


# March 28, 2024 Board Meeting


<b>Schedule</b>	Thursday, March 28, 2024 10:00 AM — 1:00 PM CDT
<b>Venue</b>	4700 Mueller Blvd., Austin, TX 78723
<b>Organizer</b>	Sarah McCleary

## Agenda


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1. Call meeting to order 1  
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  2. Call roll of Trustees 3  
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  3. Review order of business and establish meeting objectives 5  
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5. Consent items - All of the following items may be acted upon by one motion. 9  
 No separate discussion or action on any of the items is necessary unless desired by a Trustee.
- A. January 31, 2024 Board meeting minutes
  - B. Ratification of December 2023, and January and February 2024 retirements
  - C. Disability Claims #2401, #2402, #2403 and #2404
  - D. Election for Active-Contributory and Retired Board Members policy
  - E. Fraud, Waste and Abuse Reporting policy
  - F. Investment Practices and Performance Evaluation report
  - G. Private Credit Strategic Plan
- Presented by Yuejiao Liu










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**Vote** Vote to approve the consent agenda as presented

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6. Receive reports on the following Board administrative matters including: 79
- A. Ethics policy disclosure statements
  - B. Report on 2023 annual financial disclosure and annual ethics policy statements
  - C. 2024 meeting calendar
  - D. February 22, 2024 Investment Committee meeting
  - E. March 6, 2024 Audit and Risk Committee meeting
  - F. March 6, 2024 Benefits and Services Committee meeting
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Presented by Yuejiao Liu


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- Presented by Yuejiao Liu







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**Vote** Vote to adopt the December 31, 2023 actuarial valuation results

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- 10. Governance and Human Resources Committee: 132
  - A. Discuss and consider proposed revisions to Board Bylaws
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Presented by Yuejiao Liu

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**Vote** Vote to approve the Board Bylaws as presented

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**Vote** Vote to repeal the Board Policy "Appointment to Fill Unexpired Terms"

- 11. Discuss and consider Policy Committee Charter 169

Presented by Yuejiao Liu

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**Vote** Vote to adopt the Policy Committee Charter as presented

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# 1. Call meeting to order

Presented by Yuejiao Liu



**BOARD MEETING**  
**Agenda Item Information Sheet**

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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 Yuejiao Liu





**BOARD MEETING**  
**Agenda Item Information Sheet**

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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 Yuejiao Liu



## BOARD MEETING Agenda Item Information Sheet

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### 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.

1. Adoption of the December 31, 2023 actuarial valuation
2. Acceptance of the Investment Practices and Performance Evaluation report by RVK
3. Recommendations regarding the global equity portfolio including benchmarks, portfolio structure, funding implementation plans, and the Premier List
4. Proposed revisions to the Board Bylaws and repeal of Board Policy “Appointments to Fill Unexpired Terms”
5. Proposed revisions to the Policy Committee Charter
6. Reports on the audit of COAERS actuarial valuations, as well as a report from the Executive Director
7. Lastly, to expedite the meeting, the consent agenda includes items from the Board’s committees that were referred to the Board without dissent or significant revision including the Election Policy; Fraud, Waste, and Abuse Policy; Investment Practices and Performance Evaluation report; and the Private Credit Strategic Plan.

#### 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.**

## 4. Receive System member and public comments

Presented by Yuejiao Liu



## BOARD MEETING Agenda Item Information Sheet

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### 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, 2024 Board meeting minutes

B. Ratification of December 2023, and January and February 2024 retirements

C. Disability Claims #2401, #2402, #2403 and #2404

D. Election for Active-Contributory and Retired Board Members policy

E. Fraud, Waste and Abuse Reporting policy

F. Investment Practices and Performance Evaluation report

G. Private Credit Strategic Plan

Presented by Yuejiao Liu



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 5: Consent items

All 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, 2023 Board meeting minutes
- B. Ratification of December 2023, and January and February 2024 retirements
- C. Disability Claims #2401, #2402, #2403, and #2404
- D. Election for Active-Contributory and Retired Board Members policy
- E. Fraud, Waste and Abuse Reporting policy
- F. Investment Practices and Performance Evaluation report
- G. Private Credit Strategic Plan

#### AGENDA ITEM OBJECTIVE

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

#### RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board approve the consent agenda.

#### ITEM SUMMARY

- A. January 31, 2024 Board meeting minutes**  
Minutes are kept and posted for each Board meeting.
- B. Ratification of December 2023, and January and February 2024 retirements**  
The COAERS governing statute requires the Board to approve all retirements.
- C. Disability Claims #2401, #2402, #2403, and #2404**  
The COAERS governing statutes require the Board to approve all disability claims. Claims #2401, #2402, and #2403 were heard at the March 6, 2024 Benefits and Services Committee meeting. Both the doctor and the Committee recommended approval of all three claims. Claim #2404 will be heard at the March 28, 2024 Benefits and Services Committee meeting, and the consent materials will be updated with that recommendation.
- D. Election for Active-Contributory and Retired Board Members policy**  
The Governance and Human Resources Committee reviewed this policy, which had revisions including removing language about volunteers.



## BOARD MEETING Agenda Item Information Sheet

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### **E. Fraud, Waste and Abuse Reporting policy**

The Audit and Risk Committee reviewed this policy, recommending that the policy be reviewed at least every three years and that if no complaints are received under the Policy, the General Counsel will report this to the Board.

### **F. Investment Practices and Performance Evaluation report**

The Investment Committee reviewed the Investment Practices and Performance Evaluation (IPPE) report and has forwarded the report to the Board for acceptance. Included in the consent materials is the Executive Summary. The full 73-page IPPE report and the staff response is included in the supplemental materials.

This item fulfills the Board's legal requirement under Texas Government Code §802.109, which "requires Texas public retirement systems with assets of at least \$30 million to select an independent firm with substantial experience to evaluate the appropriateness, adequacy, and effectiveness of the system's investment practices and performance and to make recommendations for improving its investment policies, procedures, and practices." COAERS is required to conduct this review at least every three years and the current review is due to the Pension Review Board by June 1, 2024.

### **G. Private Credit Strategic Plan**

The Investment Committee reviewed the Private Credit Strategic Plan and recommended its approval by the Board. The Plan will be a stand-alone document if approved, with policy elements of the Plan to be incorporated in a revised Investment Policy Statement which will include a requirement for the Plan to be reviewed and updated annually.

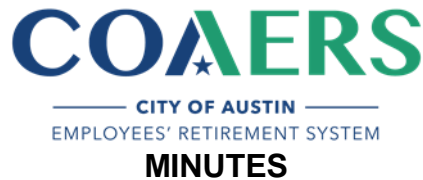
### ATTACHMENTS

1. Draft minutes of January 31, 2024 Board meeting
2. New retirements from December 2023, January 2024, and February 2024 (Confidential)
3. Benefits and Services Committee recommendations on Applications #2401, #2402, and #2403. The recommendation for #2404 will be distributed after the Benefits and Services Committee meets before the Board meeting
4. Draft Election for Active-Contributory and Retired Board Members policy
5. Draft Fraud, Waste, and Abuse reporting policy
6. Investment Practices and Performance Evaluation Executive Summary
7. Private Credit Strategic Plan

### SUPPLEMENTAL MATERIALS AVAILABLE ON CONVENE APP

1. Full Investment Practices and Performance Evaluation report
2. Staff response to IPPE recommendations





## BOARD MEETING

Public Meeting held in-person and telephonically on January 31, 2024 at 10:00 am CT  
Pursuant to Texas Govt. Code 551.127  
6850 Austin Center Blvd., Suite 320, Austin, TX 78731

### **Board Members Present**

Michael Benson  
Kelly Crook  
Michael Granof  
Dick Lavine  
Yuejiao Liu, Chair  
Chris Noak  
Leslie Pool  
Anthony B. Ross, Sr.  
Brad Sinclair  
Diana Thomas  
Ed Van Eenoo

### **Board Members Absent**

#### **Guests:**

Paige Saenz, General Counsel  
Spencer Hunter, RVK  
Ian Bray, RVK\*

### **Staff:**

Christopher Hanson  
David Kushner  
David Stafford  
Jenni Bonds  
Mehrin Rahman  
Michelle Mahaini\*  
Russell Nash  
Sarah McCleary  
Ty Sorrel  
Kelly Doggett  
Yun Quintanilla  
Amy Kelley\*

\* present telephonically

† present via videoconference

## **1 Call meeting to order**

Chair Yuejiao Liu called the meeting to order at 10:02 a.m.

## **2 Call roll of Trustees**

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

*Mr. Benson arrived at 10:03 a.m.*

## **3 Review order of business and establish meeting objectives**

Chair Liu reviewed the objectives of the meeting and asked if Trustees needed to take any agenda items out of order. Trustees agreed to take investment-related items beginning with 8A after agenda item #4.

**4 Receive System member and public comments**

Chair Liu asked if there was anyone who wished to make a public comment; there were none.

**5 Election of 2024 Officers: Board Chair and Vice Chair**

*This item was taken out of order, after agenda item #8B.*

Ms. Pool moved to elect Yuejiao Liu as Chair and Brad Sinclair as Vice-Chair for 2024. Mr. Chris Noak seconded. This motion was passed by acclamation.

**6 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. December 19, 2023 Board meeting minutes**

**B. Updated 2022-2026 Strategic Plan**

Ms. Diana Thomas moved to approve the consent agenda as presented. Mr. Anthony Ross seconded, and the motion passed unanimously.

**7 Receive reports on the following Board administrative matters including:**

**A. Ethics policy disclosure statements**

**B. Annual acknowledgement of ethics policy**

**C. 2023 Annual Financial Disclosure/Conflicts of Interest Affidavits**

**D. 2024 Committee assignments process**

**E. Report from January 19, 2024 Investment Committee meeting**

Mehrin Rahman declared attendance at 2024 NCPERS Pension Communications Summit with meals provided. Chair Liu noted that Trustees who have not already requested committees should do so.

**8 Investments**

**A. Receive report on preliminary 12/31/2023 Fund performance – RVK**

*This item was taken out of order, after agenda item #4*

Mr. Spencer Hunter of RVK presented a summary of Fund performance for the year 2023, and noted what worked, what did not, and reported on general markets information. Mr. Hunter noted that the US equity market did well. He added that some of the good performance for markets was simply a rebound off the very bad 2022. Mr. Hunter then walked Trustees through performance attribution, showing that investment pool performance and strategic asset allocation added most, while tactical asset allocation and style selection were negative to overall performance. Trustees discussed peer groups, and private versus public comparisons in the short term.

*After this agenda item, Trustees moved to agenda item #10*

**B. Discuss and consider strategic policy rebalancing and delegated authority - David Stafford**

*This item was taken out of order, after agenda item #11*

Mr. Stafford briefed Trustees on market dynamics and ongoing discussions about the Fund's Strategic Asset Allocation and recommended that the Board maintain existing positioning in the Strategic Rebalancing Ranges.

Mr. Ross moved to approve a policy exception to allow Staff to:

1. not rebalance the asset and underlying sub-asset classes for Fixed Income and Multi-Asset for Market Drift and
2. rebalance the Fund for Risk Management within the Strategic Rebalancing Ranges for Cash & Equivalents.

Ms. Kelly Crook seconded. After discussion, this motion was withdrawn.

Mr. Mike Benson moved to approve a policy exception to allow Staff to maintain existing positioning in the Strategic Rebalancing Ranges, and further,

1. not rebalance the asset and underlying sub-asset classes for Fixed Income and Multi-Asset for Market Drift and
2. rebalance the Fund for Risk Management within the Strategic Rebalancing Ranges for Cash & Equivalents.

Ms. Leslie Pool seconded. After discussion, the motion was given substitute language by Ms. Pool and Ms. Crook as follows:

Move to approve a policy exception to allow Staff to maintain existing positioning in the Strategic Rebalancing Ranges for a period of twelve months and not rebalance the asset and underlying sub-asset classes for Fixed Income and Multi-Asset for market drift.

This revised motion was passed unanimously.

*Trustees took a break from 12:25 to 12:45 p.m., when they returned to agenda item #5.*

- 9 Receive report from Executive Director on the following matters:**
- A. 4700 Mueller update**
  - B. Review 2024 meeting schedule and Committee Work Plans**
  - C. MET report and upcoming educational programs/conferences**

Mr. Christopher Hanson updated the Board on the state of the new building and moving plans, the upcoming schedules and work plans, and noted that all Trustees are either compliant with their training requirements or have just entered a new cycle.

When this agenda item was revisited, Mr. Noak inquired about having an Investment Committee of the whole. Trustees decided to let the Investment Committee consider this issue at its first meeting and inform the Board Chair of any recommendation

regarding the Committee of the whole. Mr. Hanson also reminded Trustees that new Committees will review the Work Plans and may amend them; they may also change the schedules.

**10 Discuss and consider the governance of the investment program and the oversight role of the Board**

*This item was taken out of order, after agenda item #8A*

Trustees discussed the investment program and established a consensus that COAERS investments are underperforming. Chair Liu asked all Trustees to weigh in with their thoughts. Trustees had a discussion of what was the appropriate level of decision-making and oversight. Trustees discussed how much should be delegated to the Investment Committee since the whole Board approves the decisions. Trustees discussed key Board decisions including strategic asset allocation, level of risk tolerance of the portfolio, and the Investment Policy Statement and Investment Implementation Policy.

Trustees then discussed the need to focus on the most critical issues in the limited time Trustees have at Committee and Board meetings. One item discussed was creating the Investment Committee as a Committee of the whole and another was having more called Board meetings to ensure important investment decisions did not wait weeks or months to be considered by the Board. Trustees also discussed the need for specific recommendations, the need to establish expectations and accountability for the performance of the Fund. Staff noted that they would work to incorporate the Trustees' discussion into the Board and Committee materials and communications regarding the investment program.

**11 Discuss and consider engaging a firm to evaluate COAERS' investment practices and performance**

Mr. Ed Van Eenoo moved to direct the Executive Director to work with the Investment Committee, or a working group of the Investment Committee, to negotiate and execute a contract with an independent third-party investment consultant to conduct a comprehensive review of the system's investment performance, practices, and policies. Mr. Ross seconded. Further discussion of the motion yielded direction to place this on the agenda of the February Investment Committee agenda with the understanding that Executive Director Hanson could research and award the contract if under \$50,000 without Board approval. Discussion clarified that a report with findings and recommendations should be provided to the Board no later than June 30, 2024. The motion passed 10-1 (Ms. Crook dissenting).

*After this agenda item, Trustees moved on to agenda item 8B.*

**12 Executive Session**

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

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

Trustees convened into Executive Session at 1:04 p.m.

*Mr. Benson left the meeting at 1:37 p.m.*

Trustees reconvened into Public Session at 1:41 p.m.

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

Chair Liu summarized the decisions made at this meeting and asked for future agenda items. Trustees asked to revisit agenda item #9 in order to discuss committee schedules.

As there were no other items to discuss, the meeting adjourned at 1:50 p.m.

# COAERS

CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

Attachment 5C

March 6, 2024  
DISABILITY RECOMMENDATION #2401

The Disability Committee recommends that Board

Approve    Deny

Retirement application #2401.

Diana Thomas

Diana Thomas  
Committee Chair

3/6/24

Date

The physician recommends that Board

Approve    Deny

Retirement application #2401

Harold Skaggs

Harold Skaggs, M.D.  
Physician

3/6/2024

Date

# COAERS

CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

March 6, 2024  
DISABILITY RECOMMENDATION

Attachment 5C

Disability retirement application #2402

The Disability Committee recommends that Board

Approve    Deny

Retirement application #2402.

Diana Thomas

Diana Thomas  
Committee Chair

3/6/24

Date

The physician recommends that Board

Approve    Deny

Retirement application #2402.

Harold Skaggs, M.D.

Harold Skaggs, M.D.  
Physician

3/6/2024

Date



CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

**Attachment 5C**

March 6, 2024  
DISABILITY RECOMMENDATION

Disability retirement application #2403

The Disability Committee recommends that Board

Approve    Deny

Retirement application #2403.

Diana Thomas

Diana Thomas  
Committee Chair

3/6/24

Date

The physician recommends that Board

Approve    Deny

Retirement application #2403.

Harold Skaggs

Harold Skaggs, M.D.  
Physician

3/6/2024

Date





## Attachment 5D

### Board Approved Policy

Subject: Election for Active-Contributory and Retired Board Members

Review Committee: Governance and HR Committee

Date Implemented: July 23, 1998

Date Updated: ~~June 29, 2023~~ March 28, 2024

Signature of Chairperson:

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Yuejiao Liu

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
BOARD APPROVED POLICY ~~E-1~~  
ELECTION POLICY FOR  
ACTIVE-CONTRIBUTORY AND RETIRED BOARD MEMBERS**

**I. PURPOSE AND SCOPE**

This Policy sets forth a plan for the election of Active-Contributory and Retired Members, Places Seven through Eleven, to the City of Austin Employees' Retirement System (COAERS) Board of Trustees (Board) based upon the requirements stated in Article 6243n., Tex. Rev. Civ. Stat. (the "Act"), regarding the City of Austin Employees' Retirement System. Member-elected Trustees each serve on the Board for a four-year term, with the term beginning on January 1.

Subject to the Act, the Board is composed of a total of eleven Members:

Place One	City Council Member
Place Two	City Manager of the City of Austin or Designee
Place Three	Council Appointed Citizen Member
Place Four	Council Appointed Citizen Member
Place Five	Board Appointed Citizen Member
Place Six	Director of Finance of the City or Designee
Place Seven	Active-Contributory Member
Place Eight	Active-Contributory Member
Place Nine	Active-Contributory Member
Place Ten	Retired Member
Place Eleven	Retired Member

This Policy also sets forth a plan for special elections to fill unexpired terms of one year or longer of Active-Contributory and Retired Board Members whose service is terminated by death, resignation, termination of employment, disability, retirement, or removal of the Board Member.

If the unexpired term is less than one year, or if a general election is scheduled to be held within approximately one year for which sufficient notice of a special election may be given, the Board may appoint an Active-Contributory or Retired Member to fill the remaining term until the next available general election date (refer to Board-Approved Policy A-1 "Appointments to Fill Unexpired Terms").

## II. RESPONSIBILITIES

- A. COAERS Board of Trustees:** Will review and approve this Policy to assure conformance with the Act, as well as provide for the conduct of the election process. Board Trustees are strongly recommended not to provide written endorsement for any candidate and efforts should be made by Board Trustees to avoid public endorsement of any candidate.
- B. Nominating and Election Committee Members:** Will oversee the election process, prepare the ballot, canvass the returns, serve as election judges, and declare the official results of the election.
- C. Alternate Committee Members:** Will perform all of the duties and responsibilities of a Committee member when so designated by the Nominating and Election Committee Chair. Otherwise, Alternate Committee members cannot make motions, second a motion, or vote on Committee decisions.
- D. Executive Director:** May approve variances to the approved election schedule in consultation with the Nominating and Election Committee Chair to facilitate the election consistent with the Act. Variances will be reported to the Nominating and Election Committee at their next scheduled meetings.
- E. COAERS Staff:** Will maintain election procedures, coordinate the election process, provide support to the Nominating and Election Committee, prepare disclosure forms required by this Policy, and conduct a Candidate Training Workshop. The Candidate Training Workshop will include training in the fiduciary responsibilities of the Trustees, ethics, and behaviors as a candidate, and for service as a Trustee.
- F. Candidates:** Will comply with the application and timeline requirements as established in this Policy. Are strongly encouraged to attend the Candidate Training Workshop.
- ~~**G. Volunteers:** COAERS members who have properly notified COAERS staff of their willingness to assist the Committee and Staff. Volunteers cannot vote or participate in any decision of the Nominating and Election Committee.~~

### III. GUIDELINES

#### A. DUTIES OF THE NOMINATING AND ELECTION COMMITTEE

1. The Nominating and Election Committee (the “Committee”) will oversee the election process in conformance with this Policy and may authorize Staff to facilitate activities of the election.
2. The Committee will evaluate the potential candidates to ensure they meet the qualification requirements in III.B. of this Policy, which are also stated in the Act.
3. The Committee will reconvene following the election to tabulate the votes or review the tabulation of the votes by a third-party vendor, certify the results, and ensure candidates are contacted with the results.
4. The Committee will receive and investigate any challenge(s) to the election by any official candidate (refer to III.F. below).
5. The Committee Chair or designee will report the election results to the Board.
6. A quorum of the Committee shall be a majority of the members of the Committee excluding alternates ~~and volunteers~~. The Nominating and Election Committee Chair can appoint Alternate Committee Members to serve as Committee Members in-person, by telephone, by paper or electronic written communication as needed.
7. Meetings of the Committee shall be held at a place designated by the agenda of each Board meeting, except as may be otherwise authorized by the Texas Open Meetings Act. If the Committee Chair is not present at the physical location of the Committee meeting, the Secretary will serve as the presiding officer. If the Committee Chair and the Secretary are not present at the physical meeting location, the Committee member with the longest service on the Committee, as determined by Staff, shall serve as the presiding officer.

#### B. CANDIDATE QUALIFICATIONS

1. Each candidate must be an Active-Contributory or Retired Member of COAERS, as appropriate, and maintain that status from the date of the candidate’s application through the day before the results of the election are certified by the Board.
2. The Act provides that “Not more than one active-contributory member may

be eligible for election from any one department or office or similar organizational unit that is established in the annual budget of an employer and that is not a part of any department.” Persons from departments currently represented on the Board may not be election candidates except at an election to fill the place then held by such Board member. For the purpose of determining whether a particular department is currently represented on the Board, the department a Trustee represents is determined at the time the Trustee is elected and will remain as such throughout the term of his/her office regardless of interdepartmental position changes of the Trustee during that particular term on the Board. Interdepartmental position changes of a Trustee that occur after the election do not disqualify the Trustee from serving the remainder of his or her term.

### **C. CANDIDATE REQUIREMENTS**

1. Qualified candidates must submit an application by the established deadline to the Retirement Office for consideration. Applications filed with COAERS for the purpose of a Member becoming a candidate for election to the Board are public information and are not “Member” information that is confidential under Sec. 13 of the Act.
2. Candidates who do not meet the deadline for filing applications will not be presented on the official election ballot.
3. Candidates will be provided a specific timeline in which to review their election ballot statement and submit any revisions.

### **D. MEMBERS ELIGIBLE TO VOTE**

1. Member-elected Trustees are elected at large by the appropriate membership voting in the election (Active-Contributory or Retired).
2. All current COAERS Retirees receiving an annuity from the COAERS will be eligible to vote in Retired Member elections. Survivors and Beneficiaries (designated or receiving benefits) are not entitled to vote.
3. All current COAERS Active-Contributory Members will be eligible to vote in Active-Contributory Member elections.
4. City employees who have not yet attained membership in COAERS or those employees participating in another City retirement system (e.g., Austin Police or Fire retirement systems) are not eligible to vote.

## E. GENERAL ELECTION PROCESS

1. General elections shall be held in December to fill full, four-year terms of office. Timelines for the process may begin earlier as outlined in Staff procedures to ensure a thorough and timely election process.
2. In accordance with the Act, no later than August 1, the Board shall review/approve this Policy for the conduct of the election.
3. The Board will appoint a Committee no later than the first day of October.
  - a. Staff is responsible for recruitment of the Committee Members for Board approval. The Board will appoint the Committee Members and alternates as specified in the Act. The Board may authorize Staff to recruit and appoint Committee Members as appropriate.
  - b. Committee Members for Retired Member Trustee elections (places ten and eleven) must be retired at the time the Member is appointed to the Committee. Committee members for Active Member Trustee elections (places seven, eight, and nine) must be active members at the time they are appointed to the Committee.~~The Act provides that only Retired Members may be appointed to the election Committee.~~
  - c. If a Member of the Committee files an application to run for a Retired Member Trustee position, the filing of the application constitutes an automatic resignation from the Committee.
4. Staff will coordinate a schedule for the election activities for approval by the Committee. At the first meeting, the Committee will review the duties of the Committee, the election policy and procedures, and the schedule of election activities, and elect from its membership a Chair and Secretary.
5. If the Board authorizes the use of a third-party to conduct election activities in its annual budget, Staff and the Committee will work with the third-party to conduct the election including, but not limited to, the distribution of the ballots, providing online electronic election tools for voters, tabulation of votes, and communication to voters,~~Staff and the Committee will work with the third-party to conduct the election.~~
6. Staff will coordinate the election meetings and activities in accordance with established procedures.
7. In the event that no candidates submit applications by the established deadline, the election process will start over and all timeframes will be adjusted accordingly.

