



City of Austin Employees' Retirement System

MINUTES

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM BOARD MEETING

Tuesday, June 28, 2016 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Jim Williams
Michael Benson
Reagan David
Francine Gertz
Chris Noak
Leslie Pool
Anthony B. Ross, Sr.

Board Members Absent

Elizabeth Gonzales
Sam Jones
Russ Sartain
Ed Van Eenoo

Others Present

Staff:
Christopher Hanson
Russell Nash
Donna Boykin
Michelle Mahaini
David T. Veal

Other Guests:
Dr. Harold Skaggs, M.D.

Mr. Jim Williams, Chair, called the meeting to order at 1:38 p.m.

1. System member and citizen comments/correspondence

There were no citizen comments nor any correspondence to share.

2. Review order of business

Mr. Anthony Ross indicated a need to leave by 3:15 p.m. and the Board agreed to handle all action items before that time to ensure a quorum.

3. Receive reports on the following Board administrative matters:

A. Ethics policy disclosure statements

Board Declarations: Chris Noak declared meeting with Ted Aronson, Gina Moore, and Jocelin Reed of AJO

Staff Declarations: Donna Boykin declared a meeting and meal with Kathy Stevenson and Fred Porzelt of Northern Trust in Chicago during Institutional Investor Passport Training.

Russell Nash declared contact with Nate Klein of Clarcity Travel Software, Chris Hornsby of Hornsby & Co., and Priya Kapila of CBIZ.

David Veal declared attendance at Texas Hedge Fund Association conference with lunch provided, at DFA Institutional Symposium with breakfast and lunch provided, at MSCI Institutional Investor Index & Risk Management Conference, at Alternative Investments Forum, at Whitebox Advisors Institutional Investor networking event, and

at Northern Trust Passport Training with breakfast and lunch provided; meetings with Lee Partridge and David Hicks of Salient Partners, with Tony Hass of KKR, with David Parrish and Scott Cheskiewicz of Jackson Walker LLP, with Bill Graydon of Principal Global Investors, with Kirk Tattersall of 1607 Global Advisors, with Chad Gross of Loomis Sayles, with Francis Semphill of Walter Scott, with Christine Breck of Longstone Capital Advisors, with Marc Robert of Water Asset Management, with Graydon Oliver and Sam Rines of Avalon Advisors, with Jessica Walton of Dimensional Fund Advisors, with Mike Kinney of Westfield Capital Management, with Torrey Wogen of FactSet Research Systems, with Anne Christianson of Vida Capital, with Ryan Hughes of Harbert Management Corporation, with Brian Greene of Zeno Consulting Group LLC, with Andy Cronin of Lenox Park LLC, with Simon Flynn and Brad Kazemi of Bloomberg, with Todd Rittenhouse and Bhavin Manek of Mondrian Investment Partners, with Julian Bostic of Neuberger Berman, with Chad Kutney of Winton Capital, with Aidan Forde of Putnam Investments, with Brent Humphries of AB Private Credit Investors, with Terry Beneke of Cushing Asset Management with Dan Olson, Mike Chambers, with Tim Berry and Bike O'Malley of Pennybacker Capital, with Steve Moen of Partners Group, with Jitania Kandhari and Amy Oldenburg of Morgan Stanley, with Melissa Ann Galla, Fred Porzelt, John Woods, and Kathryn Stevenson of Northern Trust, with Patrick Conner of Whitebox Advisors, with Marc Messina of Crevasse Capital, with Stacey Biggers of Bank of America Merrill Lynch, with Lee Ferridge and Dale Haver of State Street Global Markets, with Marc Zieger and Eric Shirbini of Scientific Beta, and with Brandon Kunz of Research Affiliates; conference calls with Paul Schutzman of MSCI, with Steven Curran of BCA Research, with Josh Russell of Institutional Shareholder Services, with Simon Flynn of Bloomberg, with Jonathan Clark, Philip Lawson and Adrian Lee of Adrian Lee & Partners, with Holly McMullan of Apollo, with Steve Gruber of Real Assets Portfolio Management, and with Ted Aronson, Jocelin Reed, and Gina Moore of AJO Partners and Eric Ralph of Summit Strategies.

