustees’ terms have rolled over and reset to zero hours at the beginning of 2022. Staff will continue to log hours and prompt Trustees who may need additional training.

ATTACHMENTS

1. COAERS 2022 MET report
2. Upcoming Educational Programs and Conferences

The following report provides information on COAERS Trustee and administrator progress in completing the Pension Review Board (PRB) training requirements. The report does not include courses that have been registered for but not yet taken or reported.

Accredited Sponsor

COAERS obtained approval to be renewed for four more years as an accredited sponsor of both Core and Continuing Education MET activities, meaning that in-house trainings will continue to be counted toward PRB requirements.

PRB Terms

All Trustees were current at the end of 2021. Several Trustees have begun new terms.

Core MET Requirements

New Trustees and administrators are required to receive a minimum of seven hours of training in the “core” topic areas of: fiduciary, governance, ethics, investments, actuarial, benefits administration, and risk management. The seven hours of “core” training must include every topic area and training in each topic area and must be at least 0.5 hours and not more than 2 hours.

(COAERS has three Trustees in this cycle, Dr. Crook, Dr. Granof, and Mr. Levine)

Continuing Education MET Requirements

After the “core” training cycle ends, Trustees and administrators are required to complete a minimum of four hours of training every two years. “Continuing education” training may be in the “core” topic areas, as well as “non-core” topic areas such as: compliance, legal and regulatory, pension, accounting, custodial issues, plan administration, Texas Open Meetings, and Texas Public Information Acts.

Continuing Ed Training 2-year cycle Cycles are PRB terms, not the full range of Board elections/assignments	Core	Non-core	Total	Completed
M. Benson January 1, 2021-December 31, 2022		3.5	3.5	
C. Hanson January 11 2022 – January 10, 2024	3.75	2	5.75	√
A. Hunter January 30, 2022 to January 29, 2024				
Y. Liu January 1, 2022 to December 31, 2023				
C. Noak January 1, 2022-December 31, 2023				
L. Pool Feb 19, 2022 – Feb. 18, 2024		4	4	√
A. Ross January 1, 2022-December 31, 2023				
Brad Sinclair January 1, 2022 – December 31, 2023				
Diana Thomas January 19, 2022 – January 18, 2023				
Core Training 1-year cycle	Core	Non-core	Total	Completed
Kelly Crook August 30, 2021 – August 29, 2022	7	2.75	9.75	√
Dick Levine January 1, 2022 – December 31, 2022	4.75		4.75	
Michael Granof January 1, 2022 – December 31, 2022	5.5		5.5	

Upcoming Educational Programs and Conferences

This page contains links with information on upcoming conferences and educational programs. Noted programs are pre-approved for meeting either core or continuing education requirements from the PRB. We can request credit in advance from the PRB for trainings not pre-qualified. If you have any questions or need any additional information, please contact Sarah McCleary.

- www.BoardSmart.com virtual training for Pension Trustees (contact Sarah if you need help logging in; COAERS has a subscription)
- [CAIA Association Fundamental of Alternative Investments](#) (self-study)(pre-approved for PRB)
- [IFEBP](#)
 - April 27, 2022 Investment Institute – Phoenix, AZ
 - June 6, 2022 Certificate of Achievement in Public Plan Policy, Pensions Part 1 – Santa Monica, CA
 - June 8, 2022 Certificate of Achievement in Public Plan Policy, Pensions Part 2 – Santa Monica, CA
 - October 23-26, 2022 Employee Benefits Conference – Las Vegas, NV
- [NACD](#)
 - Virtual Director Professionalism (online)
 - Cyber Risk Oversight Certificate (online)
 - Director Essential Series (online)
- [NASRA](#) (National Association of State Retirement Administrators)
 - August 6-10, 2022 Annual Conference – Long Beach, CA
- [NCPERS](#) (pre-approved for PRB, Continuing Education only)
 - May 21-22, 2022 Accredited Fiduciary (NAF) Program, Washington, DC
 - May 22-25, 2022 Annual Conference and Exhibition, Washington, DC
 - August 21-23, 2022 Public Pension Forum, Los Angeles, CA
- [Pension Review Board online trainings](#): (all count toward PRB training requirements)

COAERS Board Meeting

March 31, 2022

- *Risk Management (45 min); Risk Management (1 hr); Ethics (45 min); Governance (45 min); Actuarial matters (1.5 hrs); Fiduciary Matters (1 hr) and Investments (1.5 hrs)*

Recommended Reading:

- *The Future of Pension Management* – Keith P. Ambachtsheer
- *Investment Beliefs: A Positive Approach to Institutional Investing* – K. Koedijk
- *Achieving Investment Excellence: A Practical Guide for Trustees of Pension Funds, Endowments and Foundations* – K. Koedijk
- *Winning at the Loser's Game* – Charles D. Ellis

13. Review key meeting takeaways and call for future agenda items

Presented by Chris Noak, Chair

AGENDA ITEM 13:

Receive key meeting takeaways and call for future agenda items

AGENDA ITEM OBJECTIVE

The objectives of the agenda item are to ensure Trustees and Staff have a mutual understanding of any decisions from this meeting, Trustees and Staff have a chance to clarify any direction requested during the meeting, and Trustees can request items for future meeting agendas.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and Implement Best Practices in Board governance, pension administration, and investment management**. It is an industry best practice to review key meeting takeaways to summarize what was accomplished at the meeting as well as ensure Staff has clear direction on further work and future agenda items.

RECOMMENDATION FOR BOARD ACTION

Trustees will review key meeting takeaways and provide any additional direction to Staff.