8. If a single candidate is unopposed, the election process will be followed as established in this Policy and the election procedures.
9. The Committee will evaluate the candidate applications to ensure they meet the qualification requirements of this Policy, which are also stated in the Act (refer to III.B. above).
10. An educational workshop will be offered to advise candidates of the requirements of serving on the Board. Although strongly encouraged to attend, candidates may decide whether to attend the workshop. A training workshop will not be conducted if none of the candidates are interested in attending.
11. Candidates will be given an opportunity to withdraw their application from the election or modify their ballot statement at the conclusion of the workshop.
12. The Committee will review applications filed by candidates. The review will include a determination of COAERS membership, timeliness of the filing, and word limit. The Committee will establish a timeline for statement modification.
13. The Committee will authorize Staff to prepare the election ballot and coordinate ballot printing. The only information about the candidates that will appear on the ballot will be as follows:
  - a. For active member elections, the candidates' name, department, position, and length of city employment, or
  - b. For retired members, the candidates' name, the department from which the member retired, the last position held, and the length of city employment.
14. The candidate statement will be included with the ballots sent to voters on a separate document. Candidate statements will be prepared verbatim from Member applications. Candidates will be given the option to include a photo with the candidate statement.
15. The Committee shall specify on the ballot the exact date and time the ballot must be completed online, received through the mail, or delivered in person for the ballot to be counted. Numbers will be drawn to determine candidate placement on the ballot.
16. The Committee will verify printed ballot information. If all information is correct, the Committee may authorize Staff to hire a qualified independent

company to insert and mail the ballots on the date scheduled for mailing of ballots to Members' home addresses along with instructions and postage-paid return envelopes. In Active-Contributory Trustee elections, ballots will be mailed to Active-Contributory Members; in Retired Member Trustee elections, ballots will be mailed to Retired Members.

17. The Committee will approve the format used to allow Voting Members to vote online.
18. A Voting Member may write in the name and department (or former department if a retiree) of any eligible Member he/she wishes to elect in place of the official candidates. The number of write-ins on any one ballot may not exceed the number of Trustee places to be filled. If a write-in candidate receives the highest number of votes, the Committee will confirm that the candidate meets the qualifications to hold the position, and if the candidate does, the candidate may be declared the apparent winner. If the candidate does not meet the qualifications, the candidate who receives the next highest number of votes will be declared the apparent winner.
19. Paper ballots must be received at the address on the return envelope before the close of business on the first weekday that is not a holiday in December. Online votes must be cast before the close of business on the first weekday that is not a holiday in December. Ballots will be retained in accordance with COAERS Records Control Schedule.
20. Voting Members must mark candidate choices on the paper or electronic ballot. The Committee shall count the ballots, or review the ballots cast if a third-party vendor is used to receive and tabulate the ballots, to determine the winner. Invalid ballots will include but are not limited to the following: no votes marked; ballot numbers cut off; ballot altered; more than the required number of votes marked; ballot received after election deadline. ~~Volunteers may assist with the counting of ballots but may not vote or participate in Committee decisions.~~
21. The candidate receiving the highest number of eligible votes will be declared the "apparent" winner. If two Board places are to be filled by vote of the appropriate membership, the two qualified candidates that receive the highest number of votes will be declared the winners for the Board places. Board Member placement will be based on the candidate with the highest number of votes being placed in the first elected place and the second highest in the second elected place.
22. If two or more candidates from a single department run for the active election, and two or more receive the highest number of votes, the candidate receiving the highest number of votes will be elected, and the other candidate(s) from the same department will be declared disqualified



due to the Act requirement that not more than one representative per department may be elected to the Board. In that event, the candidate receiving the next highest number of votes, who is not from a department already represented on the Board, will be elected to the Trustee place sought by the disqualified candidate.

23. In accordance with the Act, in the case of a tie vote, selection will be made by lot drawn by an existing member of the Board of Trustees at a meeting of the Retirement Board before the first day of January of the year after the election.
24. All candidates will be notified of the results by the Committee Chair or designee by telephone (documented), email, and/or mailed letter and advised of the right to challenge the results (see III.F. below).
25. The Act provides that each Member of the Retirement Board shall, within 30 days after appointment or election, take an oath of office that he/she will diligently and honestly administer the affairs of the Retirement System and will not knowingly violate or willingly permit to be violated any law or statute applicable to the Retirement System.

#### **F. CHALLENGE OF ELECTION RESULTS**

1. Candidates may submit written requests to challenge election results to the Committee within five calendar days following notification of the results tabulated by the Committee. If the fifth calendar day falls on a weekend or holiday, the final day to challenge results will be the first working day following the fifth calendar day of the challenge period.
2. Within 30 calendar days of the date the challenge is received, the Committee will investigate and resolve any issues cited in the candidate's challenge. The Committee will report its recommendations to the Board.
3. In the event of a challenge or complaint before the Board has certified the election results, the official results of the election will not be certified by the Board until such challenge or complaint has been resolved (within 30 calendar days). If a challenge is timely received after the Board has certified the election results, a Special Called Board meeting will be held if necessary to rule on the Committee's recommendations.
4. The Board's decision is final.

#### **G. ANNOUNCEMENT OF ELECTION RESULTS**

1. If no complaints have been received per guidelines in III.F. above, the announcement of official results will be issued by the Chair of the

Committee or designee at the December Board meeting. The announcement will identify the “apparent” winner(s) and list each nominee and write-in candidate, showing the number of tabulated votes cast for each. The Board will certify the vote based on the election results and declare the “official” winner(s). The winning candidate(s) will be sworn in as Active-Contributory or Retired elected Member(s), as appropriate, and take an Oath of Office (refer to Board-Approved Policy A-1 “Appointments to Fill Board Vacancies”). Oaths of office may, but are not required to, be taken at a Board meeting.

2. Official election results will be published in the COAERS newsletter.

## **H. SPECIAL ELECTION**

1. Special elections may be held at the same time as general elections; however, special elections fill only unexpired terms of office. A special election will be held to fill unexpired terms of one year or longer of Active-Contributory or Retired Board Members whose service is terminated by death, disability, or removal from the Board, and in the case of Active-Contributory Members, whose service is also terminated by retirement or termination of employment.
2. If held in conjunction with a general election, the special election place(s) will be posted separately on the ballot from the general election place(s) due to the term differences. Candidates must designate the Board election (general or special) for which they are running.
3. If a special election is ordered by the Board to fill any vacancy on the Board, the Board will adopt a process for the special election with notice and guidelines comparable to those for the general Board elections.

## **I. DISCLOSURE OF RELATIONSHIPS; NO CONTACT PERIOD**

1. At the time that a candidate submits an application pursuant to Section C, the candidate shall disclose whether: (a) the candidate has a business relationship with an election committee member, a Trustee, or a COAERS staff member who is assisting with running the election; (b) the candidate is related within the third degree by affinity or consanguinity to a member of the election committee, a Trustee, or a COAERS staff member who is assisting with running the election; (c) the candidate has given or received one or more gifts to or from a member of the election committee, a Trustee, or a COAERS staff member who is assisting with running the election within the previous 12 month period that in the aggregate exceeds \$100 in value;

- or (d) the candidate is supervised by or supervises a member of the election committee at the candidate's place of employment.
2. No later than the first committee meeting convening after the deadline for candidate applications, members of the election committee shall disclose in writing whether: (a) the member is related within the third degree of affinity or consanguinity to a candidate; (b) the member has a business relationship with a candidate; (c) the member has given a gift to or received one or more gifts from a candidate within the previous 12 month period that in the aggregate exceeds \$100 in value; or (d) the member supervises or is supervised by a candidate at the member's place of employment.
  3. For the purposes of this Section I, a "business relationship" is defined as a connection between two or more parties based on commercial activity of one of the parties. Business relationships do not include interactions between two or more parties in their capacity as City of Austin employees.
  4. Beginning with the deadline for submission of candidate applications and ending on the day that the Board of Trustees accepts and certifies the election results, except as specifically permitted by this Policy, an election committee member may not knowingly communicate with a candidate about the election. This section does not prohibit communications that: (a) are part of a scheduled election committee meeting; (b) are required by this Policy; (c) are incidental, exclusively social, and do not involve COAERS or its business or the election committee member's role as a committee member; or (d) pertain to an existing employment or business relationship between the committee member and the candidate. Election committee members shall disclose in writing any communications or contacts with a candidate that do not fall within one of the exceptions set forth herein at the next election committee meeting, or within 15 days of the communication having been made.
  5. The Board may remove an election committee member who fails to comply with this Section.



## Attachment 5E

### Board Approved Policy

Subject: Fraud, Waste, and Abuse Reporting Policy

Review Committee: Audit and Risk Committee

Date Implemented: March 30, 2023

Date Updated: March 28, 2024

Signature of Chairperson:

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Yuejiao Liu

**City Of Austin Employees' Retirement System**  
**Board Approved Policy**  
**Fraud, Waste, and Abuse Reporting**

**I. PURPOSE AND SCOPE**

The City of Austin Employees' Retirement System ("COAERS" or "System") is committed to maintaining the highest ethical standards and compliance with applicable laws and COAERS policies.

The purpose of this Policy is to encourage and enable good faith concerns regarding the subjects covered by this Policy to be made without fear of reprisal or victimization. COAERS will not permit or tolerate harassment, retaliation, or discrimination against individuals who allege impropriety in good faith.

This Policy shall be applied in coordination with the complaint and grievance procedures set forth in the Ethics Policy, Personnel Policy, and Employee Handbook. Key Staff shall have the meaning set forth in the Ethics Policy. The Personnel Policy and Employee Handbook are referred to collectively as the "Personnel Policies".

**II. ROLES AND RESPONSIBILITIES**

**A. Trustees, Key Staff, and Employees**

It is the responsibility of Trustees, Key Staff, and COAERS employees to comply with COAERS standards of conduct set forth in applicable law and policy and to report violations thereof in accordance with this Policy. Reporting violations under the procedures in the Ethics Policy or the Personnel Policies also meets the requirements of this Policy.

**B. Audit and Risk Committee**

The Audit and Risk Committee will review this Policy at least ~~once annually and recommend to the Board any amendments, as necessary every three (3) years.~~

**C. Board of Trustees**

The Board will ensure that proper resources are available and properly allocated annually towards the ongoing execution of this Policy.

### III. COMPLAINT DEFINED

For purposes of this Policy a Complaint is an assertion that there is evidence of an action or inaction that is:

- (a) Illegal,
- (b) Violates COAERS Ethics Policy,
- (c) Fraud or theft of COAERS property,
- (d) Wasteful, or
- (e) An abuse of power or authority.

Individuals who do not have Complaints as defined herein, but have good faith concerns about COAERS business operations or the conduct of any Trustee, Key Staff, or employee, are encouraged to bring those issues to someone who can address them properly. For employees, a supervisor or manager is in the best position to address an area of concern. For Trustees, the Board Chair, the Executive Director, or General Counsel is in the best position to address an area of concern. However, if an individual is not comfortable speaking with aforementioned persons or is not satisfied with the response, the individual is encouraged to follow the Complaint process established herein.

### IV. FILING A COMPLAINT

The Executive Director will establish an accessible and secure method of receiving Complaints such as a dedicated email address, online submission form, and/or telephone number. The Complaint should be accompanied by any supporting evidence and a description of the grounds for the Complaint.

Once received, the Complaint will be provided to the following persons, excluding any of the following persons against whom the Complaint is made (the "Complaint Recipients").

- (a) General Counsel (serving as the software Administrator),
- (b) Chair of the Board,
- (c) Chair of the Audit and Risk Committee, and
- (d) Executive Director.

Anyone filing a Complaint under this Policy must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made with malicious or vexatious intent, are knowingly false, or otherwise abuse the process set forth in this Policy as determined after a proper investigation, could result in disciplinary action up to and including termination of employment for cause or termination of the contractual relationship with COAERS.

A complainant may choose to remain anonymous. The complainant may wish to consider identifying themselves in order that a better investigation may be carried out. COAERS will make reasonable efforts to ensure that all information provided throughout the investigation process, including the complainant's name, will be kept in utmost confidence

to the extent allowed by law, and only discussed with other parties to the extent necessary to carry out a complete and fair investigation or as may be required under applicable laws.

## V. INVESTIGATIONS PROCEDURE

Upon receipt of a Complaint, a Complaint Recipient will share the Complaint with the remaining Complaint Recipients, except for any individual who is the subject of the Complaint. Regarding all received and forwarded allegations, the Complaint Recipients will determine if there are reasonable grounds to pursue the Complaint through a Formal Investigation. The Complaint Recipients may refer the Complaint for disposition through other means, such as the Ethics Policy or the Personnel Policies.

If the Complaint Recipients determine there are reasonable grounds to pursue a Formal Investigation in accordance with this Policy, a Formal Investigation will be opened by the General Counsel. A Formal Investigation is a process of investigation of a Complaint lead by the General Counsel who will report findings of fact to the Board of Trustees.

The General Counsel will conduct the Formal Investigation in a fair, thorough, and complete manner, respecting the need for discretion and individual privacy for all parties involved to the extent permitted by applicable law. The General Counsel may engage a qualified third party to conduct the Formal Investigation. The process of the Formal Investigation, results of a Formal investigation, including recommendations for any disciplinary action up to and including termination of employment and/or legal action, will be provided to the Board with consideration for privacy and anonymity for all parties involved where permissible.

## VI. REPORTING

The General Counsel will ~~inform the~~provide an annual report to the Board of the existence and status of Complaints received, the number of ongoing Formal Investigations, and the progress of each Formal Investigation. Should no complaints be received, or investigations ongoing, the report will indicate as such.

## VI. RETALIATION PROHIBITED

There shall be no retaliation, reprisals, harassment, or adverse employment consequences with respect to any individual for:

- (a) disclosing good faith Complaints under this Policy; or
- (b) having participated or assisted, in good faith, in any process under this Policy.

An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination. Retaliation includes disciplinary measures, a demotion, termination of employment, any measure that adversely affects the employment or working conditions or a threat to take any of these actions. An

employee may complain about a retaliation in accordance with the Personnel Policies or this Policy.

The Texas Government Code (GOV'T § 554.002 (a)) asserts that "A state or local governmental entity may not suspend or terminate the employment of, or take other adverse personnel action against, a public employee who in good faith reports a violation of law by the employing governmental entity or another public employee to an appropriate law enforcement authority."

Reprisals constitute employee misconduct, which will not be tolerated by COAERS, and will result in discipline up to and including immediate termination of employment for cause. In addition, the employee could be liable for additional penalties under the Texas Government Code (GOV'T § 554.008) where it asserts that:

- (a) A supervisor who in violation of this chapter suspends or terminates the employment of a public employee or takes an adverse personnel action against the employee is liable for a civil penalty not to exceed \$15,000.
- (b) The attorney general or appropriate prosecuting attorney may sue to collect a civil penalty under this section.
- (c) A civil penalty collected under this section shall be deposited in the state treasury.
- (d) A civil penalty assessed under this section shall be paid by the supervisor and may not be paid by the employing governmental entity.
- (e) The personal liability of a supervisor or other individual under this chapter is limited to the civil penalty that may be assessed under this section.

## **VII. RETENTION OF RECORDS**

COAERS will retain any records relating to allegations of questionable activity and investigations for at least seven (7) years or as otherwise required by law.

## **VIII. LEGAL CONFLICTS**

In the case of any conflict between this Policy and state or federal law, the applicable state or federal law shall prevail.

## **IX. DISCLOSURE OF POLICY**

It will be the Executive Director's responsibility to ensure that this Policy, including contact information, is shared with every Trustee, Key Staff, and employee at COAERS. In addition, the contents of this Policy are to be included into the required Ethics Training curriculum.



## Attachment 5F



## Memorandum

To	City of Austin Employees' Retirement System
From	RVK Investment Program Review Team
Subject	Executive Summary of COAERS Investment Practices and Performance Evaluation
Date	February 22, 2024

### Background

RVK was engaged to conduct an independent evaluation of the current investment practices and performance, with a focus on the appropriateness, adequacy, and effectiveness of the City of Austin Employees' Retirement System (COAERS or "the System") and to make recommendations for improving COAERS' investment policies, procedures, and practices.

### Observations and Recommendations for Consideration

This Executive Summary highlights the key observations detailed in the COAERS Investment Practices and Performance Evaluation (IPPE). **Sections I – VI** outline our findings; **Section VII** includes a list of recommendations, the background and rationale for which are also contained in the body of the report; and **Section VIII** includes the adoption dates of the recommendations from the 2020 IPPE.

### **Section I – Analysis of any investment policy or strategic investment plan adopted by the retirement fund and the retirement fund's compliance with that policy or plan.**

COAERS's investment program is governed by two separate but related policies:

1. The Investment Policy Statement (IPS) serves as the comprehensive "road map" for the investment program, detailing items that, in our judgment, are best practice inclusions in an IPS, such as: (1) Investment Beliefs, (2) responsibilities, (3) objectives and guidelines, (3) risk management, (4) asset allocation, and (5) monitoring used for the management of System assets and fiduciary oversight of the investment program.

RVK believes the IPS is consistent with industry best practices.

2. The Investment Implementation Policy (IIP) is meant to complement the IPS by providing specifics relating to the selection, contracting, monitoring, and retention of investment managers. It references the reporting strategies used by the System to assist the Board in its duty to monitor and regularly evaluate the design and effectiveness of the processes that define the execution of the investment program, and critically, their congruence with the Board's IPS. The IIP includes sections about reporting the progress toward stated strategic objectives, measuring investment risk, total fund, asset class, and sub-asset class performance compared to stated benchmarks, and retention of investment managers. We observe that the use of a supplemental implementation-



oriented policy statement, such as the one employed at COAERS, is more often seen at larger institutional investment funds and one that RVK believes is a good practice.

RVK believes the COAERS IIP represents a clear and workable extension of the IPS and is consistent with industry best practices.

In RVK's review of the Board and Investment Committee meeting packet and minutes, the Board has reviewed, edited when necessary, and approved changes on at least an annual basis over the last three years. The IIP has also been reviewed on an annual basis.

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

## **Section II – Detailed review of the retirement fund's investment asset allocation.**

Collective efforts of COAERS' Board, Investment Committee, and Staff have led to an effective and well-articulated methodology for selecting a Strategic Asset Allocation policy that is responsive to changes in the System's liabilities and shifts in long-term capital market assumptions. To the extent that Staff exercise their delegated authority to tactically tilt the portfolio, the rationale is transparently communicated and in service of prudent risk management. Discussions around enhancing the portfolio structure and asset class exposures are ongoing and will likely include the addition of private market assets in future iterations of the System's portfolio. Overall, the System has developed a comprehensive approach to managing the portfolio in the ultimate service of the Plan's beneficiaries.

## **Section III – Review of the appropriateness of investment fees and commissions paid by the retirement fund.**

One of COAERS' Investment Beliefs is to gain market exposure and structure the investment portfolio with important considerations given to fees and costs. The System has been very diligent and successful in negotiating fees with investment managers across asset classes in both public and private markets. Investment manager fees, trade commissions, and estimated total plan fee of 0.24% are not only reasonable and appropriate but are considerably lower compared to median universe fee and public peers of similar size, respectively.

It is important to note that the lower fee is a function of asset allocation, structure of the investment program, high utilization of passive management, and efficient fee negotiations. With the recent decision to allocate more into the private markets (private equity and private credit) which carry higher fees than the public market, total plan fees will go up relative to current fees. However, over the years, COAERS has taken a thoughtful approach to structure and implement the investment program and is expected to continue to be an industry leader in managing and



controlling plan costs.

#### **Section IV – Review of the retirement fund’s governance processes related to investment activities, including investment decision-making processes, delegation of investment authority, and board investment expertise and education.**

Based on our review of COAERS’ policies, the investment decision-making process for the System broadly reflects a comprehensive implementation of best practices.

The COAERS IPS, while not specifying required processes in detail, provides a strong foundation for investment decision-making. The IPS clearly addresses key investment principles that are industry standards for best practices in institutional investment decision-making. The outcome of individual investment decisions is always uncertain, but we believe COAERS’ policy foundation goes a long way to mitigate that risk.

The COAERS IIP is a sound and appropriately detailed guide indicating how the Board wishes the implementation of the investment program to be accomplished. Not all boards of trustees in the US have adopted the simultaneous development and use of an IPS as well as a more granular, process-oriented IIP. Our firm views a supplementary process-oriented policy document such as the one COAERS employs quite favorably, keeping the IPS solely focused on the Board’s goals, beliefs, policy, and guidelines. The IIP requires common best practices methods and implementation steps without being so prescriptive that it excessively constrains the flexibility necessary for effective decisions.

Our review of the governance structure under which COAERS operates indicates clarity regarding the delegation of authority to make and provide advice on investment decisions.

#### **Section V – Review of the retirement fund’s investment manager selection and monitoring process.**

COAERS has a robust system for investment manager selection, evaluation and monitoring. The Premier List approach is unique to public pension funds and in our judgment can be an effective approach to structuring the process of investment manager review and selection. But, as with all approaches, it has its pros and cons.

The pros include (1) having a pre-vetted list of investment managers on deck and ready to fund if a change is necessary, and (2) continuously monitoring investment managers on the Premier List even when they are not funded expands the range of ongoing vision of Investment Staff and the Investment Consultant for opportunities beyond those funded and utilized in the Fund.

The cons include (1) the Premier List will not work well if vetted but not-currently-funded investment managers are not monitored as rigorously as the funded investment managers, or if



the review does not periodically expand beyond the current list for possible new inclusions, and (2) the Premier List is actually an active construct and it could become an asset class structure issue; the most important observation we can offer is that the Premier List by itself is not a replacement for deliberate and thoughtful structure of asset class mandates.

From our review of Investment Committee and Board reporting packets, we have observed that the System's performance reporting and ongoing monitoring of investment managers are comprehensive and considered best practice in reporting and monitoring.

### **Section VI – Review of COAERS' internal proxy voting policies and procedures.**

Based on fiduciary standards addressed in the IPS and federal guidance, we believe COAERS' proxy voting policies and procedures as stated in Section XII (Proxy Voting) of the IIP are appropriate for delegating proxy voting to each Manager and documented in the individual contracts.

Section XII of the IIP allows flexibility for the Board to revoke its delegation and provides a process for monitoring and reporting by Investment Staff through the Executive Director.

### **Section VII – Recommendations to align with best-in-class investment management program.**

RVK serves over 200 full-retainer and project clients and we can safely say that the COAERS Board and Staff are running a pretty tight ship but there is always room to consider some improvements if they fit with the Board's goals, objectives, and investment beliefs. We submit the following:

#### **Section I**

1. The power to designate the institutions and individuals who hold the responsibilities, as described in Section II, is a critical aspect of clarifying the ownership of both governance authority and the fulfillment of fiduciary responsibility. COAERS should consider noting the process by which these responsibilities are assigned and periodically reviewed.
2. Asset/Liability Studies are the only standard analysis that fully links all three aspects of the System's investment policy, contribution policy, and benefit policy, providing a means to examine how well different investment strategies (differing asset allocations) address the objectives served by the Fund. We believe Asset/Liability merits either its own Section in the IPS or to be added to Section V preceding any discussion of Strategic Asset Allocation.