Chris Hanson declared attendance at TexPERS conference with breakfast and lunch provided, and meetings with Francis Semphill from Walter Scott, Todd Milligan from Titan Real Estate, attendance at DFA Institutional Symposium with breakfast and lunch provided, meeting with Chris Hornsby from Paul Hornsby and Company, attendance at CEM Global Pension Administration Conference with breakfast and lunch provided, meetings with Marc Zieger and Eric Shirbini from Scientific Beta, Simon Flynn from Bloomberg, Brian Greene from Zeno Consulting Group, Torrey Wogen and Ted Barnhart from FACTSET, Priya Kapila and Ed Rataj from CBIZ, and Ted Aronson, Gina Moore and Jocelin Reed from AJO.

B. 2016 Board and Committee meeting schedule

Mr. Chris Hanson noted the addition of a new called meeting for the Benefits and Services Committee on September 13, 2016 to discuss issues related to contributions and benefits and 401(a)(17) limits.

4. Consent items:

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

A. March 29, 2016 Board Meeting Minutes

B. Ratification of February, March, and April 2016 Retirement and Death Benefits

Mr. Ross moved to approve the consent items. Ms. Francine Gertz seconded and the motion passed unanimously.

Ms. Leslie Pool arrived at 1:44 p.m.

5. Disability Retirement Applications

A. Convene into executive session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to consider and act on:

- 1. Disability retirement application ref. # 5295**
- 2. Disability retirement application ref. # 1089**
- 3. Disability retirement application ref. # 0528**
- 4. Disability retirement application ref. # 0600**

B. Reconvene into public session and take action as determined appropriate by the Board regarding:

- 1. Disability retirement application ref. # 5295**
- 2. Disability retirement application ref. # 1089**
- 3. Disability retirement application ref. # 0528**
- 4. Disability retirement application ref. # 0600**

The Board convened into executive session at 1:41 p.m. and reconvened into public session at 2:16 p.m.

Ms. Gertz moved to approve the Disability retirement application ref. #5925. Mr. Chris Noak seconded and the motion passed 6-1 with Mr. Ross voting against the motion.

Ms. Gertz moved to approve the Disability retirement application ref. #1089. Ms. Pool seconded and the motion passed unanimously.

Ms. Pool moved to approve the Disability retirement application ref. #0528. Ms. Gertz seconded and the motion passed unanimously.

Ms. Gertz moved to approve the Disability retirement application ref. #0600. Ms. Pool seconded and the motion passed unanimously.

6. Receive Report from the June 14, 2016 Policy Committee meeting and consider Policy E-1 "Election Policy for Active-Contributory & Retired Board Members"

Mr. Russell Nash reported on the Policy Committee meeting of June 14, including questionnaires for general counsel and investment counsel, an update on the 2016 salary study, and a required review of the policy governing elections. Mr. Ross moved to approve the policy E-1 "Election Policy for Active-Contributory & Retired Board Members" as presented with no changes. Mr. Michael Benson seconded and the motion passed unanimously.

7. Consider appointment of Nominating and Election Committee for 2016 Retiree Member Place 10 Election

Mr. Nash updated the Board on the progress toward the upcoming election and shared the proposed list of members and alternates and the timeline. Volunteers were selected randomly as either members or alternates. Mr. Nash reminded Board members that all members and alternates are invited and encouraged to attend and participate at all meetings. The order that alternates appear on the list is the order in which they would be taken as voting members. Mr. Noak moved to approve the proposed list of appointed committee members and alternates as presented. Mr. Ross seconded and the motion passed unanimously.

