



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, March 27, 2018 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Chris Noak, Chair
Stephanie Beach
Michael Benson
Eyna Canales-Zarate
Amy Hunter
Yuejiao Liu
Frank Merriman
Leslie Pool
Anthony B. Ross, Sr.
J. Randall Spencer
Ed Van Eenoo

Board Members Absent

(Leslie Pool)

Others Present

Staff:

Christopher Hanson
Russell Nash
Donna Boykin
David Veal
Albert Hicks
Sarah McCleary
Michelle Mahaini

Guests:

Paige Saenz, General Counsel
Lewis Ward, GRS Consulting
Joanna Salinas
Marc Chytil
John Turk, Prudential

Chair Chris Noak called the meeting to order at 1:33 p.m.

1. Call meeting to order

Chair Noak called the meeting to order.

2. Call roll of trustees

The secretary called the roll and the following Trustees were present: Beach, Benson, Canales-Zarate, Hunter, Liu, Noak, Ross, Spencer, and Van Eenoo.

3. Review order of business

Chair Noak reviewed the agenda. Ms. Liu and Mr. Ross both indicated a need to leave early. Mr. Ross suggested taking action items and executive sessions items earlier in the agenda to the extent possible. Chair Noak agreed and re-ordered the agenda accordingly. Agenda items 5, 6, and 10F were postponed until after item 14.

Item 4 was taken out of order.

4. Welcome new trustee

Chair Noak welcomed the newest members of the Board, Ms. Stephanie Beach and Mr. Randy Spencer. Mr. Hanson introduced the newest COAERS Staff member, Albert Hicks, Jr.

Item 5 was taken out of order.

5. Receive system member and public comments

There were no public comments.

Item 6 was taken out of order.

6. Receive reports on the following Board administrative matters:

- A. 2017 annual financial disclosure statements**
- B. Ethics policy disclosure statement**
- C. 2018 Board and Committee Meeting Schedule**

Chair Noak noted the 2017 annual financial disclosure statements, the ethics policy disclosure statement, and the 2018 Board and Committee meeting schedule.

Key Staff Declarations:

Mr. Veal declared meetings with Reston Blumwest and Eric Hanno from AlInvest; Obie McKenzie and Thomas Rose from BlackRock; Seyonne Kang from Greenspring; Jason Unger from GT Analytics; Mary Davidson from Abel Noser; Brian Greene from Zeno Consulting; John Seyler from Cowen; Mary Davidson from Abel Noser; Peter Schmole and Becky Nichols from Aberdeen Standard; Ryan Cox from Founders Grove Capital; Bhavin Manek from Mondrian; Tom Clarkson from Pantheon; Ashley Hartman Alson from Northern Trust Asset Management; Avni Gandhi from Western Asset Management; Jessica Walton from Dimensional Fund Advisors; Eric Peters from One River; John Rotolo and Edward Kung from Barings; William Grayson from Principal Real Estate; Jan Dehn and Tim Jenkins from Ashmore Investment Management; Sandy Loewen and Dwight Jackson from Preqin. Mr. Veal also declared attendance at a retirement party for Art Alfaro where investment managers and service providers were also present.

Mr. Hicks declared meetings with Jan Dehn and Tim Jenkins at Ashmore Investment Management; Michael Lavipour at Square Mile Capital, and Tara McCann at USAA Real Estate.

Board Declarations:

Eyna Canales-Zarate declared attendance at a retirement party for Art Alfaro where several investment managers were also present. Ms. Hunter declared attending the AIF Training Conference including snacks and lunch.

7. Consent items

All of the following items may be acted upon by one motion. No separate discussion or action on any of the items is necessary unless desired by a Board Member.

- A. January 30, 2018 Board meeting minutes**
- B. February 15, 2018 Board meeting minutes**
- C. February 16, 2018 Board meeting minutes**
- D. February 23, 2018 Board meeting minutes**
- E. Ratification, confirmation, and approval of December 2017 new retirements**
- F. Ratification, confirmation, and approval of December 2017 death benefits**

Ms. Canales-Zarate moved approval of the consent agenda. Mr. Ross seconded, and the motion passed unanimously.

8. Appointment of Trustee Place 3 and 5

- A. Convene into executive session pursuant to Section 551.071, Texas Government Code, and Section 1.05, Texas Disciplinary Rules of Professional Conduct, to consult with legal counsel regarding Cause Number J1-CV-18-000583 Samuel Xia vs. City of Austin Employees Retirement System, in the Justice Court, Precinct One, Travis County, Texas**

The Board convened into Executive Session at 1:37 p.m.

Mr. Merriman arrived at 1:38 p.m.

- B. Reconvene into open session to take action as determined appropriate in the Board's discretion regarding Cause Number J1-CV-18-000583 Samuel Xia vs. City of Austin Employees Retirement System, in the Justice Court, Precinct One, Travis County, Texas**

The Board reconvened into public session at 1:57 p.m. No action was taken.

9. Discuss and consider engagement letter with Fletcher, Farley, Shipman & Salinas

Ms. Canales-Zarate moved to authorize the executive director to sign an engagement letter with Fletcher, Farley, Shipman & Salinas. Mr. Ross seconded, and the motion passed unanimously.

10. Investment Committee

A. Receive report from February 16, 2018 meeting

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

B. Receive update on strategic partnerships

Mr. David Veal delivered an update on the status of the investment management agreement that remains in progress with BlackRock.