3. Consider removing the specificity of sub-asset class structure from the Policy Benchmark in Section VII of the IPS and make it part of a routine asset class structure discussion. For example, the Policy Benchmark specifies the benchmark index for fixed income as the Bloomberg Global Aggregate Bond TR, yet each of the sub-asset classes under fixed income are US (US Treasuries, US Mortgages, and US Credit). This appears quite granular and could inhibit broader thinking about the structure of the fixed income asset class as conditions warrant.
4. We understand that one of the Board's Investment Beliefs is that "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." We also understand that the "[Policy] benchmark is intended to reflect a passive implementation of the neutral weights established by the Board during the SAA process." However, we suggest the Board consider reviewing their Policy Benchmarks, targeting alignment with actual mandates. For example, close to 60% of the real estate composite is a private core real estate fund which is a mismatch with the Policy Benchmark for Real Estate which is the FTSE NAREIT Equity REITS TR, a publicly traded index. This will become more evident as the System moves into additional private asset classes.
5. Consider adding a subsection in Section II for Investment Counsel since the position is referenced within the IIP.
6. With the understanding that the Board may delegate authority for strategic and operational aspects of the Fund to Staff, consider adding clarity to the degree of delegation by the Board to its Investment Committee and Staff in Section II – Responsibilities of the IPS. Although clarity for the degree of delegation may be stated later in the IPS or the IIP, we believe it is important to lay it out upfront when addressing the responsibilities of fiduciaries to the System.
7. Consider including the Investment Committee, its role, responsibilities, and any authority held independent of the Board as a whole as its own subsection of Section II. We understand the Investment Committee is a subset of the Board; however, best practice would give the Investment



Committee a strong advisory role to vet and recommend to the Board, so actions requiring Board approval can be addressed as a consent item or a motion based on an Investment Committee written summary of the process taken.

8. Regarding the discussion currently in Section V of the IPS of A/L Studies and its importance (as noted above) and the query below regarding clarity, we do find the treatment of A/L in the IPS merits review. The IPS currently states that an A/L Study determines as one of its objectives the “maximum and minimum ranges (Rebalancing Ranges)” around the SAA targets. Having a rebalancing policy and process is a best practice in our view. And COAERS has adopted both. But while rebalancing policy and process should be informed by the risk target set for the total fund in an A/L Study, its design also reflects a host of other considerations related more to asset class liquidity, transaction costs, and more. We suggest that the implied link between A/L Studies and rebalancing in the IPS be reconsidered. Indeed, if it were eliminated, we do not think it would in any way reduce the robustness of the IPS.
9. As addressed in Recommendations 6 and 7, add clarity to the degree of delegation by the Board to its Investment Committee, and to Investment Staff in the Section II – Responsibilities of the IPS. Although clarity for the degree of delegation may be stated later in the IPS or in the IIP, we believe in the importance of laying it out upfront when addressing the responsibilities of fiduciaries to the System. If the work of the Investment Committee is not distinctive from and additive to the Board’s final decisions and ongoing monitoring, its contribution is debatable.
10. While we believe the inclusion of these evaluation metrics (benchmark indices, peer universes, and tracking error budgets) in the Premier List guidelines is fully sufficient given the annual review process and the use of these benchmarks in the Investment Consultant’s quarterly performance reports, COAERS might consider adding investment manager benchmarks to the IPS or reference in the IPS their inclusion in the Premier List, particularly for any investment manager actually implementing a funded “active” mandate (note: investment managers may be selected for inclusion in the Premier List but not necessarily be



awarded funds to manage at any given point in time).

11. We strongly suggest the Board remove performance relative to peers as a specific objective/benchmark for the System. First, peer comparison offers little, indeed almost no, information about whether the fund is achieving its core mission—funding benefits for COAERS plan participants. Second, COAERS is unique with its own contribution policy, benefit structure, assumed rate of return, cash flow, size, objectives, etc. In our view, these differentiators render the very notion of “peers” questionable, and while a group of public funds can be assembled with somewhat more “peer-like” attributes, it will likely be a small universe that is far from statistically robust. The Board’s Investment Consultant can and should continue to provide the COAERS Board with peer comparisons of this data, as it is prudent to at least remain generally aware of the performance other funds deliver.

## Section II

12. Consider removing 10 – 12% risk targets for the portfolio/adding metrics that more directly align with the Asset/Liability Study and the goals of the portfolio.

Setting a range of acceptable risk via monitoring long-term standard deviation helps measure whether realized risk is favorable versus peers, but is not, in isolation, a good proxy for the alignment of risk relative to the stated goals of the portfolio.

Target risk is set based on the liabilities of the System, which can vary meaningfully from other plans with different liability profiles. Therefore, selecting a realized risk metric—or better yet, a set of metrics considered in combination—that bounds the desired outcome of the Asset/Liability Study may be a better proxy for success.

The introduction of private investments may add additional difficulties in measuring the true risk of the portfolio through standard deviation alone due to smoothing effects and should be taken into consideration.

13. Consider setting capacity/risk contribution constraints in place of 4% dollar-weight constraints for sub-asset class thresholds:

There is currently an exception to the 4% rule in place for commodities.





The exception suggests there may be better variables to consider than the dollar weight of a sub-asset class.

Commodities exhibit a higher level of volatility and have capacity constraints that warrant consideration—even below a 4% allocation. As such, reframing the inclusion criteria around a measurement such as ex-ante risk contribution may be a more direct way to evaluate sub-asset class inclusion while avoiding the need to create exceptions.

14. Consider consolidating explanations for how sub-asset class tactical and strategic sub-asset class ranges are set:

The independent Investment Consultant currently works with Investment Staff to determine target weights allocated to each sub-asset class. The ranges are stated to be based on the volatility of the asset class relative to the proportion of the fund allocated to each. This explanation aligns with the IPS policy set forth in Section V (Asset Allocation) within the “Rebalancing” subsection—particularly the last sentence of the first paragraph.

The IPS separately states that the rebalancing ranges are defined as reflecting 2nd – 3rd quartile allocations of peers for tactical ranges and 1st – 4th quartile of peer allocations for strategic ranges. This policy is set forth in the IPS guidelines under Section V (Asset Allocation) within the “Asset Class Diversification” subsection and is detailed within the two bullet points on pages 13 – 14.

We are not convinced that the behavior of peers is a good guide to setting strategic and tactical ranges that appropriately reflect the specific circumstances in place at COAERS and explored in the regular Asset/Liability Studies. COAERS should reconsider the role of peer data in setting these ranges and instead focus more on asset volatility data combined with stress tests based on varying inter-asset class correlations.

15. Consider revisiting tracking error targets:

Some asset classes have fallen short of tracking error targets over the last ten years, particularly within developed international and emerging markets.





If these targets are still desired, more active management or active structuring decisions by Investment Staff may be appropriate. If lower tracking error is preferred, a revision of tracking error targets may be warranted.

16. Consider reaffirming Investment Staff's authority to execute rebalancing decisions—without Board approval—should circumstances require such action.

While the IPS delegates authority to Investment Staff for rebalancing within the tactical ranges, our review indicates to date that Investment Staff have consistently sought permission from the Board anyway. We observe that, so long as obtaining this approval does not impede the achievement of the objectives sought by providing the Investment Staff with delegated authority, doing so is fine. If the record to date suggests that there are no circumstances in which that delegated authority would be exercised by Investment Staff and reported to the Board promptly after the fact, the latitude it provides and the results obtained may be limited.

17. Consider adding a separate section for the selection and evaluation of private equity and private credit mandates, if implemented. Reporting and benchmarking of private investments should also be added.

### Section III

18. Continue to utilize passive management in asset classes with higher efficiency.
19. Consider adding a section on management and control of investment management and service provider cost in the IPS or IIP.
20. Consider adding a periodic frequency for conducting plan fee reviews similar to the minimum frequency noted in the IPS for Asset/Liability Studies and Asset Allocation Studies.

### Section IV

21. Regarding Delegation of Authority, we suggest the Board carefully review Recommendations 6, 7, and 9, which are addressed in Section I of this Evaluation.



22. Consider adopting and documenting a schedule for reviewing service providers, including a potential RFP after five to seven years.

### Section V

23. Consider adding language for the investment manager selection process for private market asset classes.
24. Consider updating investment manager reporting requirements for metrics and data that are relevant to private asset class managers.

## Section VIII – Analysis of COAERS’ implementation of the recommendations presented in the 2020 review performed by RVK.

### 2020 IPPE Recommendations

Recommendations presented in the 2020 IPPE report were addressed during the November 2020 Investment Committee meeting. The Board then approved the changes outlined below during their December 2020 meeting. The following table outlines the impacted sections, recommendations from the 2020 IPPE report, and ultimate resolutions adopted by the Board.

Section	Recommendation	Resolution
<b>Investment Asset Allocation</b>	Consider policy language defining a reporting process for less liquid and illiquid investments.	Ongoing work due to further allocation to private markets is pending.
<b>Investment Manager Selection and Monitoring</b>	Consider the addition of a formal investment manager review policy with a more specific timeframe.	Adopted a rolling review of investment managers on Premier List by asset class. Investment Consultant provides investment manager write-ups.
<b>Investment Manager Selection and Monitoring</b>	Consider verbiage edits to the Watch List.	Adopted suggested verbiage edits within the IIP.



<b>Investment Manager Selection and Monitoring</b>	Consider clarifying language regarding reporting for investment managers with “live” mandates vs. those currently on the Premier List.	Resolved: Investment manager requirements for “live” mandates are now separate from those without active mandates.
<b>Investment Manager Selection and Monitoring</b>	Consider the addition of performance metrics for non-public securities and/or vehicles.	Ongoing: Will need to consider different performance metrics for private investments versus public investments.

**City of Austin Employees'  
Retirement System  
(COAERS)**

**Attachment 5G**

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**Private Credit Program  
Strategic Plan**

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**March 2024**

## **Executive Summary**

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In September 2023, COAERS adopted a Strategic Asset Allocation including an initial allocation to Private Credit based on the results of an Asset/Liability Study and corresponding Asset Allocation Study. These same studies indicate exposure to Private Equity should be included in future Strategic Asset Allocations and is likely to be additive to the portfolio.

This document is specific to Private Credit, and will be incorporated as an Appendix to the Investment Policy Statement. This document will be reviewed at least annually and amended from time to time as Strategic Asset Allocation decisions by the Board dictate, as investment staff refines processes and procedures, or as market dynamics dictate.

## **Summary of Recommendations for COAERS Long-Term Strategic Plan**

- To achieve COAERS 10%<sup>1</sup> long-term target exposure within a range of 7% to 13% Staff and Consultant recommend reviewing and adopting the annual commitment pace, as part of COAERS Private Credit Annual Investment Plan for 2024.
- Continue to develop COAERS exposure to Private Credit.
- COAERS Staff and Consultant will continue to review and evaluate research, surveys and suggestions of best practices for the investment management and execution of the program.

The following Strategic Plan is presented to the Board for its consideration.

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<sup>1</sup> COAERS' target allocation of 10% to Private Credit was established by the Board in September, 2023.

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## I. Private Credit Program Objectives

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### A. Investment Objectives

COAERS objectives of the Private Credit Program are to:

1. Provide returns that exceed an appropriate publicly available benchmark
2. Diversify the Fund's sources of risk and return; and
3. Reduce Fund volatility

These objectives are reviewed annually. Specifically, the objectives are as follows:

**Primary Objective:** Provide a total return to the Fund (net of fees and carried interest) that exceeds the annual return of the Morningstar LSTA U.S. Leveraged Loan Index by 200 basis points over rolling ten-year periods and maintain a well-diversified exposure to Private Credit of 10%<sup>2</sup> within a range of 7% to 13%. Through the diligence process, Staff and Consultant expect to identify managers that will perform above median. Unless an investment is expected to meet or exceed this minimum return goal, it should not be considered.

**Secondary Objective:** To diversify the Fund by investment type and by manager to reduce manager and asset specific risk. Investments will not be undertaken to meet the secondary objective if they do not also expect to meet the primary objective.

**Tertiary Objective:** To reduce total portfolio volatility by investing in asset types that have a low statistical correlation with other asset classes. Investments will not be undertaken to meet the tertiary objective if they do not also expect to meet the primary and secondary objectives.

COAERS short-term investment objectives are to be outlined in the Annual Investment Plan which is prepared by COAERS Staff and Consultant and approved by the Board annually. The Annual Investment Plan outlines how the portfolio will be managed over the following calendar year in order to best comply with COAERS Private Credit long-term investment objectives.

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<sup>2</sup> COAERS' target allocation of 10% to Private Credit was established by the Board in September, 2023.

## II. Asset Allocation

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### A. Current Allocation

COAERS allocation to Private Credit shall remain within the limits authorized by the Board and incorporated in the Fund's Strategic Asset Allocation. The target allocation is 10% with a range of +/- 3% of the total fund (based on the net asset value of the invested portfolio). COAERS recognizes that it is necessary to make capital commitments in excess of the target allocation in order to achieve and maintain its 10% target.

An important implementation goal for the Fund is to spread out the timing of new commitments so as to avoid an undue concentration of commitments in any one calendar year. Vintage year is defined as the year in which a private market fund makes its first capital call. It is considered prudent to spread commitments over several vintage years to eliminate the risk that any single year generates poor returns across the asset class, also known as "vintage year risk". Over the long term, it is expected that the amount of new commitments added to the portfolio each calendar year will increase slightly to garner the benefits of time diversification and match the expected growth of COAERS total plan assets. As a new allocation for the fund, it will likely take several years to achieve the target allocation.

The factors that will impact COAERS exposure to the asset class and fluctuations within the range are:

- Changes in the overall assets of the pension fund
- Unrealized appreciation and depreciation of underlying holdings in the Private Credit Portfolio
- Timing of distributions and contributions in the Private Credit Portfolio
- Annual commitments within the Private Credit Portfolio

## III. Portfolio Diversification

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### A. Diversification

A portfolio of diversified investments reduces the variability of returns that, in turn, reduces risk. Diversification in the alternative investment asset class is achieved by investing in a number of different partnerships or separately managed accounts (SMAs) with varying investment styles, each operating in a variety of industries and geographies. Further, by spreading out the commitments to Private Credit partnerships over a period of time, an investor is able to reduce the exposure to vintage year risk in the asset class.

The Portfolio's diversification will be driven by the following five events:

- 1) commitment pace,
- 2) types of investment strategies utilized,
- 3) pace of capital invested by the fund managers,
- 4) valuation changes in underlying investments, and
- 5) timing of exits from underlying investments.

The interaction of these five factors will cause the diversification at any reporting date to differ from the Target Portfolio diversification.

COAERS Private Credit Portfolio may include five Primary Sector allocations within its portfolio: Direct Lending, Distressed Debt, Real Assets Debt, Mezzanine/Bridge Financing, and Credit Special Situations. Unlike public markets, where benchmarks



include exposure to non-U.S. regions, international exposure is not viewed as a Sector but rather a geographic allocation that is regarded as a separate consideration within each of these Sectors. These Sectors are defined as follows:

### *Private Credit Sectors*

*Direct lending* - Provides a source of capital for companies, often in the form of senior financing alternatives, including revolving credit facilities, term loans, delayed draw term loans, second lien loans, and unitranche facilities. These loans often support platform acquisitions, portfolio company add-ons, recapitalization, and refinancings. The objective is to provide the fund's investors with high current income, emphasizing capital preservation and attractive risk-adjusted returns.

*Distressed debt* - Investment into the debt of a business that is suffering and needs help. The distress could be from operational hardship, industry hardship, or a mix of both. The debt may be in default or nearing a default state when the distressed debt investor steps in. A typical company may have filed for bankruptcy protection or be in the process of a reorganization. The targeted debt instruments are usually senior, junior and equity securities within the capital structure. Some managers seek to gain control of the bankruptcy or reorganization process, so they have more influence on the ultimate outcome. Funds may also seek to arbitrage the value of the debt security with newly issued equity or to liquidate the value of the company through a negotiated workout. Distressed Debt trading strategies tend to be more cyclical than control strategies and therefore are not as attractive under all market conditions.

*Asset Backed Debt* – Includes loans on real assets, primarily real estate and infrastructure projects. This category may include investments backed by equipment or other assets.

Real estate debt - Private real estate debt funds have multiple strategies, primarily using real estate as collateral. By issuing senior debt, real estate debt funds have priority over other forms of financing such as mezzanine loans, preferred equity, or equity. The interest payments can lead to a known income stream for the investors, usually monthly.

Infrastructure debt- Provides debt investments related to infrastructure projects (like real estate funds, with an infrastructure focus). Infrastructure debt is an asset class that should provide stable returns and cash flows over long-term horizons due to the fundamental essentiality of these real assets, with low relative levels of default. Senior infrastructure debt is a lower risk profile than junior debt or equity in similar projects.

Equipment/Aircraft Leases –These asset-based finance structures are secured by the cash flows generated by loans or leases against physical assets. The assets include equipment, aircraft, rail, shipping, data centers, solar panels, and other various hard assets owned by corporations and essential to their business and cash flow generation. Some strategies include owning the underlying asset and then leasing it to a business, other strategies entail buying the leases from other entities.

Credit Card and Consumer loan receivables – Generally, this refers to pools of loans or receivables that are backed by an individual's credit, willingness to pay, and, in certain cases, a hard asset. Individuals will look for financing in order to

fund large purchases, including automobiles, college, and home improvements. Consumer loans are generally pooled and can be directly originated or can be purchased in the form of asset-backed securities; these pools are highly diversified with various borrowers and large number of loans within each pool.

*Mezzanine/Bridge Financing* – These funds typically provide subordinated debt financing for private equity transactions. These debt facilities usually include equity-based warrants. This includes private debt funds that provide short-term loans, also called bridge loans, made in anticipation of intermediate-term or long-term financing. Mezzanine funds are characterized by lower risk, higher capitalization, and cash flow-oriented assets. Investments are characterized by debt instruments with current pay cash coupons and warrants which allow the portfolio to share in the equity appreciation of the company. The securities are typically unsecured junior obligations.

*Credit Special Situations* - Special Situations include funds that have broad mandates such as a fund that invests in subordinated debt, distressed debt, or funds that purchase diversified secondary interests. These funds may include:

*Credit Trading* – Typically involves acquiring a credit instrument (e.g., an issuer's bonds) trading at a price that the investor believes presents a compelling value, perhaps because the overall market may be misjudging the ability of the issuer to meet its debt obligations.

*Direct Origination or Capital Solutions* – Focused on making direct loans to companies that cannot access traditional credit due to financial or operational challenges. Investors can originate a loan with strict covenants and at an interest rate well above typical bank loans to help a company refinance existing debt. Another term often used for this strategy is "Loan-to-Own," as the lenders structure the credit to allow them to gain control of the borrower if it misses any of the covenants.

*Distressed-for-Control* – Invest in corporate credit to gain control of a company through a debt-for-equity restructuring. To achieve control, the strategy requires acquiring significant positions in the credit to play an active role in any restructuring.

Secondary fund of funds are defined as funds that acquire multiple pre-existing limited partnership interests. Investments are usually made at a discount to the net asset value of the interest (referred to as the Par Value). By investing through the secondary market these funds may establish positions in funds at a lower cost than the primary fund investors and with a shorter duration.

Secondary investments, where COAERS would directly acquire a limited partnership interest in an existing fund, would be categorized into the appropriate Sector based on the strategy of the partnership.

COAERS defines Private Credit investments as partnership investments in Direct Lending, Asset Backed Debt, Real Estate and Infrastructure Debt, Specialty Finance, Distressed Debt, Special Situations, and other Private Credit Sub-Sectors that can take the following forms:

- Partnership investments through primary fund commitments
- Partnership investments through secondary fund investments

- Partnership investments through primary fund of funds vehicles
- Partnership investments through secondary fund of funds vehicles

Sector allocations will be addressed in Section III.B and COAERS Annual Investment Plan will address the execution of proper investment strategies within each Sector and the appropriate form of investments, taking into account macro economic and market factors.

### **B. Sector Allocation**

COAERS primary objective is to generate attractive risk-adjusted returns and reduce volatility. Private Credit is intended to be a well-diversified program that is currently in a ramp-up period to achieve the 10% target allocation to the asset class. The objective is to prudently grow overall exposure to the asset class while opportunistically positioning the portfolio to continue generating attractive returns and reduce volatility.

During the ramp up phase, allocations to individual strategies within the Private Credit market may appear to be somewhat concentrated. The Fund should strive toward the following allocation targets and ranges (all specific to Private Credit):

	Target	Low	High
Direct Lending	35%	30%	40%
Distressed Debt	20%	15%	25%
Asset Backed Debt	20%	15%	25%
Mezzanine/Bridge Financing	15%	10%	20%
Credit Special Situations	10%	5%	15%

### **C. Geographic Region Diversification**

The number of international opportunities for private credit investors has increased substantially over the last few years as private credit markets outside the U.S. have matured. However, due to more developed markets and regulatory regimes, Staff recommends emphasizing the more proven markets of Western Europe (including U.K.) and select Asian markets and putting less emphasis on the opportunities available in emerging markets such as Latin America and Eastern Europe. Large companies continue to rationalize resources and focus on their core competencies to compete. Smaller businesses continue to consolidate across borders to achieve the critical mass necessary to compete. Family-owned businesses started after World War II continue to address succession issues as the next generation seeks broader career opportunities and the original owners seek liquidity. All of these factors are creating opportunities for buyout firms, both large and small, to utilize their expertise in industry sectors, company operations and deal structuring to produce attractive risk-adjusted returns for their investors. This in turn lends itself to opportunities in the private credit sector.

Asia is made up of several growing economies that continue to develop the infrastructure and expertise needed to foster attractive risk-adjusted private market returns. The long-term prospects merit attention from both Staff and Consultant and are likely to become an increasing part of COAERS long term diversification.

Both Staff and Consultant will continue to review opportunities within these markets with the objective of adding select opportunities to Private Credit over time.

#### D. Industry Sector Diversification

COAERS will seek to diversify across all major sectors in the economy. However, it should be noted that this diversification will be a function of the types of managers and strategies pursued by the program. Unlike Private Equity where managers may specialize in specific sectors, Private Credit managers tend to (in aggregate) diversify across many sectors of the economy.

Staff suggests that specialization in certain industries can enhance a manager's ability to add value to its portfolio investments and reduce risk through the application of seasoned expertise. This can result in attractive risk-adjusted returns for limited partners. In these instances, specialized managers (i.e. managers focused on healthcare, financial services, energy, etc.) that meet COAERS rigorous investment criteria should be considered for the portfolio.

#### E. Manager Diversification

COAERS is currently invested in a single partnership in Direct Lending. Staff and Consultant will continue to seek additional opportunities to diversify the portfolio across the metrics discussed in this document.

As a nascent program, **COAERS believes that managers should be added selectively to the portfolio only if they achieve the goals set forth in this Plan or provide a strategic dimension.** Selectively adding top quality firms to which COAERS does not currently have exposure will position the program to generate enhanced returns and lower volatility.

### IV. Program Management

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The selection and management of assets in Private Credit shall be guided to generate a high level of risk-adjusted return, provide a moderate amount of current income, and to maintain prudent diversification of assets and specific investments in accordance with COAERS Objectives.

#### Roles and Responsibilities

The roles and responsibilities of Board, Staff and Consultant are defined in the Investment Policy Statement adopted by the Board of Trustees.

#### A. Manager Identification

COAERS Staff and Consultant will utilize a rigorous sourcing, screening and due diligence process to identify and select the highest quality managers that have the greatest likelihood of achieving the objectives of COAERS Private Credit program.

This process is very resource intensive requiring a proactive outreach effort to find and source compelling offerings and increase the market presence of the institution. As capital continues to flow into the private credit markets a program that is only reactive in deal sourcing may miss out on a significant portion of the market's offerings. COAERS Staff and Consultant will on average source and screen over one hundred offerings per year in order to find the highest quality opportunities that fit COAERS Private Credit program requirements.

**Secondary Program**

COAERS Staff and Consultant will seek to improve long-term returns and add additional exposure through the acquisition of attractively priced secondary investments. In addition, the existing portfolio will be actively monitored and managed to take advantage of attractive market pricing in order to maximize the potential returns for each portfolio partnership. Dispositions may take place after significant evaluation of market pricing in comparison to potential future returns. The impact on manager relationships will also be considered.

Information regarding COAERS secondary program is attached as **Appendix B**.