8. Receive report from the June 14, 2016 Benefits & Services Committee meeting and consider adopting a revised Committee Charter

Mr. Hanson presented an overview of the June 14 Committee meeting which included discussions around a Request for Proposal for actuarial services which was postponed, and Internal Revenue Service Code 401(a)(17) limits, which will be discussed again at the upcoming called meeting. Mr. Nash explained the proposed change to the charter; one minor change adding the technology consultant to the list of vendors the Committee will meet with as needed. Mr. Noak moved to adopt the revised Benefit & Services charter. Mr. Benson seconded, and the motion passed unanimously.

9. Receive reports from the April, May, and June 2016 Investment Committee meetings, including an update on the Emerging Markets portfolio structure and management review and discuss the impact of recent current and market events on the portfolio

Mr. David Veal gave a review of the three Investment Committee meetings since the last meeting of the Board. The Committee is working on a manager search in Emerging Markets while also focusing on asset allocation as a more important determinant of long-term portfolio performance than manager selection. The Committee has asked Summit to include net of fees numbers prominently in all comparisons, and also worked to ensure proper benchmarks are used to calculate alpha and other key performance metrics. An error on the fourth quarter 2015 performance numbers on the part of Summit and Northern Trust was discovered by Staff and the figures were revised downward.

The Board also discussed the recent events in Europe and how they affect the COAERS fund. There was discussion about whether this is a situation to wait out or something to actively handle. Mr. Ross expressed hope that COAERS could protect its investments on the downside through hedging or other strategies. Mr. Veal noted that the value of the trust overall experienced a decline of roughly 2.5% on the day the Brexit was announced, due in part to its outsized exposure to International markets relative to its peers. Approximately 50 basis points of the loss was due to currency fluctuations since foreign investments tend to lose value as the dollar strengthens. The Board requested that Staff to conduct additional analysis regarding potential options for currency hedging programs as a means to mitigate losses and reduce risk.

10. **Receive report from the June 14, 2016 Audit & Finance Committee meeting including the 2015 travel and training expenses, and consider acceptance of the December 31, 2015 auditor's report from KPMG.**

This item was taken out of order, before item nine. Mr. Ross reported that Suzette Longfellow of KPMG provided a presentation at the last Audit & Finance meeting. The auditors expressed an unmodified opinion. The Board expressed their thanks to Donna Boykin for a job well done and another completed Comprehensive Annual Financial Report (CAFR). Mr. Ross moved to accept the auditor's report. Ms. Leslie Pool seconded, and the motion passed unanimously.

11. **Discuss Board educational activities including:**

- A. **Reports on educational programs attended**

The packet included required feedback from programs attended; there were no questions.

- B. **COAERS 2016 educational workshop**

Mr. Hanson gave a brief outline of the educational workshop to be held in July. Ethics training is required by COAERS policy and will be provided. A keynote speaker from Northern Trust will present insights into the global macroeconomic environment. Staff will present on risk management and governance and those presentations will be geared toward both fulfilling the Pension Review Board (PRB) required training. Chair Williams reminded the Board that all required PRB training needs to be completed and attendance at the workshop is expected to finish the hours.

- C. **Upcoming educational programs and conferences**

Mr. Hanson shared upcoming opportunities for trustees: Texpers, NCpers, IFEBP and a conference in October at which David Veal will present, Annual Global ARC in Boston, Massachusetts in October.

12. **Executive Director Report**

- A. **COAERS office update**

- B. **Public pensions in the news**

- C. **Receive financial statements from first quarter 2016**

- D. **Comparative calculation and retirement activity levels**

- E. **Notice of auction and disposal of office equipment**

Mr. Hanson gave updates on the service delivery and technology project, the office, and other funds in the news. He reported that Staff is preparing an auction to dispose of office equipment and reminded the Board that neither Board members nor Staff can participate per policy.

13. **Call for future agenda items**

As there were no further items to address, the meeting adjourned at 3:03 p.m.



Jim Williams, Board Chair

26 JULY 2016

Date



Christopher Hanson, Executive Director

7/27/2016

Date