C. Discuss and consider US equity portfolio, including:

1. Receive implementation report

Mr. Veal provided a report on implementation options for the recommendations from the Investment Committee. After discussion, Mr. Benson moved to approve proposed funding plan option one, including modifications to the prior funding plan for the allocation to BlackRock and direction to Staff to implement the funding plan as the relevant agreements with BNY Mellon and BlackRock are executed. Mr. Van Eenoo seconded, and the motion passed unanimously.

Mr. Benson moved to direct Staff to fund each investment as the relevant agreement is executed and to liquidate the terminated accounts as set forth in the funding plan. Staff was further directed to give notice of termination of the agreements with CoreCommodity and Harvest when the first of the two new mandates is ready to be funded. Ms. Canales-Zarate seconded, and the motion passed unanimously.

Items 10C2 and 10C3 were taken together.

2. Second amendment to the Northern Trust investment management agreement

3. Third amendment to the Northern Trust securities lending authorization agreement

Mr. Benson moved to authorize the Board Chair to sign the second amendment to the Northern Trust Investment Management Agreement and to authorize the Board Chair to sign the third amendment to the Northern Trust Securities Lending Authorization Agreement. Ms. Canales-Zarate seconded, and the motion passed unanimously.

4. BNY Mellon participation agreement, side letter, and related documents

Mr. Benson moved to authorize the Board Chair to sign the side letter agreement, participation agreement, and related documents with BNY Mellon, subject to approval of the final version by COAERS General and Investment Counsel. Ms. Canales-Zarate seconded, and the motion passed unanimously.

5. Transition management services

Mr. Benson moved to authorize the Board Chair to execute letter agreements appointing Fidelity Capital Markets as transition manager for the approved changes to the COAERS portfolio, including BlackRock, Mellon Dynamic US Equity,

and Scientific Beta, upon execution of the related agreements for those mandates. Ms. Canales-Zarate seconded, and the motion passed 9-0-1 with Ms. Hunter abstaining.

D. Discuss and consider revisions to Board Approved Policy I-1 “Statement of Investment Policy”

Mr. Veal discussed proposed revisions to the Investment Policy Statement with the Board. Staff noted that changes will be effected upon funding of the mandates.

Mr. Benson moved to approve the revised Investment Policy Statement with edits as needed to accommodate the BlackRock, Mellon, and Scientific Beta allocations upon the funding of these new mandates as approved by the Board. Mr. Ross seconded, and the motion passed unanimously.

E. Discuss and consider investment operations including:

1. Termination of the commission recapture program

Mr. Veal reported to the Board on the COAERS commission recapture program. After discussion, Mr. Benson moved to direct the Executive Director to terminate all Commission Recapture establishment letters effective immediately and direct all investment managers to cease participation in COAERS commission recapture programs. Ms. Canales-Zarate second and the motion passed unanimously.

2. Approval of transaction cost analysis provider

Mr. Veal reported to the Board on proposals for transaction cost analysis. After discussion, Mr. Benson moved to authorize the Board Chair to sign a contract with Abel Noser for Transaction Cost Analysis subject to approval of the final version by COAERS General Counsel. Ms. Canales-Zarate seconded, and the motion passed unanimously.

Item 10E was taken of order.

E. Receive report on Investment Beliefs survey

Mr. Veal reviewed the Investment Beliefs process including the status of the initial survey. He stated that the next step is for further education for new trustees in key areas of risk management, active vs. passive, and private markets. He noted that a follow-up survey will be completed thereafter with the aim of finalizing a set of Investment Beliefs by year-end.

Item 11 was taken out of order.

11. Discuss investment legal counsel

Mr. Veal updated the Board on the recent turnover at Jackson Walker.

12. 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**

The Board convened into Executive Session at 2:49 p.m.

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

The Board reconvened into Public Session at 3:22 p.m. No action was taken.

Ms. Liu departed at 3:22 p.m.

13. Benefits and Services Committee

- A. Receive report from March 6, 2018 meeting**

Trustees received a report of the March 6, 2018 Benefits & Services Committee meeting.

- B. Discuss and consider the December 31, 2017 actuarial valuation results**

Mr. Lewis Ward of GRS Consulting Services provided a report of the December 31, 2017 actuarial valuation. Ms. Canales-Zarate moved to accept the December 31, 2017 actuarial results. Mr. Ross seconded, and the motion passed unanimously.

- C. Discuss and consider legislative issues and engaging legislative representation**

Mr. Hanson provided a report to the Board on the development of COAERS strategy for the interim and 86th Legislative session. He also discussed proposals from governmental relations firms. The Board discussed the timing of the development of COAERS legislative priorities for the 86th session.

Ms. Canales-Zarate moved to authorize the Executive Director to sign the consulting agreement with Hillco Partners. Ms. Beach seconded, and the motion passed unanimously.

Mr. Ross departed at 4:10 p.m.

14. Receive report from March 6, 2018 Policy Committee meeting

Mr. Noak provided a report from the March 6, 2018 Policy Committee meeting.

15. Receive report from March 6, 2018 Audit and Risk Committee meeting

Mr. Noak provided a report from the March 6, 2018 Audit and Risk Committee meeting.

16. Discuss and consider Board educational activities including the following:

- A. State minimum educational training requirements**
- B. Reports on educational programs attended**
- C. Upcoming educational programs and conferences**

Mr. Hanson provided an update on the status of trustee training. The Board discussed the TEXPERS Annual Conference in April.

17. Executive Director Report

- A. Update on staffing
- B. Comparative calculation and retirement activity levels
- C. 2017 Year End Financial Statements
- D. Board website portal

Mr. Hanson delivered the Executive Director report to the Board.

18. Call for future agenda items

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



Chris Noak, Board Chair

7-3-2018
Date



Christopher Hanson, Executive Director

6/27/2018
Date