**B. Investment Selection Criteria**

COAERS Staff and Consultant will utilize a rigorous due diligence process to screen and select fund managers based upon certain qualifications that are particularly important. These characteristics apply to all prospective investments. These characteristics include:

- 1) **Experience**. There must be demonstrated long-term experience of the core investment team particularly as it relates to their defined investment focus. COAERS recognizes that with first and second time funds, this experience may have come from several different sources.
- 2) **Record**. The track record of the manager must be clearly superior through more than one economic cycle. This record must be consistent and include a review of all individual investment records. This record will be compared with those of other managers, as well as a number of benchmarks. Again, with a first or second time fund, different partners may have investment track records from different sources. It is particularly important with first time funds to ascertain that individual partner track records are accurate and that these partners are not taking credit for deals where they were not the principal lead at their prior firms.
- 3) **Organization**. The organization must be able to provide complete documentation of all aspects of sourcing, investing, monitoring, and investor reporting. There must be oversight and backup capabilities.
- 4) **Continuity**. The general partners in the firm should have invested together, with little turnover, for a significant period of time. Personal chemistry and career objectives of the partners of the general partner should be aligned to provide confidence in the stability and effectiveness of the investment team throughout the life of the partnership. A first time fund will not be able to meet the first criteria but they must demonstrate a cohesiveness and alignment of interests across the investment team.
- 5) **Common objectives**. The investment objectives of the manager and COAERS must be parallel; that is as measured by duration, focus of the fund, and return objectives.
- 6) **Reputation**. The investment professionals must be people of good character and integrity, and have an acknowledged stature in the investment and business communities.

**C. Investment Due Diligence Process**

COAERS due diligence process will be conducted by COAERS Staff and Consultant to determine that each investment opportunity meets the investment selection criteria. No

investment will be recommended to the Board without the completion of full due diligence. COAERS investment due diligence process is summarized below.

All prospective investments are analyzed in five stages:

### **Stage 1: Preliminary Screening**

Objective: To review current market opportunities and future market opportunities to determine, through preliminary conversations and from the private placement memorandum, whether the proposed investment has the potential to meet COAERS required investment objectives. During the preliminary screening stage the following investment issues are addressed:

- (1) What is the quality and background of the general partner?
- (2) Is the investment objective desirable and will the stated strategy accomplish the objective?
- (3) Can the required returns be achieved given the proposed structure of the investment?

All prospective investment opportunities are reviewed by Staff and Consultant. Investments that clearly do not meet COAERS objectives are rejected.

If it is determined during Stage 1 that a proposed investment has a reasonable probability of addressing these key investment criteria, then the investment advances in the due diligence process to Stage 2.

### **Stage 2: Preliminary Due Diligence**

Objective: To determine through face-to-face meetings whether the general partner's strategy is valid and timely and will meet the required investment objectives of COAERS. During this preliminary due diligence the following investment issues are addressed:

- (1) Is the general partner's presentation of the offering consistent with the offering memorandum?
- (2) Does the general partner respond productively and honestly to probing questions about its investment history, commitment to the success of the partnership, chemistry of the investment team, and ability to repeat successes of the past in current environments?
- (3) Does the general partner make a strong and convincing case that its strategy will meet or exceed COAERS return objectives?

This phase includes completing COAERS Private Credit Investment Questionnaire included as Appendix A of this document. If it is determined during Stage 2 that a proposed investment has a reasonable probability of addressing these key investment criteria, then the investment advances in the due diligence process to Stage 3.

### **Stage 3: Final/Comprehensive Due Diligence**

Objective: To determine through comprehensive due diligence whether the potential investment meets the key investment criteria.

- (1) Through interviews with the management team and staff, as well as reference checks with other sponsors, previous and prospective investors and management of portfolio companies, Staff and Consultant make an independent appraisal of the management team's depth and breadth of experience, character, motivations and working dynamic. In addition, COAERS Staff and Consultant assess whether the management team has the experience, deal flow and resources necessary to successfully implement the investment strategy.
- (2) Perform a careful review of the manager's due diligence process, record keeping, investor reports and audits. Review the manager's financial condition. Review the partnership organization and management, ownership of the general partner, incentive compensation and employee retention issues.
- (3) Determine whether the investment objective can be achieved given the fund's industry and sector focus and type of investment activity. Will current and expected market conditions allow portfolio companies to be nurtured to a sufficient size such that they can achieve and accomplish return objectives?
- (4) Evaluate whether the proposed terms of the investment are such that there are fair economic incentives to all partners, general and limited, and whether sufficient controls are in place to guide management's activities such that successful investment performance on the part of the management team will accrue equitably to all partners.
- (5) A litigation questionnaire (included as part of COAERS Private Credit Investment Questionnaire) is reviewed to determine whether the general partner or any of its partners are or have been involved in any material litigation which would bring into question their integrity, operating methods, financial viability or would disrupt the investment process.
- (6) During this stage, the sponsors will make a presentation to both COAERS Staff and Consultant, if either has not already met or is otherwise unfamiliar with the sponsor.

If it is determined during Stage 3 that a proposed investment has a high probability of addressing these key investment criteria and with the concurrence of COAERS, then the investment advances in the due diligence process to Stage 4.

#### **Stage 4: Commitment and Documentation**

Objective: Given COAERS investment and diversification objectives, determine the appropriate size of the investment and begin the negotiation and documentation of acceptable terms.

- (1) Determine the appropriate commitment level relative to the size of the fund and any investment stage, industry focus, and portfolio construction considerations.
- (2) Begin negotiation of critical document terms, including key man and clawback provisions, management fees, organizational expenses of the partnership, distribution and carried interest policies of the general partners. Terms will be reviewed individually and in the aggregate.
- (3) Partnership terms will also be compared to standards of best practices.

- (4) In order to facilitate an orderly review of the terms of the agreement a summary of terms will be created.

If it is determined during Stage 4 that a proposed investment's terms, as negotiated, materially address the aforementioned key investment criteria, COAERS Staff and Consultant will make the appropriate investment recommendation to the Board. Each recommendation includes a thorough written and oral presentation. Upon the Board's approval, the investment advances in the due diligence process to Stage 5.

#### **Stage 5: Finalizing Documentation and Closing**

Objective: To finalize the terms and conditions of the partnership agreement and close on the commitment.

- (1) Review investment documents to ensure that all negotiated terms and conditions are incorporated therein.
- (2) Review documentation with outside counsel for their concurrence on compliance with material terms and structural protection of COAERS.
- (3) All investments must be underwritten and assets managed by a qualified investment manager acting in a fiduciary capacity to COAERS. Once retained, an investment manager must acknowledge in writing the manager's fiduciary responsibility to the Trust and agree that these objectives and policies will be observed. It is expected that, at all times, the manager(s) will conduct themselves as fiduciaries in conformance with the laws, rules and regulations promulgated by the State of Texas, and the Board of Trustees unless a lesser standard of fiduciary duty is necessary because of generally prevailing industry standards for an investment of that type and nature. Any such generally prevailing industry standard shall be established upon the written advice of the investment consultant and agreed to by legal counsel.
- (4) All closing documents, the summary of terms, as well as the review letter from outside counsel will be provided to the Chief Investment Officer to confirm completion of the review processes. COAERS Staff will prepare and present closing documents to the appropriate person or persons for execution.
- (5) Upon closing the investment, organize the completed due diligence file.

After closing the investment, active monitoring of the fund's compliance with the partnership agreement and the progress of portfolio investments begins.

#### **D. Review of Industry Best Practices**

COAERS Staff and Consultant shall continue to review and evaluate research, surveys and suggestions of best practices for the investment management and execution of the program. To this end, COAERS will take into consideration the suggestions of best practices put forth by the Institutional Limited Partners Association (ILPA) which are intended to serve as a basis for continued discussion among and between the general partner and limited partner communities with the goal of improving the private markets industry for the long-term benefit of all of its participants.

As part of COAERS ongoing efforts to adopt and/or establish best practices, COAERS has established a Code of Ethics. The purpose of this policy is to promote and require transparency in the use of placement agents in connection with COAERS investment



decisions. This Policy formalizes COAERS existing practice of making investment decisions solely on the merits of the investment and in a manner consistent with the fiduciary duties of the COAERS Board.

Additionally, the Investment Implementation Policy clearly identifies procedures to be followed by any organization utilizing a third-party marketing firm or placement agent. These policies are incorporated into this document by reference.

**E. COAERS Due Diligence Questionnaire (DDQ)**

As part of COAERS due diligence process, each manager shall be asked to provide or complete a thorough due diligence questionnaire. To the extent a manager does not have a prepared DDQ, COAERS and Consultant will provide a due diligence questionnaire to be completed. See **Appendix A** for a sample questionnaire.

## V. Monitoring of Objectives and Performance

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- A. General. The deployment of assets within Private Credit will be monitored for consistency of the manager's investment philosophy, returns relative to objectives and investment risk as measured by asset concentration, exposure to extreme economic conditions, market volatility, and target allocations. COAERS Staff and Consultant will monitor partnerships on an on-going basis. The portfolios of each vehicle will be analyzed in depth at least annually to ascertain consistency with the stated investment philosophy, objectives, asset allocation criteria, and the guidelines and restrictions set forth in this Statement. Interim internal rates of return for each investment as well as the total Program will be calculated on an on-going basis and evaluated on a five-year horizon.
- B. Program Evaluation. Due to the long-term nature of these asset classes, the progress of the total Program should be evaluated over a minimum of five-year rolling periods, although the progress of the individual investment managers will be monitored at least annually.
- C. Reports Provided by Managers. Each investment manager will provide COAERS Staff and Consultant with quarterly reports in sufficient detail in order to assess performance of its investment in each entity. Specifically, each manager will provide performance information concerning investment, financial statements for the partnership, and a capital account statement for COAERS. Each manager shall report on a timely basis, all material developments in the portfolio, including but not limited to personnel changes, contractual problems or amendments, distribution issues and other items required for monitoring the Program.
- D. Performance Reporting.

Performance in private markets is typically calculated using an internal rate of return (IRR) methodology, versus the time weighted rate of return (TWR) used for public markets reporting. Because investors are able to quickly move funds in and out of public markets, TWR is generally used to measure performance for public markets, as it does not consider the timing of cash flows in the calculation of returns. In contrast, IRR is the annualized implied discount rate calculated from a series of cash flows. As the manager, not the investor, controls the timing of cash flows, the industry standard is to use the IRR as a means of measuring and comparing performance to funds with similar strategies of a similar vintage.

COAERS will establish a means for reporting performance in Private Credit using both methodologies. For purposes of reporting on the program, the IRR methodology will be used. This typically is reported with a one-quarter lag due to the timing of receiving updated information. The Fund level quarterly performance reports provided by COAERS General Investment Consultant will use a time weighted return calculation to provide consistency in reporting for all fund assets.

On a semi-annual basis, a performance report for the Private Credit Program will be provided to the COAERS Board. Performance measurement will be based upon Internal Rates of Return (IRR). The IRR is based on cash-on-cash returns with consideration for residual value of holdings, calculated net of management fees, expenses, and the general partners' share of carried interest, as contained in the manager's financial statements. The IRR calculation is cumulative,

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calculated quarterly, and shall serve as the definitive measurement of a vehicle's performance. The performance of each investment vehicle will be compared against the performance of comparable investments.

- E. Cash Flow Projections. On an annual basis, the Program and its cash flows will be reviewed for the purposes of evaluating target allocations and the upcoming year's commitment level.
- F. Monitoring and Evaluation Responsibility. Due to the time-intensive nature of private markets investing, Staff and Consultant will work closely to ensure there are sufficient resources to oversee the planning, implementation, and monitoring of the Program.
- G. Performance. Performance measurement reports will be the responsibility of the consultant in conjunction with the Staff.
- H. Review of Investment Objectives and Guidelines. This Statement of Objectives and Guidelines will be reviewed at least annually, in order to determine whether there is continued applicability. Any changes in policy approved by the Board will be incorporated into revisions to this Statement.

**VI. Appendixes**

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**Appendix A**

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**COAERS – PRIVATE CREDIT INVESTMENT QUESTIONNAIRE**

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**I. Organization**

- 1. Please provide the following information for the sponsor's main office as well as all branch offices, if any:**

**Address:**

**Phone:**

**Fax:**

**E-mail:**

**Website:**

- 2. Fill in the following general fund information:**

**Legal name of fund:**

**Name of general partner and/or investment sponsor:**

**Legal structure of fund:**

**Date and jurisdiction of fund formation:**

- 3. General Partner/Fund Sponsor General Information:**

**Full legal name of the general partner:**

**Legal structure of the general partner:**

**Date and jurisdiction of the general partner's formation:**

- 4. Name of all placement agents with their compensation structure. Is there any affiliation between the general partner and a placement agent? If so, describe.**

**II. General Partner Structure and Background**

- 5. What is the current structure of the firm? Please include employees at all levels.**
- 6. What is the ownership structure of the general partner entity? (Include percentage ownership.)**
- 7. How are the fees and carried interests allocated among the principals and others? Please be specific. How is this split determined? What provisions are in place to promote the retention of principals, and change allocations over time?**
- 8. What, if any, are the carried interests and ownership interests in the General Partner or Management Company held by individuals or business entities not employed by the firm?**
- 9. What is the firm's compensation structure? What are the vesting provisions? Are there vesting provisions for future general partner additions?**
- 10. What is the general partner's capital commitment to the fund? What is the amount committed by each participant in the general partner? What is the source for each contributor's funds?**
- 11. Please provide a detailed three year budget for the general partner.**
- 12. Please describe the firm's professional turnover for the last five years, citing reasons for each departure and contacts for departed partners.**
- 13. Are any new hires expected in the near term? Please explain at what level these new hires are expected, and their anticipated compensation (salary, bonus, participation in carried interest).**
- 14. What is the decision-making process internally among the principals for (i) internal matters, (ii) new partners, and (iii) partnership operations and management decisions?**
- 15. Does the firm have a succession plan in place? If so, please describe.**

**16. Who are the principals of the general partner? How long has each of the principals been a participant of the general partner?**

**17. Please complete the following table which addresses the principals' relationship with each other prior to becoming principals of the general partner.**

Principals	Number of Years Worked Together Prior to Forming General Partner	Nature of Relationship

**18. Identify all prior funds each principal has been involved with in any capacity. What is the status of those funds, and how much of the principals' time is committed to each fund?**

**19. Do any of the principals have any conflicts of interest with the current fund?**

**20. Is the firm or any of its principals involved in, or a partner in, any other businesses outside of the firm's activities? Please describe.**

**21. Has the firm or any of its principals (including former principals) ever been involved in any litigation? Please describe. Are any cases still open or pending? Please have each principal complete the Litigation Questionnaire attached as Schedule A.**

**22. Do any of the principals have any health or personal issues that should be of concern? Please explain.**

**III. General Partner Qualifications**

**23. Please provide four (4) references for each principal. Include, at a minimum, references from investors, co-investors, management representatives and consultants.**

**24. Please provide the internal rate of return (IRR) of all prior funds which the firm has managed. Be sure to show gross and net returns for each individual fund and in the aggregate for all funds. Also, provide returns for realized and unrealized investments for each fund and in the aggregate.**

**25. Please provide cash flows for each previous fund, with each cash event labeled by date and investment.**

**26. For each principal of the general partner, please provide the following information for every investment considered a part of that individual's investment record.**

Name of Investment	\$'s Invested and Date of Investment	Individual(s) Responsible for Sourcing Deal	Individual(s) Responsible for Monitoring	Individual(s) Responsible for Exit	Total Value Realized from Investment and Date of Realization	IRR

**27. Please identify each principal's area of expertise. Identify the number of years each principal has worked in his/her area of expertise.**

**28. Please complete the attached table regarding board memberships.**

Name of Principal	Current Board Memberships	Prior Board Memberships

**29. How many board seats will each principal be expected to hold for this fund? How does this compare to prior funds?**

**30. Using the table below, identify the amount of time (in percentages) that each principal will dedicate to each role for this fund.**

Name of Principal	a	b	c	d	e	f	g	h	Total

a. generating deal flow; b. reviewing opportunities; c. conducting due diligence; d. negotiating and structuring; e. administrative/other internal activities; f. outside activities; g. monitoring portfolio investments in prior funds; h. monitoring portfolio investments in current fund.

**31. How does the investment committee for the fund operate? How are decisions made? Is consensus required from each partner, or is a simple majority sufficient?**

**32. How often do the principals meet as a group? Are meetings typically held in person or telephonically? What forum do the principals use for information and idea sharing?**

**33. What is the investment capacity for the firm with its current structure and staff?**

**34. What is the average number of opportunities reviewed by the firm annually?**

**35. Has the general partner warehoused or otherwise specified or targeted any deals for this fund? If so, please provide information on all such deals.**

**36. What are the proposed funds' investment strategy(s) and objectives? What is the anticipated investment range in terms of size for the fund's investments? Are these the same as the objectives, strategies, and average size implemented in prior funds? If not, explain the differences.**



- 37. What is the targeted rate of return for the fund? Please provide both gross and net return targets. Why does the general partner feel such returns are achievable?**
- 38. Who are the firm's competitors? Which are currently viewed by the general partner as the leading firm(s), and why?**
- 39. How do you differentiate your fund from competitive funds?**
- 40. To what extent are outside consultants used for due diligence and monitoring of portfolio investments? Please list consultants used over the last three years and the nature of their engagement with the firm.**
- 41. What outside resources and strategic relationships does the general partner rely on?**
- 42. Will the partnership participate in hostile investments?**
- 43. What restrictions are proposed for starting new partnerships?**
- 44. What are the firm's documentation procedures? Please attach a sample of each of the following documents: due diligence checklist, deal log, a typical investment term sheet that you would use, and a summary investment memorandum.**
- 45. What is the firm's valuation policy and methodology?**
- 46. Is the firm GIPS compliant?**
- 47. Is the partnership permitted to re-invest proceeds? What rules govern those re-investments?**
- 48. What is the fund's approach to UBTI related investments?**

**IV. Limited Partners**

**49. Please complete the following table for all limited partners, for the current fund and all prior funds.**

Limited Partner	ERISA (Y/N)	Contact Name/Phone	Name of funds committed to	Commitment amounts	Commitment to this fund or explanation for opting out of this or future funds

**50. Have you entered into any side letter agreements or other arrangements with any limited partners? Do you anticipate doing so prior to or at the final closing? Are there any 'most favored nations' provisions? Are there 'special' limited partners or limited partners who also have investments in, or special rights from, the general partner or manager?**

**51. Does the fund currently have or expect to receive commitments from any "strategic" limited partners? What are the expectations of these LP(s)' investment(s) in this fund?**

**52. What co-investment rights are afforded the limited partners of the fund? What about GP co-investment rights?**

**V. Legal and Accounting**

- 53. Who is the partnership's legal counsel? Who is the general partner's legal counsel? How does counsel address conflicts between the partnership and the general partner?**
- 54. Which firm will audit the partnership at year-end? Provide copies of the last four quarterly reports and the last three years' audited year-end financials for your prior fund. Also include any investor communications distributed during that period.**
- 55. Please provide contact names with addresses and phone numbers for all legal counsel and the accounting firms the sponsor has engaged over the past 5 years. Please provide a brief description of the nature of the engagement.**

**VI. Principal and Key Personnel Profile**

**Please complete this page for each principal and all key personnel who will be involved directly or indirectly in the partnership.**

- 1. Name:**
- 2. Home address:**
- 3. Home phone:**
- 4. Date of birth:**
- 5. Do you have any health issues that may impair your ability to perform your responsibilities as they relate to the partnership?**
- 6. What professional licenses, if any, do you hold?**
- 7. Please attach a detailed biography for each of the principals. Include complete month and year employment information for the last 10 years.**

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**END OF QUESTIONNAIRE**

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**SCHEDULE A**  
**COAERS LITIGATION QUESTIONNAIRE**  
**(To be completed by each individual General Partner)**

RESPONDENT NAME: \_\_\_\_\_

**INVESTMENT PROPOSAL NAME:** \_\_\_\_\_

Note: Please provide details of any "Yes" answers on a separate sheet.

1. Are you now, or have you ever been, a party to any criminal action or civil action involving a claim of more than \$250,000?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Has any organization of which you have been a member of senior management, or in which you have had a meaningful ownership interest (greater than 5%), ever been a named defendant in any criminal action or civil action involving a claim of greater than \$500,000?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Have you or any organization in which you have had a meaningful ownership interest (greater than 5%), or of which you are, or were, a member of senior management ever filed voluntarily, or had filed against you involuntarily, a bankruptcy petition?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Has any licensor, franchisor, or master distributor ever initiated proceedings to terminate a business relationship with you or any organization of which you have ever been a member of senior management?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Has any business partner, joint venture, or subcontractor ever sought injunctive relief or arbitration to terminate any business or contractual relationship?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Are you aware of any prospective litigation to be filed in which you, your firm or any principal in your firm will be a party?

Yes \_\_\_\_\_ No \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

## Appendix B

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### **COAERS – PRIVATE CREDIT SECONDARY PROGRAM**

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#### **Summary**

The opportunity to selectively acquire a partnership interest in the secondary market may be attractive. While COAERS is just embarking on a private markets program, a secondary program provides a means to more actively manage the Private Credit program to meet its long-term objectives.

COAERS expects a Secondary Program to become an integral part of the Strategic and Annual Investment Plans which are reviewed annually by COAERS Staff and Consultant and approved by the Board.

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#### **The Secondary Market - Background**

Commitments to private credit funds have grown dramatically during the past decade with close to \$2 trillion of capital committed since 2013<sup>3</sup> and more than 60% of that total having been raised between 2018 and 2023. The size and number of commitments to private credit funds have created a large base of investors that may not be willing or able to hold these illiquid positions to maturity. Early liquidity needs and changes in strategy on the part of some of these investors have led to an increasing volume of secondary activity that is expected to approximate \$50 billion by 2026<sup>4</sup>.

As the private credit industry matures and grows, institutional investors are increasingly aware of the opportunity to more actively manage their existing portfolios of private markets investments. Some institutions are looking to rebalance their private exposure, generate liquidity, adjust the risk profile of a portfolio, eliminate mature, smaller partnership interests, or reduce the number of holdings being administered. The awareness among investors that the secondary market provides a viable solution to these needs is rapidly expanding. An increasing number of institutions are pursuing opportunities to acquire and sell secondary interests in private credit funds.

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#### **COAERS Secondary Purchase Program**

The purchase of existing limited partnership interests in the secondary market has become an effective tool in the management of institutional alternative investment programs. The main objective of COAERS Secondary Purchase Program is to strategically and tactically increase investment exposure to certain existing fund managers or to gain access to funds with strategies and managers additive to the COAERS portfolio, with the goal of improving the long-term economic returns of the program. Secondary investments would typically consist of acquiring an interest in a private credit limited partnership from an existing investor that is looking to gain liquidity prior to the full term of the partnership. Attractive secondary purchases provide numerous benefits, such as:

- Investing in an existing portfolio, not a blind pool.
- More mature funds have shorter average holding periods due to nearer term realizations.
- Ability to strategically and tactically manage a portfolio's diversification.
- Possibility of purchasing assets at a discount to current carrying value and a further discount to fair market value.

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<sup>3</sup> Source: PitchBook

<sup>4</sup> *ibid*

The increasing supply and broadening access to secondaries has enabled many institutional investors to successfully move beyond the traditional buy and hold mind set and begin to actively manage their portfolios through the acquisition of secondary partnership interests.

#### **Purchase Program – Recommended Investment Guidelines**

- All investments must meet COAERS Private Credit Objectives.
- Investments would be considered only in funds managed by existing managers or those managers who meet all the criteria for a primary fund investment.
- All investments must be within COAERS investment sectors.
- The program would consider both mature secondaries, funds with more than 50% of capital funded, as well as hybrid secondaries, funds with less than 50% of capital funded.
- Investments would opportunistically focus on single Limited Partnership interests, rather than broad portfolios of multiple interests.
- Staff would have authority to acquire secondary interests in existing partnerships at or below the capital account value, or, where appropriate, at modest premiums to capital account value. Board approval would be required for investments at a significant premium to the capital account.
- All secondary transactions require the consent of COAERS consultant. The Fund's Consultant would have to provide a written opinion that the transaction is appropriately priced given the circumstances, meets all objectives of the program, and agrees with the purchase prior to execution.
- Any single fund investment would be no more than \$20 million in purchase value which includes the purchase price plus any remaining unfunded commitment.
- Limit maximum exposure (existing investment plus secondary purchase) to not greater than 20% in limited partnership interest of a single fund and, no single partnership investment can constitute more than 20% of COAERS total Private Credit adjusted reported value partnership holdings at the time of purchase once the program is considered fully invested. Limit maximum exposure (adjusted reported value plus any remaining unfunded commitment) to any sponsor such that the aggregate investment with any sponsor across multiple funds is not greater than 30% of COAERS total Private Credit adjusted reported value partnership holdings at the time of purchase.

#### **Percentage of Annual Allocation**

COAERS Staff and Consultant recommend that secondary investments represent up to 20% of COAERS annual investment allocation for Private Credit. Additionally, any proceeds from the sale of partnership interests through the secondary sale program would be available for reinvestment in secondary interests.

**Purchase Program - Investment Process**

COAERS Staff in conjunction with its Consultant would implement the Secondary Purchase Program through the following process:

*Sourcing:* Secondary investment opportunities would be sourced directly from General Partners and Limited Partners of private credit funds where COAERS has existing exposure, or on which COAERS Staff and Consultant have performed due diligence and believe are additive to the program. Opportunities may also be sourced through secondary managers and intermediaries.

*Screening:* Investments would be considered in existing partnerships that provide strategic and/or tactical benefits to the overall Private Credit program. This includes partnerships that have the potential to enhance returns and/or help manage sector exposure for COAERS Private Credit program.

*Evaluating:* Secondary opportunities that fall within the Secondary Program's guidelines would be evaluated to determine if a full valuation analysis should be conducted. Those that meet the criteria of enhancing potential returns and/or helping manage sector exposure will be analyzed and valued by the Consultant and COAERS Staff. A deal by deal valuation analysis will be conducted to estimate the Fair Market Value of the partnership and provide negotiation strategies including a bidding range.

*Offer and Negotiation:* If a secondary opportunity meets all of COAERS Private Credit objectives and the guidelines of the Secondary Program, COAERS Staff supported by Consultant will have discretion to make an offer, negotiate a final price and execute transfer documents on behalf of COAERS. Since the purchase of specific partnership interests are unique to COAERS, to the extent negotiations of terms and contracts require legal counsel, outside legal counsel would need to be retained and paid for by COAERS.

*Reporting:* Staff's semi-annual update report to the Board will include a summary of completed secondary transactions. The information provided will include: Fund Name, Vintage Year, Fund Type, Commitment Amount, Date of Transfer, and NAV.

*Monitoring:* Secondary investments would be monitored along with all Private Credit investments. Investments would be placed in the appropriate Sector of the portfolio based on the investment strategy of the fund. Staff and Consultant shall seek to report performance of all secondary investments as a separate grouping to track the specific performance of the Secondary Program.

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**COAERS Secondary Sale Program**


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Though the potential disposition of existing limited partnership interests in the secondary market can be a complicated process, it can be an effective tool in strategically and tactically managing COAERS Private Credit program. Selling certain interests in COAERS Private Credit portfolio can serve to:

- Eliminate lower-impact holdings including mature and non-strategic assets.
- Reduce the number of holdings in the portfolio.
- Provide added liquidity to recycle capital into new private credit investments.
- Adjust the risk profile of the portfolio by adjusting the asset mix.

As COAERS is just embarking on development of a Private Credit Program, Staff does not anticipate any sales of interests in the near to intermediate term. As the program

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expands, Staff will consider adding language regarding sales of existing interests for consideration.



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

A. Ethics policy disclosure statements

B. Report on 2023 annual financial disclosure and annual ethics policy statements

C. 2024 meeting calendar

D. February 22, 2024 Investment Committee meeting

E. March 6, 2024 Audit and Risk Committee meeting

F. March 6, 2024 Benefits and Services Committee meeting

G. March 6, 2024 Governance and HR Committee meeting

H. March 6, 2024 Policy Committee meeting

Presented by Yuejiao Liu

**AGENDA ITEM 6:**

Receive reports on the following Board administrative matters, including:

- A. Ethics policy disclosure statements
- B. Report on 2023 annual financial disclosure and annual ethics policy statements
- C. 2024 meeting calendar
- D. February 22, 2024 Investment Committee meeting
- E. March 6, 2024 Audit and Risk Committee meeting
- F. March 6, 2024 Benefits and Services Committee meeting
- G. March 6, 2024 Governance and HR Committee meeting
- H. March 6, 2024 Policy Committee meeting

**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.

**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.”

**ATTACHMENTS**

1. Ethics policy disclosure statements
2. Report on ethics policy and annual financial disclosures
3. Remaining 2024 Board and Committee calendar
4. Report from February 22, 2024 Investment Committee
5. Report from March 6, 2024 Audit and Risk Committee
6. Report from March 6, 2024 Benefits and Services Committee
7. Report from March 6, 2024 Governance and HR Committee
8. Report from March 6, 2024 Policy Committee



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

\_\_\_\_\_ For the period February 1, 2024 to March 28, 2024 \_\_\_\_\_

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:**

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**Meals:**

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**Other Declarations:**

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\_\_\_\_\_  
Signature of Trustee or COAERS Key Staff

\_\_\_\_\_  
Date

## Ethics Compliance

<b>Trustees</b>	Annual Disclosure 2023 Notarized	2024 Annual Ethics Policy	2023 compliance with disclosure statements
Lavine, Dick	y	y	100%
Benson, Michael	y	y	100%
Crook, Kelly	y	y	100%
Granof, Michael	y	y	100%
Hunter, Amy	y	y	100%*
Liu, Yuejiao	y	y	100%
Noak, Chris	y	y	100%
Pool, Leslie	y	y	100%
Ross, Anthony B.	y	y	100%
Sinclair, Brad	y	y	100%
Thomas, Diana	y	y	100%
Van Eenoo, Ed	y	y	n/a
<b>Key Staff</b>			
Cantu, Teresa	y	y	100%
Doggett, Kelly	y	y	100%
Hanson, Chris	y	y	100%
Kelley, Amy	y	y	100%
Kushner, David	Y	Y	100%
Mahaini, Michelle	y	y	100%
Nash, Russell	y	y	100%
Quintanilla, Yun	Y	Y	100%
Rahman, Mehrin	y	y	100%
Saenz, Paige	y	y	100%
Sorrel, Ty	y	y	100%
Stafford, David	y	y	100%

\*Did not ask for or receive Ms. Hunter's disclosure after her resignation, though technically she was considered a holdover Trustee.



## Current Board and Committee Calendar

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**Thursday, March 28, 2024 – 10 am**

Full Board

**Thursday, April 11, 2024 – 10 am**

Investment Committee

***Week of April 29-May 3 TBD***

*IC Due Diligence Travel*

**Thursday, May 23, 2024 – 10 am**

Investment Committee

**Thursday, June 13, 2024 – times tbd**

Audit and Risk Committee

Benefits and Services Committee

Legislative Committee

**Thursday, June 27, 2024 10 am**

Full Board

**Thursday, July 25, 2024 – evening time tbd**

Full Board (Member Meeting)

**Thursday, August 22, 2024 – 10 am**

Investment Committee

**Friday, August 30, 2024 times tbd**

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Policy Committee

**Thursday, September 19, 2024 – 10 am**

Full Board

**Monday & Tuesday October 14-15, 2024**

Full Board (Workshop)

**Thursday, November 14, 2024 times tbd**

Full Board (ED Evaluation)

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Legislative Committee

Policy Committee

**Friday, November 22, 2024 – 10 am**

Investment Committee

**Tuesday, December 17, 2024 – 10 am**

Full Board

March 28, 2024



## Report from February 22, 2024 Investment Committee Meeting

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The February 22, 2024 meeting of the Investment Committee included discussion about the 2024 Committee Work Plan; a review of investment performance through fourth quarter 2023; an asset class review of Global Equities; review of the Premier List for Global Equities; review of the Investment Committee Charter; discussion of a strategic plan for Private Credit; presentation of the required Investment Practices and Performance Evaluation (IPPE) report from RVK; a discussion regarding the policies and processes of the investment program; and a report on bids submitted for the General Investment Consultant RFP.

1. The Committee reviewed the 2024 Investment Committee Work Plan and requested that it be re-organized around key priorities as opposed to strictly chronological.
2. The Committee reviewed performance data from RVK through December 31, 2023. While the Fund returned 12.3% for the year, RVK reported that the Fund underperformed relative to the Policy Benchmark over the trailing 3- and 5-year periods. RVK discussed dynamics in the capital markets including the narrow breadth of stock gains and underperformance of private real estate compared to REITs. As a result, RVK suggested that near term underperformance of the Fund was nearly entirely attributable to the use of more diversified strategies in US Equities and private markets in Real Estate.
3. The Committee reviewed a presentation by RVK regarding the Fund's Global Equity asset class structure. This presentation covered performance, positioning relative to the benchmark, and RVK observations. The Committee recommended to the Board that the Fund adopt the MSCI ACWI-IMI Index as the benchmark for the Global Equity portfolio, remove from policy the underlying regional targets, and to reduce the implementation mismatch to the benchmark within the US Equity portfolio.
4. The Committee reviewed changes to the Premier List, and recommended the Board approve termination of several mandates and simplification of structures and exposures within the Global Equity Portfolio.
5. Trustees discussed possible changes to the Charter based on discussions at the January Board meeting; however, no changes were proposed to the Charter.
6. The Committee reviewed a draft Strategic Plan for Private Credit and directed Staff to incorporate policy elements of the plan into the Investment Policy Statement, with a requirement to review and update annually. The Committee referred the Strategic Plan to the Board for approval and adoption.
7. Ms. Marcia Beard of RVK presented the conclusions of the Investment Practices and Performance Evaluation report. Trustees were supportive of most of the recommendations though there was discussion around both benchmarking and

performance relative to peers. The Committee recommended the Board accept the IPPE report, and, given the quality of the report, decided not to pursue additional IPPE review.

8. The Committee received an update on the status of the current General Consultant RFP and discussed both the scoring and the process for the general investment consultant search. The Committee reviewed and approved the proposed scoring matrix for the first phase of the RFP evaluation. Staff was directed to report back to the Committee on the RFP bid rankings using the scoring matrix at the April Committee meeting. The Committee also directed Staff to formulate a scoring process based on the initial scoring matrix, as well as site visits and finalist presentations, and to report back its scoring recommendation to the Committee in April. Finally, Staff was asked to poll Trustees on their desire and availability to attend site visits.



## Report from March 6, 2024 Audit and Risk Committee Meeting

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The March 6, 2024, Audit and Risk Committee included required communications from COAERS financial statement auditor, CliftonLarsonAllen (CLA), for the 12/31/2023 financial statement audit; a discussion about the Fraud, Waste, and Abuse Policy; presentation of the unaudited 12/31/2023 financial statements, and a report on the 2024 Enterprise Risk Management program.

1. Ms. Bhakti Patel from CLA gave an overview of the scope and tasks associated with the audit of the 12/31/2023 financial statements. Ms. Patel informed the Committee that CLA will conduct the audit under GAAP and GAAS exercising independent judgment and maintaining professional skepticism.
2. Trustees discussed amending the review cycle of the Fraud, Waste and Abuse policy to every three (3) years from annually and asked that if no complaints were received under the Policy, the General Counsel would still provide a report to the Board.
3. The Committee received a Staff report on the 2023 unaudited financial statements.
4. The Committee received an update on activities related to the risk categories of funding, market, counterparty, and operational risks. The report discussed notable activities to mitigate risk including the following: asset liability study, strategic asset allocation study, General Investment Consultant RFP, IPPE report, new Funding Policy, actuarial audit, cash management activities, review of Global Equity asset class, new death audit vendor, and in-depth reviews of the security of third-party vendors.





## Report from March 6, 2024 Benefits and Services Committee Meeting

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The March 6, 2024, Benefits and Services Committee meeting included a review of the Committee's 2024 work plan; a review of three initial disability retirement applications and a review and discussion of the preliminary results for December 31, 2023 actuarial valuation.

1. The Committee reviewed the proposed 2024 Committee Work Plan.
2. The Committee reviewed and recommended approval of three disability applications, #2401, #2402, and #2403.
3. The Committee received a report on the December 31, 2023 actuarial valuation results. The report included new information related to the passage of SB 1444 from the 88<sup>th</sup> Legislative Session. The Committee referred the actuarial valuation to the Board for adoption. Key information presented from the report included:
  - The amortization period is now 30 years and meets the PRB Funding Guidelines minimum standard and will keep COAERS and the City of Austin from having to develop a Funding Soundness Restoration Plan (FSRP).
  - While COAERS investment returns in 2023 surpassed the assumed rate of return of 6.75%, deferred investment losses from 2022, \$98.5 million in total, are recognized in this actuarial valuation. COAERS still has \$207 million in deferred losses yet to be recognized.
  - Due to higher-than-expected salary increases, the System incurred a liability loss of \$89.5 million.
  - For 2025, the contribution rates will be as follows:
    - Member Rate: 10% (approximately \$93 million)
    - City Contribution Rate: 8.47% (approximately \$78 million) plus Legacy Liability Payment of \$111 million



## Report from March 6, 2024 Governance and HR Committee Meeting

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The Governance and Human Resources Committee meeting included a review of the Committee's 2024 work plan; a review of revisions to the Board's Election Policy; revisions to the Board Bylaws; and discussion of the repeal of Board Policy "Appointments to Fill Unexpired Terms".

1. The Committee reviewed the proposed 2024 Committee Work Plan.
2. The Committee received proposed revisions to the Election Policy removing language about volunteers and clarifying existing language.
3. The Committee reviewed proposed revisions to the Board Bylaws. The revisions included updates necessary due to the passage of SB 1444 during the 88<sup>th</sup> Legislative Session, as well as other administrative updates.
4. The Committee also considered repeal of Board Policy "Appointments to Fill Unexpired Terms" as the Bylaws revisions included changes related to the Board's authority in this matter.



## Report from March 6, 2024 Policy Committee Meeting

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The March 6, 2024, Policy Committee meeting included a review of the Committee's 2024 work plan; a report on the 2023 administrative budget; a report on the current Board Policy review cycle; and discussion of proposed revisions to the Committee Charter.

1. The Committee reviewed the proposed 2024 Committee Work Plan.
2. The Committee received a report on the 2023 administrative budget.
3. The Committee received a report on Board policies scheduled to be reviewed in 2024.
4. The Committee discussed proposed revisions to the Committee Charter and referred those to the Board for consideration.

# 7. Discuss and consider the December 31, 2023 actuarial valuation results

Presented by Yuejiao Liu

**AGENDA ITEM 7:**

Discuss and consider the December 31, 2023 actuarial valuation results

**AGENDA ITEM OBJECTIVE**

This agenda item is intended for the Board to consider the adoption of the results of the December 31, 2023 actuarial valuation.

**RECOMMENDATION FOR BOARD ACTION**

The Benefits and Services Committee recommends the Board adopt the December 31, 2023 actuarial valuation results.

**ITEM SUMMARY**

GRS Retirement Consulting conducted an actuarial valuation of the System as of December 31, 2023. The preliminary results were presented to the Benefits and Services Committee for discussion and were recommended to the Board for adoption.

Mr. Lewis Ward from GRS Retirement Consulting will discuss the key results from the actuarial valuation.

**KEY RESULTS**

Noted below are a list of key actuarial results from the December 31, 2023 valuation.

1. The amortization is 30 years. This is the result of the legislation passed during the 88<sup>th</sup> Legislative Session (SB 1444). The amortization period meets the PRB Funding Guidelines minimum standard of 30 years and will keep COAERS and the City of Austin from having to develop a Funding Soundness Restoration Plan (FSRP).
2. While COAERS investment returns in 2023 surpassed the assumed rate of return of 6.75%, deferred investment losses from 2022, \$98.5 million in total, are recognized in this actuarial valuation (see the actuarial gain/loss table on page 16 of the GRS presentation). COAERS still has \$207 million in deferred losses yet to be recognized.
3. Due to higher-than-expected salary increases, the System incurred a liability loss of \$89.5 million (see the actuarial gain/loss table on page 16 of the GRS presentation).
4. Actuarial losses in this valuation create a loss layer payment of 1.16% of payroll. For 2025, the contribution rates will be as follows:
  - a. Member Rate: 10% (approximately \$93 million)



## BOARD MEETING Agenda Item Information Sheet

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- b. City Contribution Rate: 8.47% (approximately \$78 million) plus Legacy Liability Payment of \$111 million

### RELEVANCE TO STRATEGIC PLAN

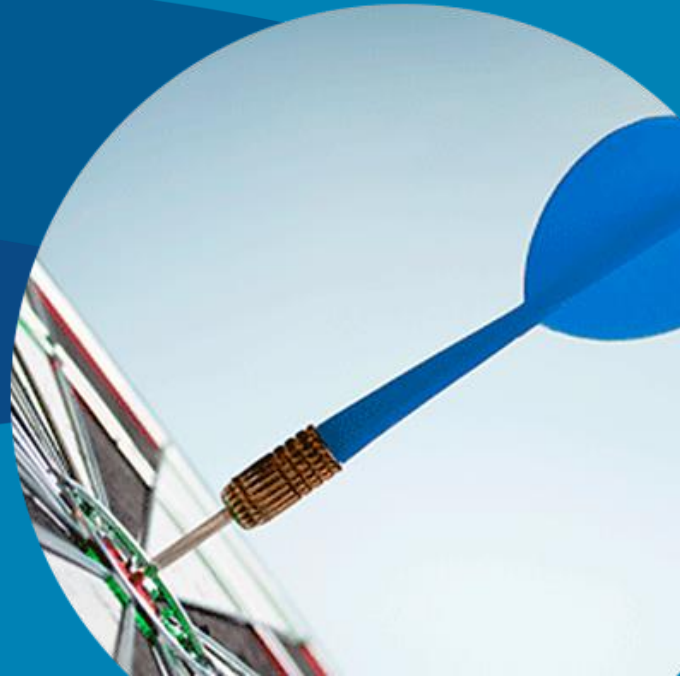
This agenda item is an action item in **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.** The valuation results presented by the COAERS consulting actuary provide Trustees with information on the actuarial status and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

### ATTACHMENT

1. 2023 Actuarial Valuation Results, GRS Consulting

# City of Austin Employees' Retirement System

## Actuarial Valuation as of December 31, 2023



# Actuarial Valuation

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- Prepared as of December 31, 2023, using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods in effect on that date
- Purposes:
  - Measure the actuarial liabilities
  - Determine City and Member contribution rates
- Reflects changes made by SB1444  
1<sup>st</sup> valuation after initial Risk Sharing Valuation Study





# Actuarial Valuation

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

## Actuarial Valuation – Key Changes and Issues

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- COAERS exceeded its 6.75% return on assets assumption in 2023 on a market value basis
  - 12.1% return on market value of assets
    - Dollar-weighted, net of investment expenses
    - Earnings on market value of assets \$159 million more than expected
- However, large deferred losses from prior years created a \$99 million loss on actuarial value of assets
  - \$207 million in deferred losses still to be recognized
- Liability experience loss of more than \$89 million
  - Primarily due to higher than expected salary increases

# Actuarial Valuation – Key Results

---

- Funding period is 30 years
  - Legacy Liability amortization is 30 years from the valuation date
  - New liability layer (loss) amortization period is same as Legacy Liability (until Legacy Liability amortization period is <20)
- UAAL is \$2.13 billion
  - UAAL was \$1.90 billion last year
- Funded Ratio is 62.1%
- 2024 Contributions
  - Member Contribution Rate is 9% (expected to be \$81 million)
  - City Contribution Rate is 8.68% (expected to be \$78 million)
  - City Legacy Liability Payment is \$99 million



# Actuarial Valuation – Key Results

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- 2025 Calculated Contribution Rates
  - Liability Layer amortization payment is 1.16% of pay
  - NC% is 7.31% of pay
  - Total City Contribution Rate is 8.47% of pay
  - Corridor midpoint is 7.44% of pay
- 2025 Contributions
  - Member Contribution Rate is 10% (approximately \$93 million)
  - City Contribution Rate is 8.47% (approximately \$78 million)
  - City Legacy Liability Payment is \$111 million
    - Reflects 2<sup>nd</sup> year of phase-in
- Key Results based on MVA
  - Funding period is 30 years
  - UAAL is \$2.34 billion (same as last year)
  - Funded ratio is 58.4%

## What This Valuation Means

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- UAAL increased \$230 million to \$2.131 billion
  - The continued recognition of the significant downturn in the financial markets in 2022 caused a loss on the actuarial value of assets (\$99 million)
  - Larger than anticipated salary increases caused a liability experience loss (\$89 million)
  - Already expected to increase due to negative amortization
- City Contribution Rate is 8.47%
  - Was expected to be 7.44% (if no gains or losses)
- The System is still deferring \$207 million in investment losses
- However, funding period is still 30 years due to funding on an actuarial basis

# Disclaimers

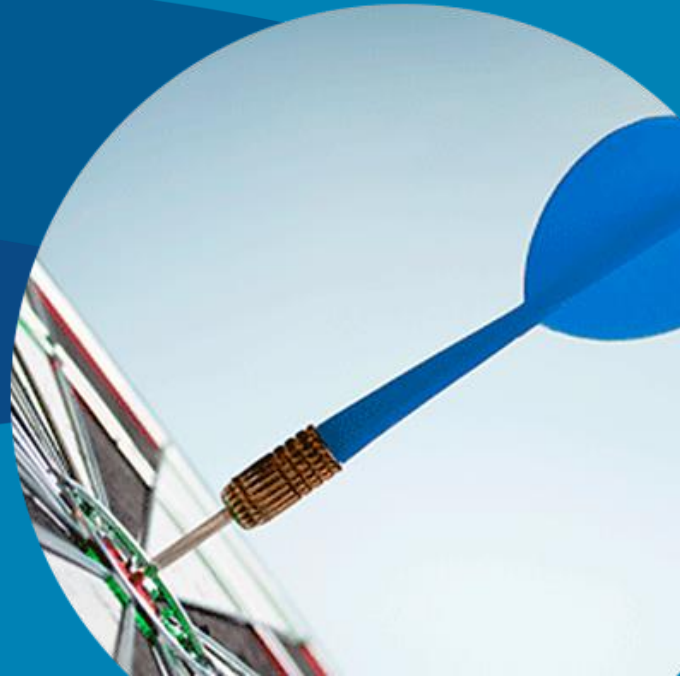
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- This presentation is intended to be used in conjunction with the actuarial valuation report to be issued in April 2024. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- Readers 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.



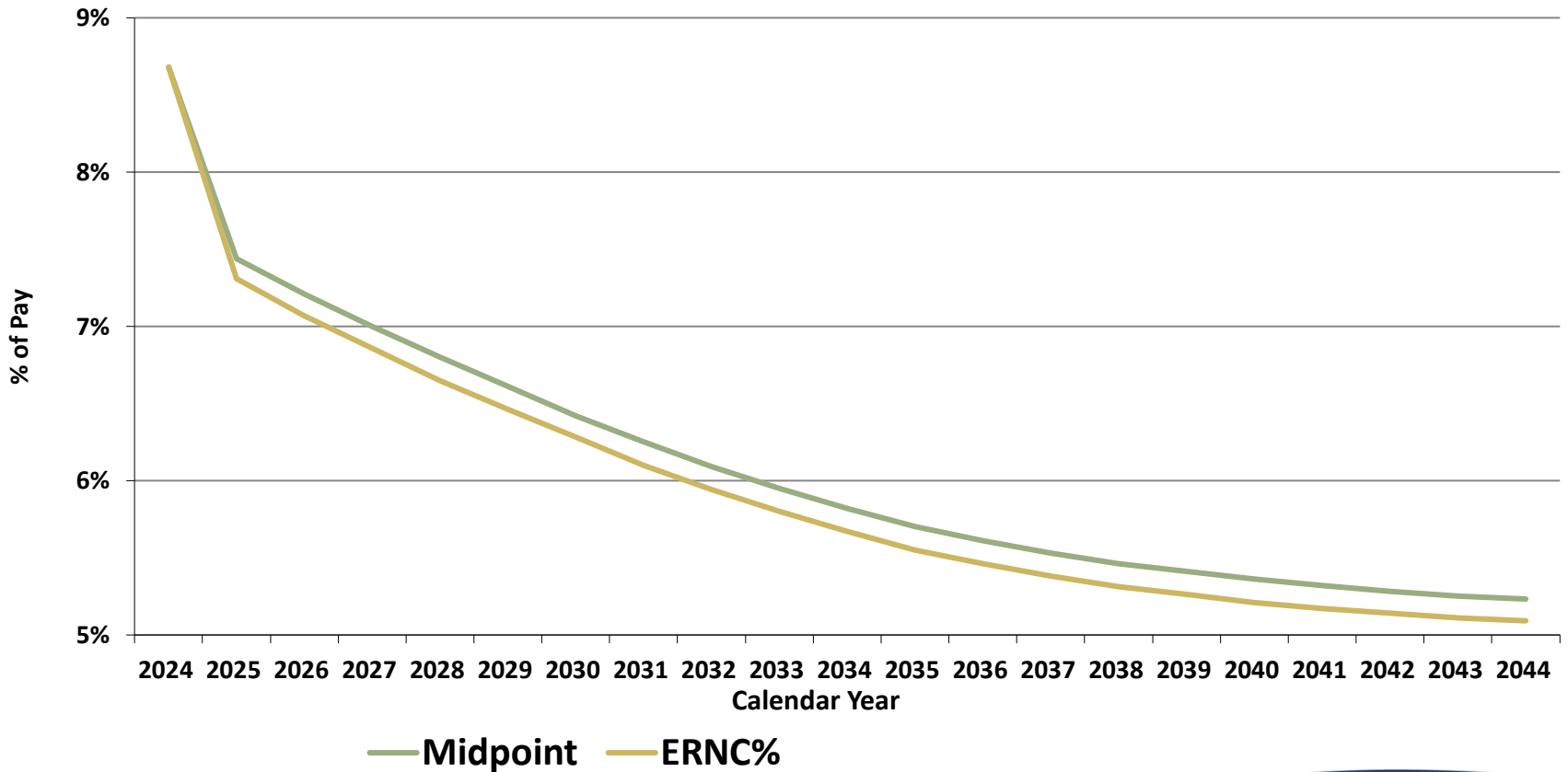
# City of Austin Employees' Retirement System

## APPENDIX



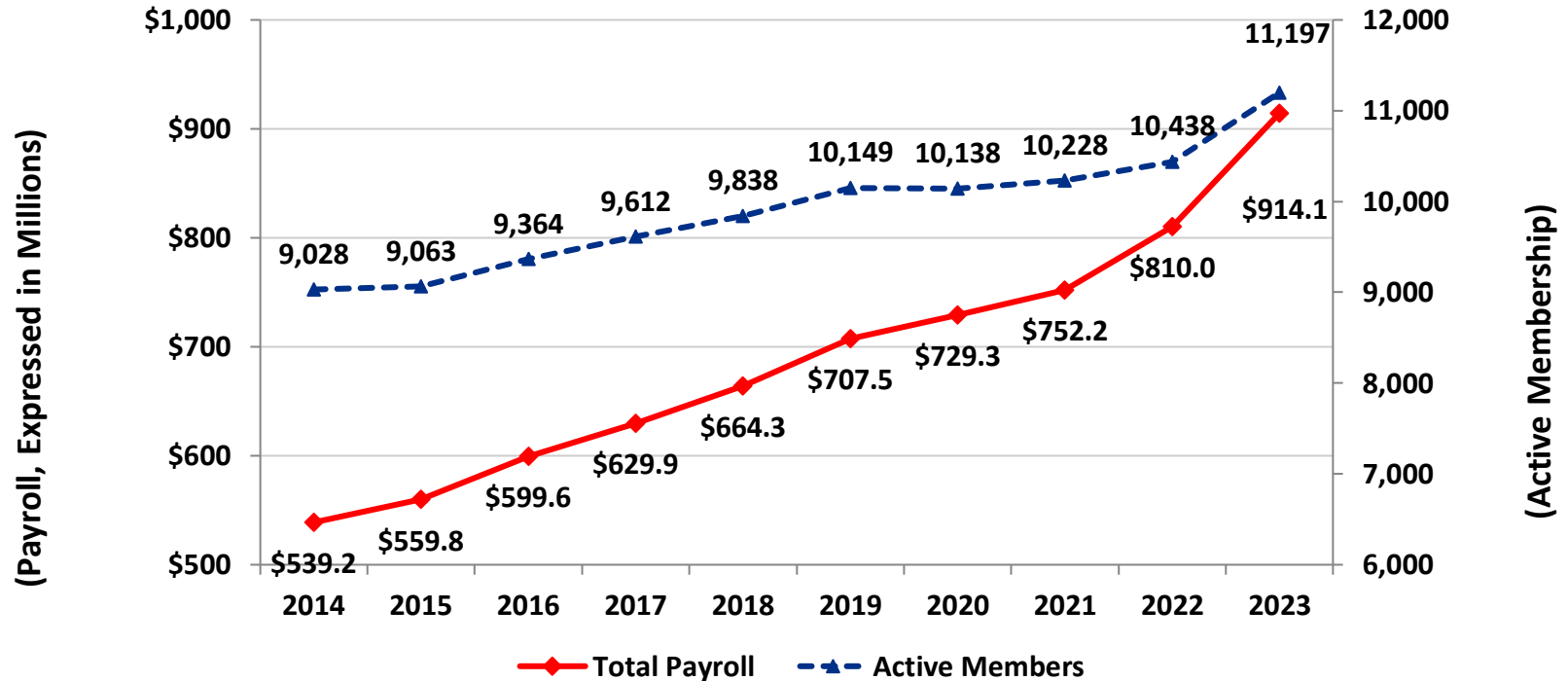
# Projected NC% Versus Corridor Midpoint

## Employer NC% Versus Corridor Midpoint





# Active Payroll\*



12.8% increase in total payroll since prior year

Payroll has increased on average 6.6% per year over past five years

Active membership has increased 2.6% per year over past five years

\*Annualized payroll for active members on the valuation date



# Source of Actuarial Gain\ (Loss)

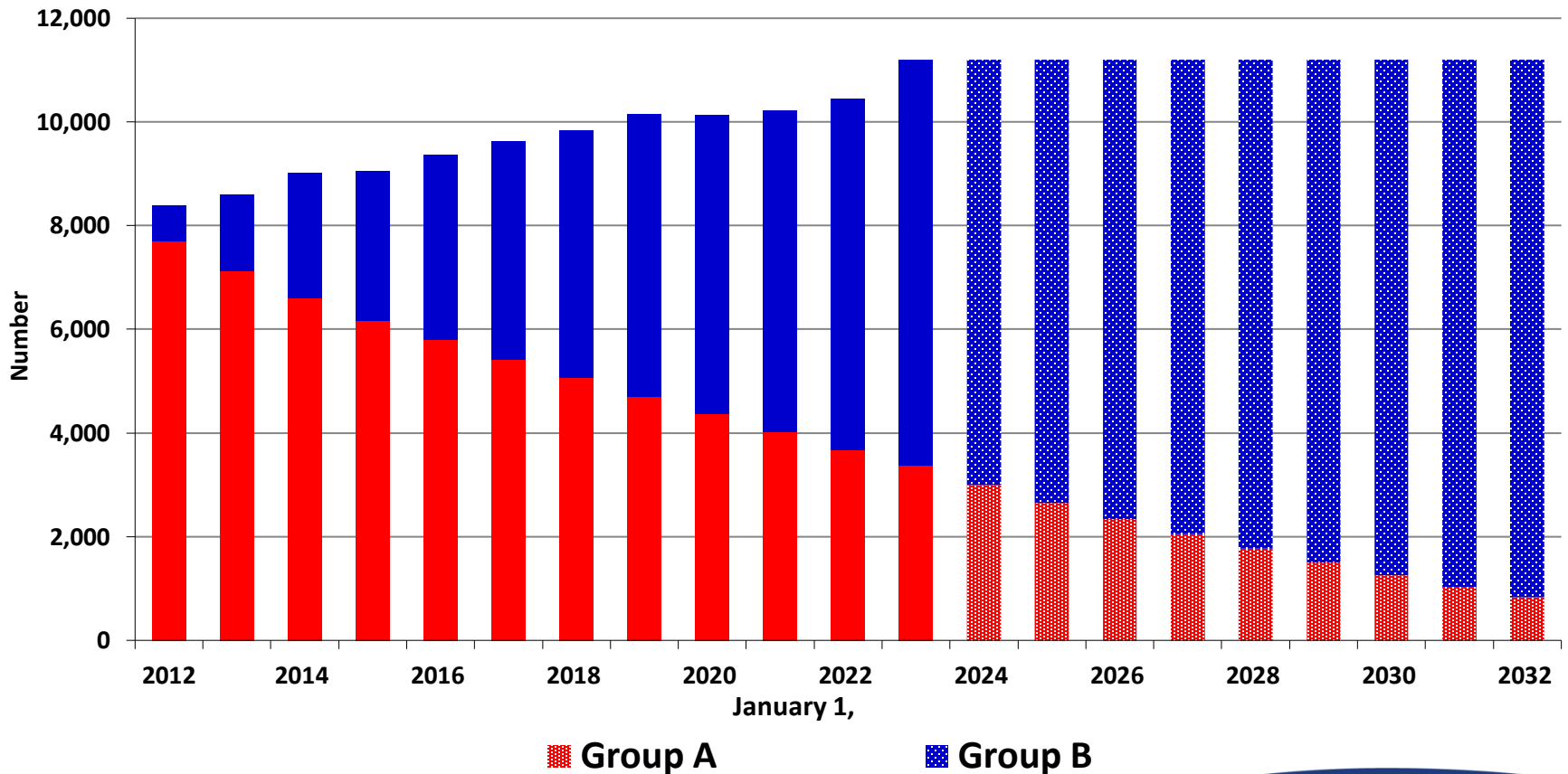
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(\$ in Millions)

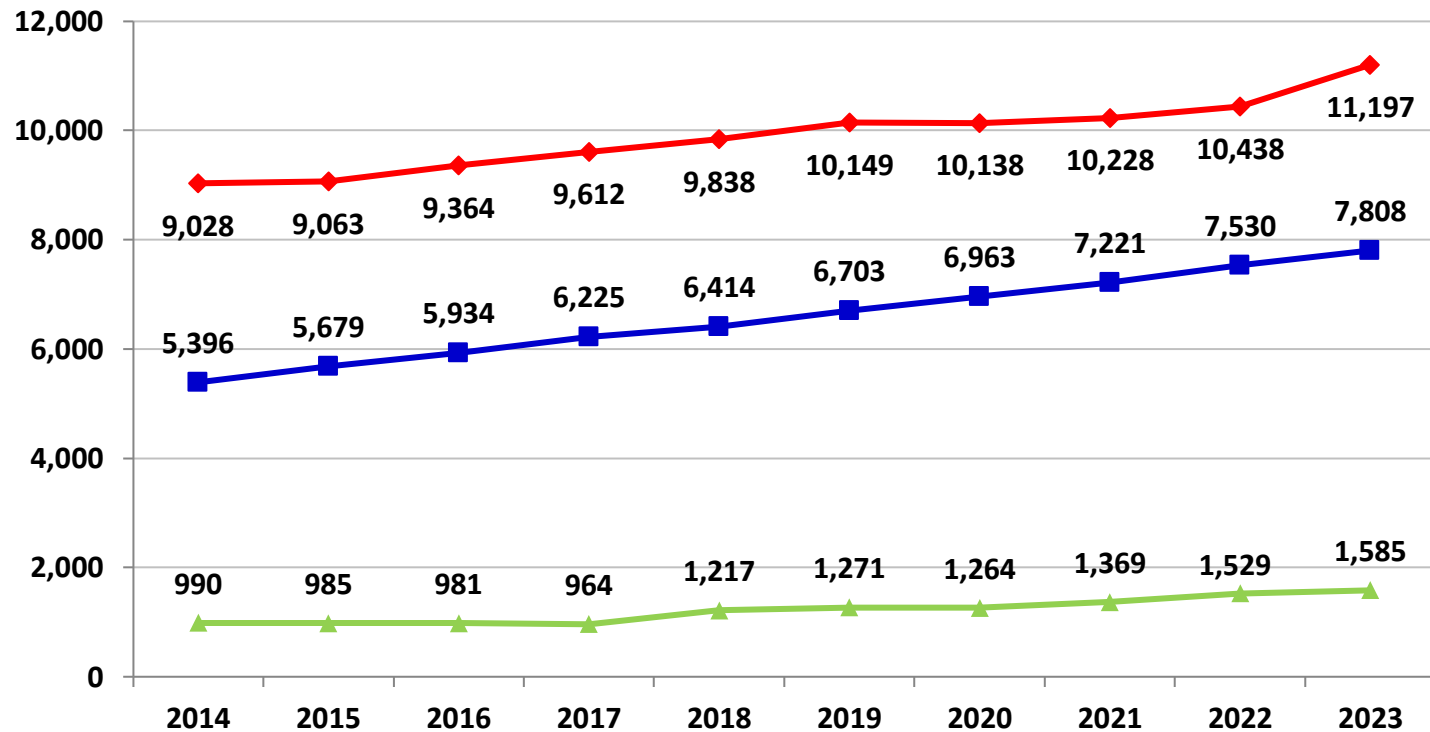
	<u>2023</u>	<u>2022</u>
1. Asset Gain/(Loss)	\$ (98.5)	\$ (92.3)
2. Liability Experience Gain/(Loss)	(89.5)	(52.6)
3. Assumptions & Methods	0.0	0.0
4. Benefit Changes	<u>5.1</u>	<u>0.0</u>
5. Total Actuarial Gain/(Loss)	\$(182.9)	\$(144.9)

# Projected Active Membership

## Projected Number of Group A and Group B Employees



# Active Members And Inactive Members

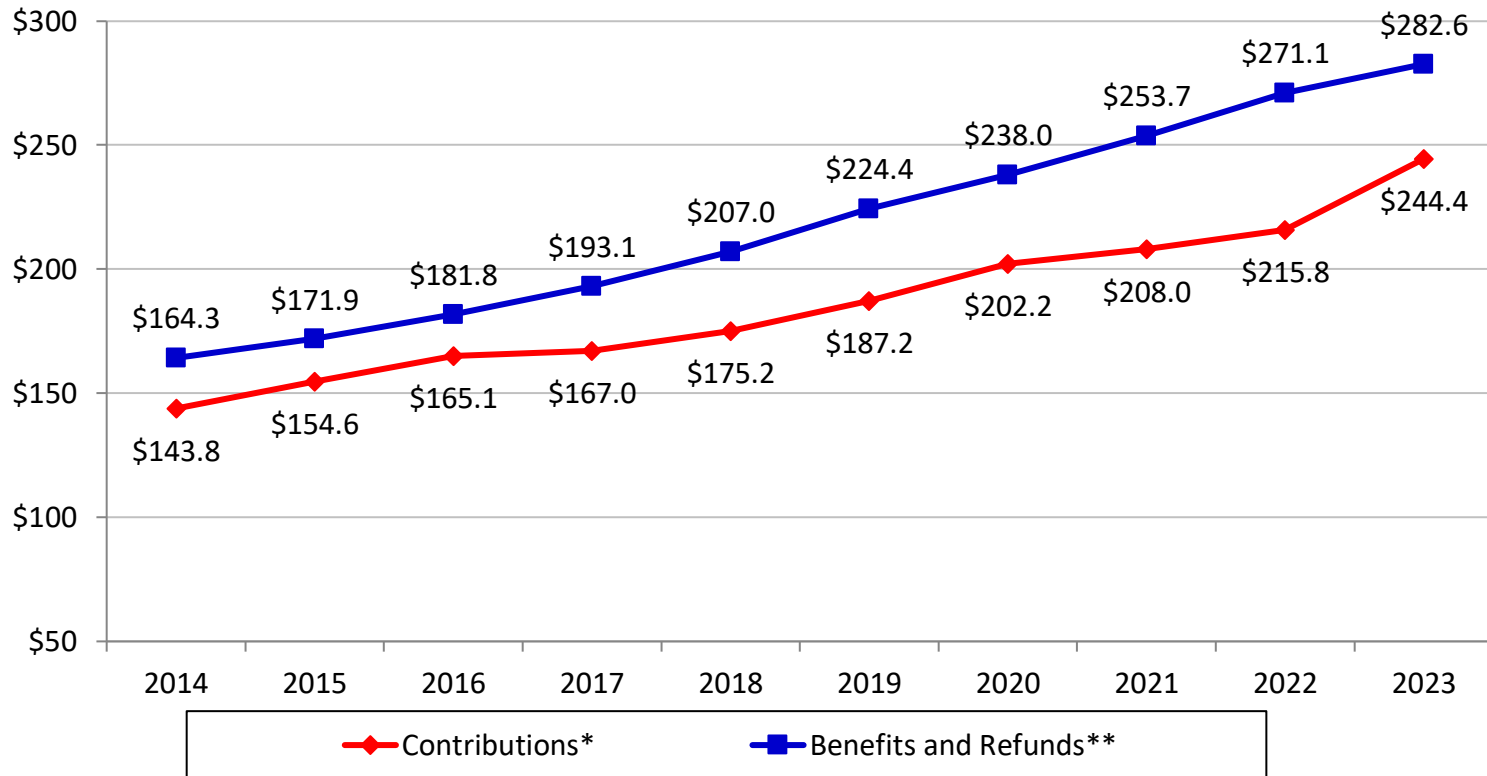


◆ Active Members    ■ Retired Members    ▲ Vested Terminated Members\*

\*Beginning 2018, includes additional members who have proportionate time now reported with new software. Does not materially impact the valuation results.



# Contributions vs. Benefits and Refunds

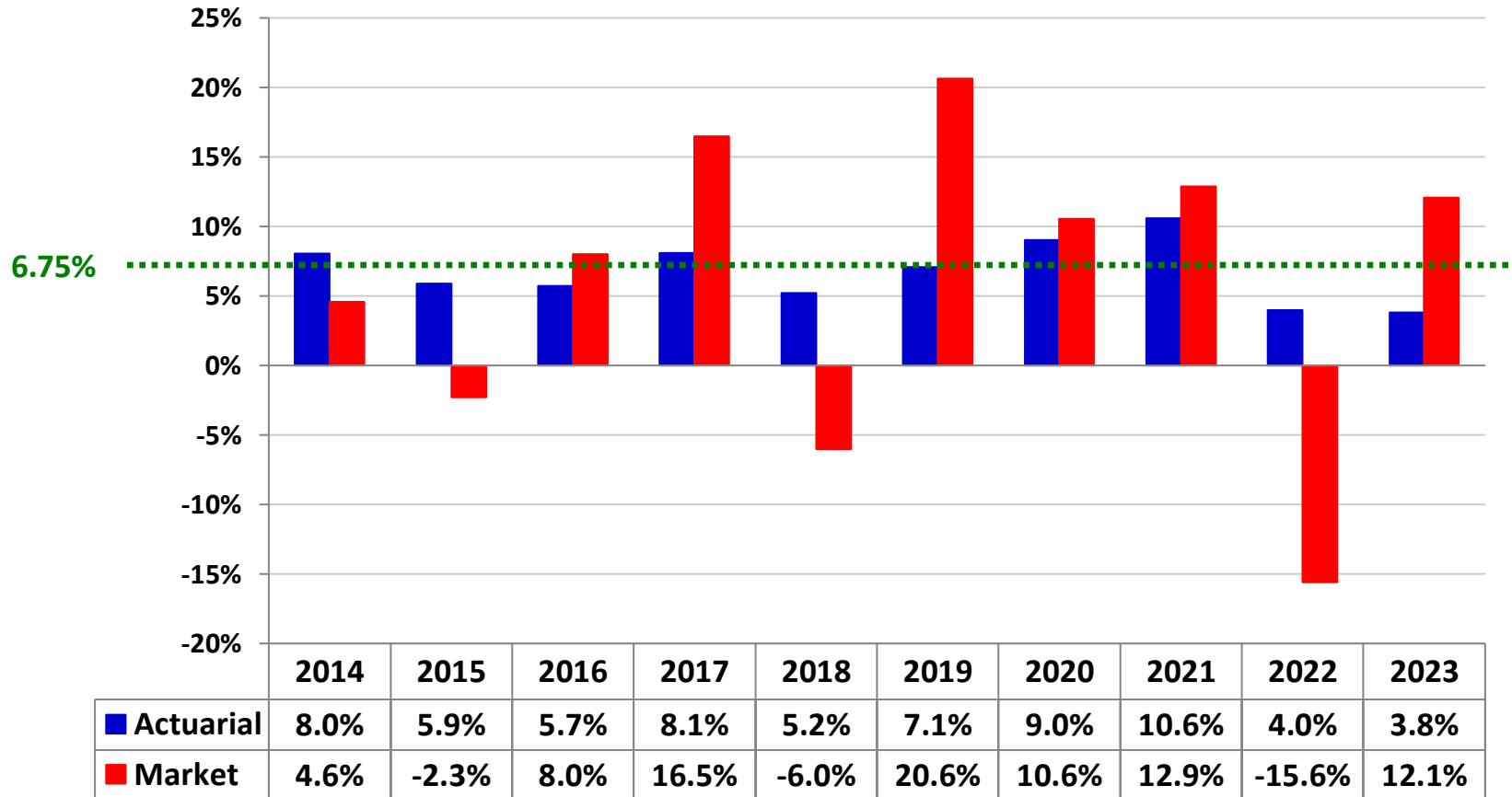


\* Includes member and employer contributions

\*\* Includes administrative expenses

Net cash flow for 2023 was -1.2% of the end of year market value of assets

# Estimated Yields on Assets

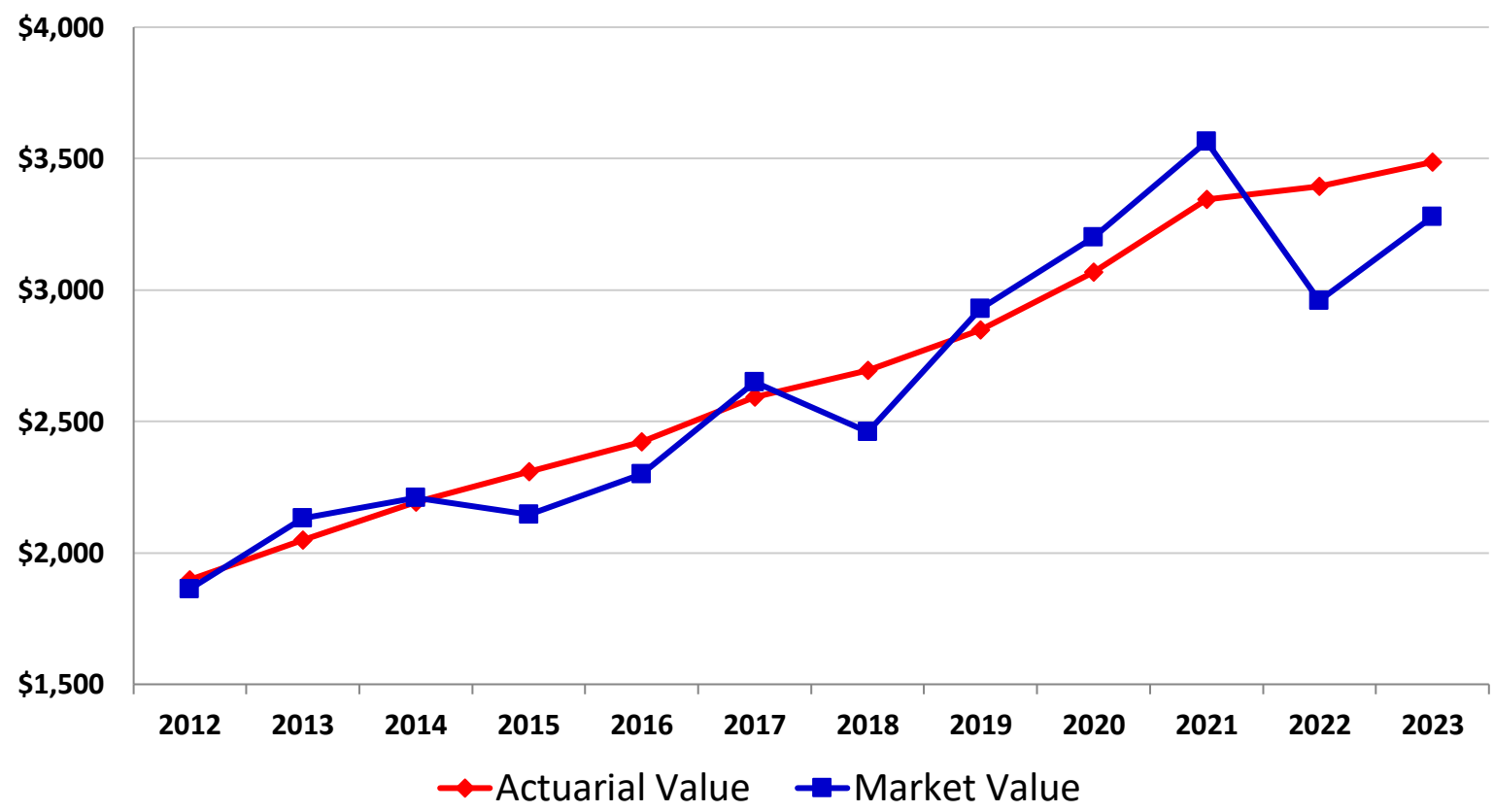


# Assets (Actuarial Value)

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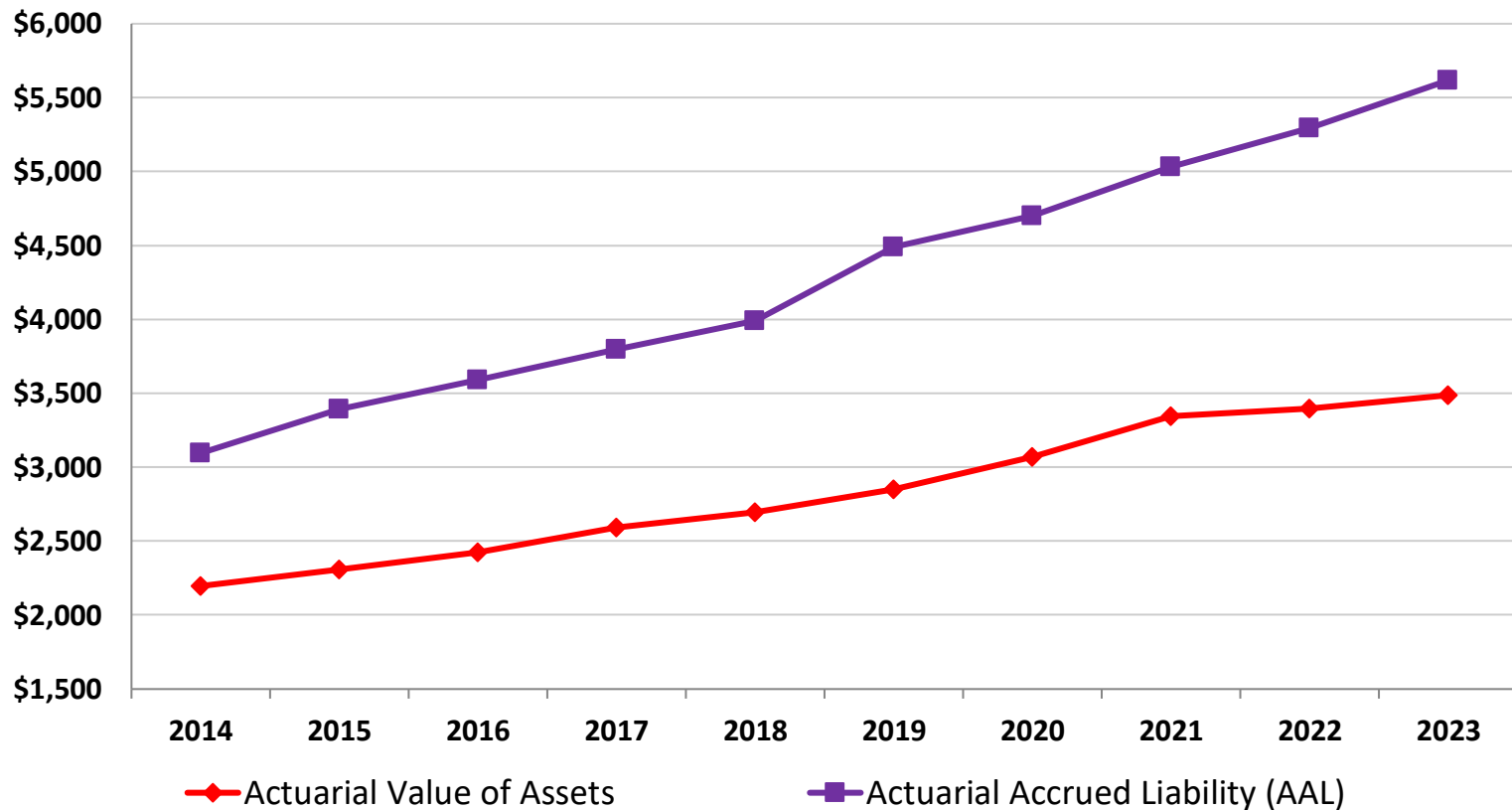
- Actuarial calculations are primarily based on actuarial value of assets, not market value
  - \$99 million asset loss recognized this year
  - \$207 million to be recognized in future years
- Still recognizing asset losses from 2022
  - Asset return expectation is 6.75%
  - System had 12.1% market return in 2023
    - Market value \$159 million higher than expected
  - System had -15.6% market return in 2022
    - Market value \$789 million lower than expected

# Market and Actuarial Value of Assets





# Accrued Liability vs. Actuarial Assets



# 8. Receive report on audit of COAERS actuarial valuations

Presented by Russell Nash



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 8: Receive report on audit of COAERS actuarial valuations

#### AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to receive a report on the results of the audit of COAERS actuarial valuations and experience studies.

#### RECOMMENDATION FOR COMMITTEE ACTION

For informational purposes only; no action required.

#### ITEM SUMMARY

Texas Government Code 802.1012 requires plan sponsors of public retirement systems to conduct an audit of the actuarial valuations provided to public retirement systems every five years. Accordingly, the City of Austin hired Athena Actuarial Consultants (Athena) to audit the COAERS actuarial valuations conducted from 2018 through 2022 (issued by GRS Retirement Consulting). The scope of Athena's audit also included a review of the 2018 COAERS Experience Study.

The objectives of the audit were to evaluate the following:

1. The appropriateness of the actuarial cost method used to calculate the normal cost and actuarial accrued liability.
2. The appropriateness of the method used to develop the actuarial value of assets.
3. The appropriateness of the assumptions used in the actuarial valuation.
4. Completeness of the valuation report and any items which the reviewing actuary believes should be included or omitted in future valuation reports.
5. Whether the valuation meets all statutory requirements, the requirements of the Texas State Pension Review Board, and relevant Actuarial Standards Board Standards of Practice.
6. Other items or issues that the Actuary believes should be addressed.

Athena concluded that there were no ***“significant deficiencies in the reporting, nor deficiencies in the basis for which the actuarial assumptions were determined”***.

Athena provided recommendations for consideration for future actuarial assumption setting and valuation reporting. Staff and GRS have reviewed these recommendations and provided a response. GRS will take these recommendations into consideration when establishing their assumption recommendations for the Board during next years' Experience Study.



## BOARD MEETING Agenda Item Information Sheet

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The results of Athena's actuarial audit will be reported to the City Audit and Finance Committee on April 24, 2024. Per statute, the final report will also be provided to the Pension Review Board.

### RELEVANCE TO STRATEGIC PLAN

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

The statutory review of COAERS actuarial reports ensures that the Board is receiving reports and studies in accordance with applicable actuarial standards.

### SUPPLEMENTAL MATERIALS AVAILABLE ON CONVENE APP

1. Athena Actuarial Audit Draft Report
2. COAERS Response to Draft Athena Actuarial Audit

9. Discuss and consider Global Equities portfolio including:

A. Portfolio benchmarks

B. Global equities strategic asset allocation

C. Global equities regional guidelines

D. US equity portfolio structure

E. Global Equity Premier List

F. Funding implementation plan

AGENDA ITEM 9:  
Discuss and consider Global Equities including:

A. Discuss and consider Global Equity portfolio benchmark

AGENDA ITEM OBJECTIVE

Review and approve the Global Equity Benchmark

RECOMMENDATION FOR BOARD ACTION

The Investment Committee recommends the Board approve the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI) as the benchmark for the Global Equity portfolio.

Consultant and staff also recommend the utilization of Investable Market Index (IMI) versions of the MSCI USA, MSCI World ex-US, and MSCI Emerging Markets indices as benchmarks for regional composite structuring and performance monitoring purposes.

ITEM SUMMARY

At the February 22, 2024 meeting, the Investment Committee reviewed recommendations from Staff and RVK to adopt the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI) as the benchmark for the Global Equity portfolio.

RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Strategic Plan Goal 4: Identify and implement leading practices in Board governance, pension administration, and investment management.**

ATTACHMENTS

1. RVK Recommendation: Global Equity Benchmark
2. Staff Memo: Global Equities Benchmark



## Memorandum

To	City of Austin Employees' Retirement System (COAERS)
From	RVK, Inc.
Subject	9A Global Equity Portfolio Benchmark Recommendations
Date	March 28, 2024

## Recommendations

1. Continue the use of the MSCI All Country World Investible Market Index as the Global Equity portfolio's benchmark utilized within the "Strategic Benchmark" outlined within the Investment Policy Statement.
2. Utilize the Investible Market Index (IMI) versions of the MSCI USA, MSCI World ex-US and MSCI Emerging Markets indices as the benchmarks for regional composite structuring and performance monitoring purposes.

## Supplemental Information

Currently, the Investment Policy Statement includes the following table showing primary asset class and sub-asset class benchmarks for Global Equity:

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

While the Global Equity portfolio's primary benchmark would remain unchanged, the new sub-asset class regional benchmarks would change as outlined below to reflect the inclusion of small-cap exposure within each component which is currently reflected in the total Global Equity benchmark:

Asset Class/Sub-Asset Class Benchmarks	
Asset Class	Benchmark Index
Global Equity	MSCI All Country World IMI
US Equity	MSCI USA IMI
DM Equity	MSCI World ex-US IMI
EM Equity	MSCI Emerging Markets IMI



## Global Equity Portfolio Benchmark Agenda Item 9A Staff Memo

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**Purpose:** This memo provides Staff's perspective of RVK's benchmark recommendation for Global Equities.

**Summary:** Staff concur with RVK's recommendation to use the MSCI All Country World Investable Market Index (MSCI ACWI IMI) and use the IMI regional indices for performance monitoring purposes.

**Rationale:** At the Committee level, Staff and RVK noted that a simplified approach to benchmarking Global Equities would be prudent to consider, allowing for Board decision-making to stay at a high level. At the Policy Benchmark level, the MSCI ACWI IMI is currently employed. Staff believes that the use of this benchmark is prudent for a number of reasons including, but not limited to:

- MSCI provides institutional quality processes to oversee their indices, communicate with the interested market participants, and construct weighting methodologies.
- The ACWI IMI has a very high coverage of the investable market, covering over 99% of the global market capitalization.
- The ACWI IMI uses a modular, "building blocks" approach across geographies and index types allowing for flexible segmentation of the investable opportunity set.
- Consistent use of the IMI indices fully captures the investable opportunity set by including small capitalization stocks.
- MSCI is the most widely used index provider for Global Equities among institutional investors, leading to better "apples to apples" peer comparisons and more passive investment vehicles available at a lower cost.



**AGENDA ITEM 9:**

Discuss and consider Global Equities Portfolio including:

- B. Global equities strategic asset allocation
- C. Global equities regional guidelines
- D. US equity portfolio structure
- E. Global Equity Premier List
- F. Funding implementation plan

**AGENDA ITEM OBJECTIVE**

Review and approve the various recommendation related to the Global Equity portfolio

**RECOMMENDATION FOR BOARD ACTION**

Each of the topics (9B-9F as listed above) has a recommendation included in the document immediately following this cover page titled “Global Equities Portfolio Staff Recommendations”

**ITEM SUMMARY**

At its February 22, 2024 meeting, the Investment Committee discussed and considered the Global Equities portfolio. After referring to the Board a recommendation related to the Global Equities portfolio benchmark, the Committee directed Staff to bring additional recommendations to the Board related to the portfolio, Premier List, as well as develop an implementation plan.

The materials for this agenda item consolidate these recommendations into a single memo for topics 9B-9F as listed above. Staff has included summaries of each of these recommendations as well as recommended motion language should the Board choose to approve the recommendations. Furthermore, RVK has also provided their opinion on each of these recommendations. Should Trustees desire additional information about these recommendations, more commentary and information is provided in the supplementary materials.

**RELEVANCE TO STRATEGIC PLAN**

This agenda item is central to **COAERS Strategic Plan Goal 4: Identify and implement leading practices in Board governance, pension administration, and investment management.**



**BOARD MEETING**  
**Agenda Item Information Sheet**

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ATTACHMENTS

1. Global Equities Portfolio Staff Recommendations (CONFIDENTIAL)
2. RVK Memo: 9B-9F Global Equity Combined Recommendations (CONFIDENTIAL)

SUPPLEMENTAL MATERIALS

1. Staff Commentary and Analysis: Global Equities Portfolio
2. RVK Analysis: US Equity Portfolio Rebalancing Recommendations

## 10. Governance and Human Resources Committee:

A. Discuss and consider proposed  
revisions to Board Bylaws

B. Discuss and consider repeal of Board  
Policy “Appointments to Fill Unexpired  
Terms”

Presented by Yuejiao Liu

AGENDA ITEM 10:  
Governance and Human Resources Committee

A. Discuss and consider proposed revisions to Board Bylaws

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to discuss proposed revisions to the Board Bylaws.

RECOMMENDATION FOR BOARD ACTION

The Governance and Human Resources Committee recommends approval of proposed revisions to the Board Bylaws.

ITEM SUMMARY

Staff has drafted proposed revisions to the Board Bylaws addressing three issues:

1. The passage of Senate Bill 1444 during the 88<sup>th</sup> Legislative Session changed the composition of the Board of Trustees, with place six moving from an active member position to the City Finance Director or their designee (Article 1.2).
2. After the resignation of Ms. Amy Hunter from the Board in the fall of 2023, the Board directed Staff to propose a more flexible approach should the Board seek to fill an unexpired term than the current Board Policy (Article 1.2).
3. In the event a Committee Chair's schedule prevents them from being able to attend a Policy Committee meeting, the Board Chair, in consultation with the Vice-Chair, will designate an alternate from each Board committee to serve on the Policy Committee to attend the meeting in the standing Committee Chair's place (Article 3.3.5).
4. The Policy Committee directed Staff to ensure that each Board policy has a review cycle (Article 6.2).

RELEVANCE TO STRATEGIC PLAN

This agenda item relates to Goal 4 of **COAERS Strategic Plan** "*Identify and implement leading practices in board governance, pension administration, and investment management*". Regular review and timely updating of Board governing documents ensures COAERS meets the premise of this goal.

ATTACHMENT

1. Draft revisions to Board Bylaws

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

Revised March 28, 2024

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

## 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.<sup>1</sup> 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.<sup>2</sup> 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. Place six shall be the City's Finance Director or the City Finance Director's designee. Places three, four, five, and seven 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.<sup>3</sup>

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<sup>1</sup> 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).

<sup>2</sup> See Section 4(q) of the Act.

<sup>3</sup> Sections 4(b) – (m) of the Act.

A trustee whose term expires or resigns shall continue to perform the duties of the office until his or her successor shall be duly qualified.<sup>4</sup> Limited exceptions to holding over in office may arise, one of which is the removal of an office holder as authorized by the Act. The Board may adopt procedures for the appointment of an unexpired term of office of active-contributory or retired elected trustees consistent with 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

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<sup>4</sup> Texas Constitution, Art. 16, Section 17.

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.

**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 terms<sup>5</sup>.

**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 vice-chair position within 72 hours of such nomination unless that Board member self-nominated. Board members may withdraw from

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<sup>5</sup> Ibid.



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 materials will include the list of candidates nominated for the chair and vice-chair positions as well as any candidate statements provided. Board members nominated for the chair and vice-chair positions may also make a verbal statement or 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.**

- 21.1** 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.
- 21.2** 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.
- 21.3** 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.<sup>6</sup>
- 21.4** 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.
- 21.5** 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

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<sup>6</sup> Section 551.0411, Texas Government Code.

the meeting qualifies as an emergency under the TOMA.<sup>7</sup> 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.

**21.6** 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.

**21.7** 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 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.

## **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.**

**23.1** 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.

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<sup>7</sup> Section 551.045, Texas Government Code.

- 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 Act<sup>8</sup>, 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 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.**

- 27.1** 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.<sup>9</sup> Abstentions are not counted in determining the outcome of a vote.
- 27.2** The most recent edition of *Robert's Rules of Order Newly Revised*,

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<sup>8</sup> Section 4(q) of the Act.

<sup>9</sup> Ibid.

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 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 benefits administration including the disability retirement program, plan provision interpretation and improvements. The Committee reviews and makes recommendations on disability applications to the Board; and approves the continuation of disability retirement benefits.

- 3.1.3 Governance and Human Resources Committee.** The Board shall have a Governance and Human Resources Committee, which shall meet in accordance with its charter or at the call of its chair to consider and recommend policies and practices regarding Board governance and represent the Board on personnel issues in accordance with approved personnel policy.
- 3.1.4 Legislative Committee.** The Board shall have a Legislative Committee, which shall meet in accordance with its charter or at the call of its chair. The purpose of the committee is to monitor, research, and make recommendations to the Board regarding federal, state, and local legislative matters.
- 3.1.5 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.
- 3.1.6 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 general policy matters; monitor the implementation, compliance, and review of Board policies and guidelines.

**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 Act<sup>10</sup>, each Trustee will be required to serve on at least one Committee of the Board. In making appointments, the

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<sup>10</sup> Section 4(q) of the Act.



chair of the Board 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 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.
- 3.3.5** The Policy Committee shall be composed of the chairs of all standing Board Committees. The chair of the Board, in consultation with the vice-chair, shall appoint an alternate from each standing Board Committee to serve on the Policy Committee in the absence of their Committee's chair at a Policy Committee meeting.
- 3.3.6** 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) 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
- (g) 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, 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, 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, the Trustee 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. For unplanned absences short or long term, or in the event of a permanent change in the executive director's position, the Board will follow the guidelines established in the Board Approved Emergency Succession Policy.

**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.

**6.2 Review of Bylaws.** These Bylaws shall be reviewed by the Governance and Human Resources Committee at least every three years and recommend to the Board any amendments, as necessary.

AGENDA ITEM 10:  
Governance and Human Resources Committee

B. Discuss and consider repeal of Board Policy “Appointments to Fill Unexpired Terms”

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to consider repeal of a policy that could be duplicative if the Board Bylaws are amended in the previous agenda item.

RECOMMENDATION FOR BOARD ACTION

The Governance and HR Committee recommends repeal of Board Policy “Appointment to Fill Unexpired Terms”.

ITEM SUMMARY

After the resignation of Ms. Amy Hunter from the Board in the fall of 2023, the Board directed Staff to propose a more flexible approach should the Board seek to fill an unexpired term than the current Board Policy. Those changes have been incorporated into the Board Bylaws, which were discussed in the prior agenda item. Pending approval of new Bylaws language, this Board policy would become unnecessary.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets with the core competency established in the **COAERS Strategic Plan** “*Dependable operations: Managing the financial and operational commitments of the system within appropriate measurable standards*”.

ATTACHMENT

1. Board Policy “Appointments to Fill Unexpired Terms”



## Board Approved Policy

Subject: Appointments to Fill Unexpired Terms

Review Committee: Policy

Date Implemented: February 24, 1998

Date Updated: September 23, 2003  
May 23, 2000  
July 24, 2001

Signature of Chairperson:

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Cathy Rodgers



**City of Austin Employees' Retirement System  
Board Approved Policy  
"Appointments to Fill Unexpired Terms"**

**I. PURPOSE AND SCOPE**

This Policy guides the Board of Trustees of the City of Austin Employees' Retirement System (COA ERS) in making appointments to fill unexpired terms of Active-Contributory or Retired elected Board Members whose service is terminated by death, disability, resignation or removal, and in the case of Active-Contributory Members, whose service is terminated by termination of employment or retirement.

Active-Contributory elected Members whose service is terminated by termination of employment or retirement shall continue to serve on the Board of Trustees until the next available election date or the Board's appointment of a new Member to serve until the next available regular election date. If the unexpired term of any terminating Board member is less than one year, or if a regular election is scheduled to be held within approximately one year, the Board may appoint an active or retired Member to serve until the next regular election. The purpose of such an appointment is to minimize both the time and expense spent on elections and the length of service of Trustees appointed to fill an unexpired term.

If the unexpired term is one year or longer, the Board will hold a special election to fill the position (refer to Board Approved Policy E-1 "Election Procedures for Active-Contributory and Retired Board Members").

**II. RESPONSIBILITIES**

- A. **COA ERS Board of Trustees:** Shall assign responsibility to the Policy Committee or to an ad-hoc sub-Committee of the Board to review candidates and their qualifications for the unexpired term. Shall receive a recommendation from the assigned Committee and appoint a Member to serve the unexpired term.
- B. **Policy Committee or Ad-hoc Committee:** Shall review applications of Active-Contributory or Retired Members who seek appointment to fill the unexpired term. May conduct interviews of candidates to finalize decision of Committee. Shall make a recommendation to the Board for the appointment.
- C. **Executive Director or designee:** Shall post notice of the unexpired term in the next newsletter for either Active-Contributory or Retired

Members, in accordance with the vacancy to be filled. Receives applications from Members seeking appointment and submits to Committee for review and recommendation.

### III. GUIDELINES

- A. Newsletter posting of unexpired term shall include a description of Board Trustee responsibilities, time commitments, significance of fiduciary role, code of ethics, oath of office, and financial disclosure/conflict of interest requirements. Qualifications required under Article 6243n, Tex. Rev. Civ. Stat. (the "Act") shall be listed.
- B. Interested Members shall have thirty (30) days from mailing of newsletter to submit an application and resume to the Retirement Office for consideration. An application packet consisting of the "Application for Board of Trustees – Board Appointed Citizen Member Place" (Attachment A) or "Application for Board of Trustees – Board Appointed Active-Contributory and Retired Board Member Places" (Attachment B), COA ERS Mission Statement, "Board Trustee Position Description" (Attachment C), "Code of Ethics" (refer to Board Approved Policy C-3), and "Annual Financial Disclosure/Conflict of Interest Affidavit" (Refer to Board Approved Policy D-2 "Duties and Responsibilities of Trustees, Officers, and Committee Chairs") may be obtained from the Retirement Office directly or from the Retirement Office's website.
- C. Committee Members assigned to review the applications received shall meet as soon as practical to review applicants, interview if necessary, and determine candidate to recommend to the Board. Committee will submit all applicants' names to the Board with their recommendation.
- D. At the next Board meeting following decision of the Committee, Board will review recommendation and make appointment of a candidate to the unexpired term. Members must be sworn in and take an "Oath of Office" (Attachment D); Members must also sign a notarized "Pre-Oath of Office Statement" which may be completed outside of the Board meeting (Attachment E).

### IV. ATTACHMENTS

- A. Application For Board of Trustees – Board Appointed Citizen Member Place
- B. Application for Board of Trustees – Board Appointed Active-Contributory and Retired Board Member Places
- C. Board Trustee Position Description
- D. Oath of Office

E. Pre-Oath of Office Statement

**Attachment A – Application for Board of Trustees  
– Board Appointed Citizen Member Place**

**Board Approved Policy: A –1**

**Subject: Appointments to Fill Unexpired Terms**

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
APPLICATION FOR BOARD OF TRUSTEES  
BOARD APPOINTED CITIZEN MEMBER PLACE**

**Please Print or Type. NOTE: Completed application along with Personal Resume must be submitted to the Retirement Office, 418 E. Highland Mall Blvd., Austin, TX 78752-3720 by the established deadline.**

**Call the Retirement Office at (512) 458-2551 if you have any questions.**

**Applicant Information**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City/State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: ( ) \_\_\_\_\_ Message #: ( ) \_\_\_\_\_

How did you hear about us/this opening? \_\_\_\_\_

Are you currently a member of the COA ERS?  Yes  No

Employer: \_\_\_\_\_

Occupation/Position: \_\_\_\_\_

Are you or can you be qualified to vote in a City of Austin election?  Yes  No

Have you lived in the City of Austin for at least 5 years?  Yes  No

Do you or does your employer have any business dealings with the City of Austin or the COA ERS?  Yes  No

Do you agree to abide by the City of Austin Employees' Retirement System's "Code of Ethics"?  Yes  No

Do you agree to complete an "Annual Financial Disclosure/Conflict of Interest Affidavit?"

Yes  No

Relevant experience/qualifications: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Considering present responsibilities and activities, description of how regular Board meetings and Special Committee meetings would fit into present routine: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

State reason for wanting to serve on the Board of Trustees:


---

Applicant's Signature

Date

**Attachment B – Application for Board of Trustees  
– Board Appointed Active-Contributory and Retired Board Member Places**

**Board Approved Policy: A –1**

**Subject: Appointments to Fill Unexpired Terms**

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
APPLICATION FOR BOARD OF TRUSTEES  
BOARD APPOINTED ACTIVE-CONTRIBUTORY AND RETIRED  
BOARD MEMBER PLACES**

**Please Print or Type. NOTE: Completed application along with Personal Resume must be submitted to the Retirement Office, 418 E. Highland Mall Blvd., Austin, TX 78752-3720 by the established deadline.**

**Call the Retirement Office at (512) 458-2551 if you have any questions.**

**Applicant Information**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City/State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_ Message #: (\_\_\_\_) \_\_\_\_\_

How did you hear about us/this opening? \_\_\_\_\_

COA ERS Membership Status:  Active-Contributory  Retired

Department Employed/Retired

From: \_\_\_\_\_

Length of City

Employment: \_\_\_\_\_

Current or Former Job Title and Brief Description of

Responsibilities: \_\_\_\_\_

Do you agree to abide by the City of Austin Employees' Retirement System's "Code of Ethics"?  Yes  No

Do you agree to complete an "Annual Financial Disclosure/Conflict of Interest Affidavit?"

Yes  No

Relevant

experience/qualifications: \_\_\_\_\_

Considering present responsibilities and activities, description of how regular Board meetings and Special Committee meetings would fit into present routine: \_\_\_\_\_

State reason for wanting to serve on the Board of Trustees (**100 WORD LIMIT- Attach additional sheet if necessary**):


Applicant's Signature

Date

<b><i>For COA ERS USE:</i></b>
<b><i>APPLICANT QUALIFICATIONS:</i></b>
<b><i>COA ERS Membership Status:</i></b> <input type="checkbox"/> <b><i>Active-Contributory</i></b> <input type="checkbox"/> <b><i>Retired</i></b>
<b><i>Department</i></b>
<b><i>Employed:</i></b> _____



**Attachment C – Board Trustee Position Description**

**Board Approved Policy: A – 1**

**Subject: Appointments to Fill Unexpired Terms**

## Board Trustee Position Description

- Accepts fiduciary responsibility of governance and oversight in accordance with law.
- Provides leadership to the City of Austin Employees' Retirement System (COA ERS) by working with other Board Trustees to set the strategic direction for the Board and management staff.
- Adopts and consistently follows policies and procedures to carry out COA ERS' responsibilities.
- Attends scheduled Board and Committee meetings to comply with or exceed requirements of the Act.
- Assumes responsibility for self evaluation, overall Board evaluation, and the performance evaluation of the Pension Director.
- Acquires and maintains the knowledge required to effectively evaluate those to whom duties are delegated.
- Delegates as necessary and appropriate to staff and outside service providers having expertise in specific areas.
- Avoids conflicts of interest and appearances of impropriety.
- Follows the provisions of the Act and maintains confidentiality as required.
- Ensures the integrity of COA ERS' financial controls and reporting.
- Approves the annual operating budget and material transactions which are outside the ordinary course of business.
- Maintains communication with the Pension Director and other Trustees.
- Devotes the time required to fulfill the duties of a Board Trustee.
- Submits meeting agenda items for Board meetings to Board Chairperson and/or Pension Director and for Committee meetings to Committee Chair and/or Pension Director.
- Exercises reasonable judgment in all matters before the Board.
- Generally follows Robert's Rules of Order when participating in Board and/or Committee meetings. The Chairperson and the Board shall generally conduct

each regular and special meeting of the Board in compliance with Robert's Rules of Order; provided that 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. This provision may be enforced exclusively by the Chairperson and/or majority vote of the Board.

- Board Trustees have no obligation to meet with or communicate with advisors, managers, consultants, contractors, or vendors. Any contacts and communications between individual Board Trustees and advisors, managers, consultants, contractors, and vendors to COA ERS shall be at the option, discretion, and judgment of each Board Trustee. Individual Board Trustees shall avoid favoritism, conflicts, and disclosure of privileged information and at all times individual Board Trustees shall act in the best interests of COA ERS consistent with his or her fiduciary duty.
- Individual Board Trustees are not to become involved in operational management except as requested by the Pension Director.
- Individual Board Trustees are encouraged to 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.
- Individual Board Trustees are encouraged to avoid campaigning or making either written or oral public endorsements for any candidate in any election of Active-Contributory or Retired Members to the Board of Trustees. Board Trustees may (and should) respond to questions about the candidates as long as the response is factual and could not be construed as an endorsement.
- Individual Board Trustees shall refer proposals or other communications regarding potential or existing investments or other contracts directly to the Pension Director.
- Whenever the Board or the Pension Director is involved in the selection or employment of advisors, managers, consultants, contractors, and vendors, individual Board Trustees shall not communicate with regard to that contract with any person who may be under consideration in such a selection or hiring process prior to the actual selection or hiring.
- Individual Board Trustees shall ensure their activities conform to the Board's policies regarding governance, prudence, ethics, conflicts of interest, incompatible activities, insider trading, and travel.

**Attachment D– Oath of Office**

**Board Approved Policy: A –1**

**Subject: Appointments to Fill Unexpired Terms**

In the name and by the authority of

**THE STATE OF TEXAS**

OATH OF OFFICE

I, \_\_\_\_\_, do solemnly swear (or affirm) that I will faithfully execute the duties of Trustee and Member of the Board of Trustees of the City of Austin Employees' Retirement System of the State of Texas, and will to the best of my ability, preserve, protect, and defend the Constitution and laws of the United States and of this State, so help me God.

\_\_\_\_\_

*[Signature]*

SWORN TO BEFORE ME BY \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_, 2005 A.D.

\_\_\_\_\_

Notary Public – State of Texas

**Attachment E– Pre-Oath of Office Statement**

**Board Approved Policy: A –1**

**Subject: Appointments to Fill Unexpired Terms**

In the name and by the authority of

**THE STATE OF TEXAS**

PRE-OATH OF OFFICE STATEMENT

I, \_\_\_\_\_, do solemnly swear (or affirm) that I have not directly or indirectly paid, offered, or promised to pay, contributed, or promised to contribute any money, or valuable thing, or promised any public office or employment, as a reward to secure my appointment or confirmation thereof, so help me God.

\_\_\_\_\_

*[Signature]*

SWORN TO BEFORE ME BY \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_, 2001 A.D.

\_\_\_\_\_

\_\_\_\_\_  
Notary Public – State of Texas

# 11. Discuss and consider Policy

## Committee Charter

Presented by Yuejiao Liu





## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 11: Discuss and consider Policy Committee Charter

#### AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to conduct its periodic review of the Committee Charter.

#### RECOMMENDATION FOR COMMITTEE ACTION

The Policy Committee recommends adoption of the proposed revisions to the Policy Committee Charter.

#### ITEM SUMMARY

The Policy Committee Charter is to be reviewed at least every three years and its review is on the Committee work plan for 2024. The Policy Committee meeting on March 6 led to the recommendation of the following three revisions.

1. Updating the charter language related to the purpose of the Committee as it is no longer current.
2. Updating the language related to Committee composition to reflect revisions to the Board Bylaws with each Board standing Committee also having an alternate member to the Policy Committee in the event the standing Committee Chair can not attend a Policy Committee meeting.
3. Updating the date of last review and adoption.

#### RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. Oversight of Board policy review is a best practice and ensures the Board is carrying out its governance functions effectively.

#### ATTACHMENT

1. Draft Policy Committee Charter

## City of Austin Employees' Retirement System Charter for the Policy Committee

### Introduction

- 1) The purpose of the Policy Committee is to consider and recommend general policy matters; monitor the implementation, compliance, and review of Board policies and guidelines. ~~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.~~
- 2) The Policy Committee will consist of the Board Chair, Vice Chair, and the Chairs of all standing Board Committees, and the alternates as appointed by the Board Chair in accordance with the Bylaws when their Committee Chair is unable to attend a Policy Committee meeting.
- 3) The Board Chair will serve as Chair of the Policy Committee.

### Duties and Responsibilities

The Policy Committee will:

1. Review with management the annual administrative operating budget and submit for Board approval
2. Create and monitor the cycle for the review of assigned policies
3. Review assigned policies periodically for update recommendations
4. Consider and recommend Board policies assigned to the Committee or not assigned to other Committees
5. Annually review the performance of legal counsel.

### Monitoring and Reporting

- 1) The Policy Committee will ensure that the necessary reporting and monitoring practices are established to provide the Board with the information it requires to effectively oversee policy creation at the System. The Committee will set out these practices in policy.
- 2) The Policy Committee will report to the Board on its activities.

### Charter Review and History

- 1) This Charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 2) The Board adopted this Charter on ~~January 31, 2022~~ March 28, 2024.

12. Receive report from Executive

Director on the following matters:

A. Operational matters including staffing

B. 2023 administrative budget

C. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson



## BOARD MEETING Agenda Item Information Sheet

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### 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.

#### RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

#### ITEM SUMMARY

1. 4700 Mueller Update
  - Staff moved out of their Northpoint offices the week of March 11. The Operations and Information Technology teams facilitated the move and set up of all remaining furniture and technology during that week.
  - All staff began working at 4700 on Monday, March 18.
  - Normal customer service operations at 4700 begin on Monday, April 1.
  - Move notification has been sent to all members through both print and digital channels.
  - COAERS is now represented on the Mueller Property Owner's Association as a commercial owner in the Mueller District, and a member of the management team has been appointed to the transitional Governance and Budget Committees.
  - The Operations and IT teams will be cleaning out COAERS Northpoint offices before the lease ends on March 31.
  
2. Staffing
  - The Board approved three new positions on the Member Services team as part of the 2024 administrative budget. All three positions have been hired with their official start date on Monday, March 25.

#### 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.*"



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 12:

Receive report from Executive Director on the following matters:

#### B. 2023 administrative budget

#### AGENDA ITEM OBJECTIVE

This agenda item is for the Board to receive the final report on actual versus budgeted expenditures for 2023.

#### RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

#### ITEM SUMMARY

Attached is the year-end report for the 2023 administrative budget measuring the approved budget against actual expenditures. Overall, total expenditures were 11.5% less than the total approved budget. Savings resulted from matters such as:

- Less need for legal and actuarial professional services during the legislative session.
- Staff negotiation on fiduciary and directors/officers' insurance as well as operating bank fees.
- Utilizing cost-efficient measures such as free locations for member events such as the annual member meeting at the Austin Energy facility.
- Staff turnover and delayed transition converting member service coordinators to member service specialists.

One area that was significantly over budget was costs associated with Board continuing education. Staff discussed this with the Board last year and increased that particular budget in 2024 to \$60,000.

#### 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.**"

#### ATTACHMENT

1. 2023 Administrative Budget Report

COAERS 2023 Administrative Budget Final				
	2023 Budgeted	2023 Expenditures	2023 Remaining Balance	2023 Percent Remaining
<b>Total Personnel Budget</b>				
Total Salaries and Cash Compensation	3,440,944	3,254,554	186,390	5.9%
Payroll Taxes	265,954	208,108	57,846	21.8%
Group Insurance Benefits	488,728	397,602	91,126	19.5%
Retirement Contributions	653,780	605,052	48,728	8.0%
Retirement/Terminal Pay	60,000	-	60,000	100.0%
Contract labor	2,600	-	2,600	100.0%
<b>Total personnel costs</b>	<b>4,939,512</b>	<b>4,465,316</b>	<b>474,197</b>	<b>9.6%</b>
<b>Total Approved FTEs: 26</b>				
<b>Professional Services</b>				
<b>Total Professional Services costs</b>	<b>445,000</b>	<b>353,740</b>	<b>91,260</b>	<b>20.5%</b>
<b>Building and Equipment</b>				
<b>Total Building and Equipment costs</b>	<b>526,725</b>	<b>477,089</b>	<b>49,636</b>	<b>9.4%</b>
<b>Information Technology Resources</b>				
<b>Total Information Technology costs</b>	<b>764,550</b>	<b>681,396</b>	<b>83,154</b>	<b>10.9%</b>
<b>Travel and Training</b>				
<b>Total Travel and Training costs</b>	<b>85,000</b>	<b>101,712</b>	<b>(16,712)</b>	<b>-19.7%</b>
<b>Communications</b>				
<b>Total Communications costs</b>	<b>124,250</b>	<b>95,784</b>	<b>28,466</b>	<b>22.9%</b>
<b>Other Administrative</b>				
<b>Total Other Administrative costs</b>	<b>353,500</b>	<b>247,930</b>	<b>105,570</b>	<b>29.9%</b>
<b>Capital Projects and Events</b>				
Pension Administration System	54,600	21,450	33,150	60.7%
Capital Improvements Program	60,000	61,110	(1,110)	-1.9%
<b>Total Capital Projects</b>	<b>114,600</b>	<b>82,560</b>	<b>32,040</b>	<b>28.0%</b>
<b>Total Administrative Expense Budget</b>	<b>\$ 7,353,137</b>	<b>\$ 6,505,527</b>	<b>\$ 847,610</b>	<b>11.5%</b>

COAERS 2023 Administrative Budget Detail Final 12.31.23				
	2023 Budgeted	2023 Expenditures	2023 Remaining Balance	2023 Percent Remaining
<b>Personnel</b>				
<b>Total Personnel Budget</b>				
Total Salaries and Cash Compensation	3,459,792	3,254,554	205,238	5.9%
Payroll Taxes	265,954	208,108	57,846	21.8%
Group Insurance Benefits	493,805	397,602	96,203	19.5%
Retirement Contributions	657,361	605,052	52,309	8.0%
Retirement/Terminal Pay	60,000	-	60,000	100.0%
Contract labor	2,600	-	2,600	100.0%
<b>Total personnel costs</b>	<b>4,939,512</b>	<b>4,465,316</b>	<b>474,197</b>	<b>9.6%</b>
<b>Total Approved FTEs: 26</b>				
<b>Professional Services</b>				
Actuary	140,000	116,125	23,875	17.1%
Attorney: General Counsel	100,000	54,994	45,006	45.0%
Attorney: Tax Counsel	20,000	15,681	4,320	21.6%
Audit: Internal and External	70,000	66,000	4,000	5.7%
Medical Review: Disability	11,000	4,941	6,059	55.1%
Governmental Relations	84,000	84,000	-	0.0%
Other	20,000	12,000	8,000	40.0%
<b>Total Professional Services costs</b>	<b>445,000</b>	<b>353,740</b>	<b>91,260</b>	<b>20.5%</b>
<b>Building and Equipment</b>				
Building Maintenance	25,600	11,480	14,120	55.2%
Northpoint Lease	480,000	454,766	25,234	5.3%
Equipment Maintenance & Leases	8,000	9,179	(1,179)	-14.7%
Insurance: Property & Casualty	13,125	1,664	11,461	87.3%
<b>Total Building and Equipment costs</b>	<b>526,725</b>	<b>477,089</b>	<b>49,636</b>	<b>9.4%</b>
<b>Information Technology</b>				
Business Continuity	71,200	70,465	735	1.0%
General Computer Support	138,150	134,563	3,587	2.6%
Dynamics GP License and Support	30,000	10,940	19,060	63.5%
Pension Admin System Licenses and Support	157,000	144,892	12,108	7.7%
Cybersecurity Initiatives	299,200	259,743	39,457	13.2%
Telecommunications	69,000	60,793	8,207	11.9%
<b>Total Information Technology costs</b>	<b>764,550</b>	<b>681,396</b>	<b>83,154</b>	<b>10.9%</b>

COAERS 2023 Administrative Budget Detail Final 12.31.23				
	2023 Budgeted	2023 Expenditures	2023 Remaining Balance	2023 Percent Remaining
<b>Travel and Training</b>				
Board Continuing Education	40,000	64,916	(24,916)	-62.3%
Staff Continuing Education	45,000	36,796	8,204	18.2%
<b>Total Travel and Training costs</b>	<b>85,000</b>	<b>101,712</b>	<b>(16,712)</b>	<b>-19.7%</b>
<b>Communications</b>				
Printing	61,250	59,974	1,276	2.1%
Postage and Mailing	34,500	20,474	14,026	40.7%
Member Education	10,000	3,936	6,064	60.6%
Digital Communications	18,500	11,400	7,100	38.4%
<b>Total Communications costs</b>	<b>124,250</b>	<b>95,784</b>	<b>28,466</b>	<b>22.9%</b>
<b>Other Administrative</b>				
Insurance: Fiduciary/D&O Liability	227,500	171,572	55,928	24.6%
Advertising	5,000	2,536	2,464	49.3%
Bank Fees	4,500	-	4,500	100.0%
Delivery Service	5,000	459	4,541	90.8%
Memberships, Subscriptions, and fees	45,000	40,245	4,755	10.6%
Meetings and Events	40,000	18,495	21,505	53.8%
Awards and Recognition	2,500	1,408	1,092	43.7%
Mileage	2,000	230	1,770	88.5%
Miscellaneous	2,000	409	1,591	79.6%
Office Supplies	20,000	12,577	7,423	37.1%
<b>Total Other Administrative costs</b>	<b>353,500</b>	<b>247,930</b>	<b>105,570</b>	<b>29.9%</b>
<b>Capital Projects and Events</b>				
<b>Capital Projects</b>				
Pension Administration System	54,600	21,450	33,150	60.7%
Capital Improvements Program	60,000	61,110	(1,110)	-1.9%
<b>Total Capital Projects</b>	<b>114,600</b>	<b>82,560</b>	<b>32,040</b>	<b>28.0%</b>
<b>Total Administrative Budget</b>	<b>7,353,137</b>	<b>6,505,527</b>	<b>847,610</b>	<b>11.5%</b>





## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 12:

Receive report from Executive Director on the following matters:

C. 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 COAERS compliance with State of Texas required pension training rules and to report on upcoming educational programs and conferences.

#### RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

#### ITEM SUMMARY

COAERS is currently in full compliance with Pension Review Board (PRB) training requirements. Included in the materials is a report on the current status of each Trustee and the Executive Director in their education cycle. Also included is a list of upcoming educational programs and conferences.

#### RELEVANCE TO STRATEGIC PLAN

This agenda item also 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.*"

#### ATTACHMENTS

1. COAERS 2024 MET report
2. Upcoming Educational Programs and Conferences



## COAERS 2024 MET Report

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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.

### **PRB Terms**

COAERS has one Trustee in the first-year cycle. Three Trustees and Mr. Hanson's terms roll over in 2024. No Trustees were delinquent in their training at the end of 2023.

### **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.

### **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.



## COAERS 2024 MET Report

<b>Continuing Ed Training 2-year cycle</b> Cycles are PRB terms, not the full range of Board elections/assignments	Core	Non-core	Total	Completed
M. Benson 01/01/2023-01/01/2025		7	7	√
Kelly Crook 08/30/2022-08/30/2024	1.5	18.75	20.25	√
C. Hanson 1/12/2024 – 1/12/2026				
Y. Liu 01/01/2023-01/01/2025		59.5	59.5	√
C. Noak 01/01/2023-01/01/2025		6.75	6.75	√
L. Pool 02/21/2024-02/21/2026				
A. Ross 01/01/2023-01/01/2025	1.5	65	66.5	√
Brad Sinclair 01/01/2024-01/01/2026				
Diana Thomas 01/19/2024-1/19/2026				
Dick Lavine 01/01/2023-01/01/2025		6.25	6.25	√
Michael Granof 01/19/2023-01/19/2025		8	8	√
<b>Core Training 1-year cycle</b>	Core	Non-core	Total	Completed
Ed Van Eenoo 1/1/2024 – 12/13/2024				



## 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. Staff 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.

- COAERS internal training
  - [Assessing Global Equities Education 8.26.22](#)
  - [Fixed Income Education 8.4.22](#)
  - [Investments – AL Study Discussion 8 26 22](#)
  - [Investments – Functional Portfolios 4.21.23](#)
  - [Investments – Private Investments 4.21.23](#)
  - [Investments – Functionally Focused Portfolios 5.19.23](#)
- [CAIA Association Fundamental of Alternative Investments](#) (self-study)(pre-approved for PRB)
- [CFA Institute](#)
  - [Investment Foundations](#) – (self-study, approximately 60 hours)
  - [Private Markets and Alternative Investments Certificate](#) (self-study, approximately 70-90 hours)
- [Global Arc](#)
  - October 21-23, 2024, Boston, MA - 21<sup>st</sup> Annual Global ARC
- [IFEBP](#)
  - May 6-7, 2024, Washington Legislative Update – Washington, DC
  - May 6-9, 2024, Portfolio Concepts and Management (Wharton) – Philadelphia, PA
  - June 22-23, Trustees Institute Level II: Concepts in Practice – Las Vegas, NV
  - June 24-26, Advanced Trustees and Administrators Institute – Las Vegas, NV
  - June 24-26, 2024 New Trustees Institute Level 1: Core Concepts – Las Vegas, NV
  - July 22-24, 2024, Advanced Investments Management (Wharton) – San Francisco, CA

- [NACD](#)
  - Virtual Director Professionalism (online)
  - Cyber Risk Oversight Certificate - helping governance professionals understand how to identify cybersecurity threats and provide oversight of critical digital assets (online)
  - Director Proficiency: Financial Oversight (online)
  - Director Essential Series (online)
- [NASRA](#)
  - August 3-7, 2024, Annual Conference – Pittsburgh, PA
- [NCPERS](#) (pre-approved for PRB, Continuing Education only)
  - May 19-22, 2024, Annual Conference and Exhibition (ACE) – Seattle, WA
  - May 18-19, 2024, Trustee Educational Seminar (TEDS) – Seattle, WA
  - May 18-19, 2024, NCPERS Accredited Fiduciary (NAF) Program – Seattle, WA
  - August 18-20, Public Pension Funding Forum – Boston, MA
  - October 26-27, Program for Advanced Trustee Studies – Palm Springs, CA
  - October 26-27, NCPERS Accredited Fiduciary (NAF) Program – Palm Springs, CA
- [HBS](#)
  - July 10-13, 2024, Making Corporate Boards More Effective – Boston, MA
  - November 13-16, 2024, Making Corporate Boards More Effective – Boston, MA
- [Texpers](#)
  - April 6, 2024 Basic Trustee Training – Dallas, TX
  - April 6, 2024 Advanced Trustee Training – Dallas, TX
  - April 18, 2024 Texpers Summer Educational Forum – San Antonio, TX
  -
- [Pension Review Board online trainings:](#) (all count toward PRB training requirements)
  - *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
- *Think Again* – Adam Grant

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

Presented by Yuejiao Liu

**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.

**RECOMMENDATION FOR BOARD ACTION**

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

**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.