





# June 27, 2024 Board Meeting









<b>Schedule</b>	Thursday, June 27, 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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 No separate discussion or action on any of the items is necessary unless desired by a Trustee.
- A. March 28, 2024 Board meeting minutes
  - B. Ratification of March, April, and May 2024 retirements
  - C. Disability Claims #2405 and #2406
  - D. Travel Reimbursement policy
  - E. Financial Statement Audit Report as of December 31, 2023
  - F. Nominating and Election Committee
- Presented by Yuejiao Liu

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- Presented by Yuejiao Liu

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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. The Board will consider the consent agenda which includes items from the Board's committees that were referred to the Board without dissent or significant revision including Disability Claims #2405 and #2406, the Travel Reimbursement policy, and the acceptance of the financial statement audit report from CLA.
2. The Board will consider recommendations related to strategic asset allocation, benchmarking, and policy guidelines for the asset classes of Fixed Income, Cash & Equivalents, and Real Assets.
3. The Board will receive presentations from three finalists for general investment consultant proposals and consider approving an investment consulting agreement from one of the firms to serve as COAERS general investment consultant.
4. The Board will consider the need for an additional IPPE report after the selection of the general investment consultant.
5. The Board will receive update on the Annual Member Meeting scheduled for July 25.

#### 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. March 28, 2024 Board meeting minutes

B. Ratification of March, April, and May 2024 retirements

C. Disability Claims #2405 and #2406

D. Travel Reimbursement policy

E. Financial Statement Audit Report as of December 31, 2023

F. Nominating and Election Committee

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. March 28, 2024 Board meeting minutes
- B. Ratification of March, April, and May 2024 retirements
- C. Disability Claims #2405 and #2406
- D. Travel Reimbursement policy
- E. Financial Statement Audit Report as of December 31, 2023
- F. Nominating and Election Committee

#### 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. March 28, 2024 Board meeting minutes**  
Minutes are kept and posted for each Board meeting.
- B. Ratification of March, April, and May 2024 retirements**  
The COAERS governing statute requires the Board to approve all retirements.
- C. Disability Claims #2405 and #2406**  
The COAERS governing statutes require the Board to approve all disability claims. Claim #2405 was heard at the June 13, 2024 Benefits and Services Committee meeting. Both the doctor and the Committee recommended approval. Claim #2406 will be heard at the June 27, 2024 Benefits and Services Committee meeting, and the consent materials will be updated with that recommendation.
- D. Travel Reimbursement policy**  
The Audit and Risk Committee reviewed the proposed revisions to this policy, including that the policy be reviewed at least every three years and authorizing COAERS to incur certain main cabin upgrades. The Committee referred the policy to the Board for approval and directed that it be placed on the consent agenda.



## BOARD MEETING Agenda Item Information Sheet

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### **E. Financial Statement Audit Report as of December 31, 2023**

The Audit and Risk Committee received the report on the December 31, 2023 financial statements from COAERS' auditor CliftonLarsonAllen (CLA). The financial statement opinion is unmodified. No material weaknesses or significant deficiencies were noted in either the financial statements or the schedule of pension amounts. The Audit and Risk Committee referred to the Board for acceptance the December 31, 2023 financial statements and auditor's report from CLA and directed that it be placed on the consent agenda.

### **F. Nominating and Election Committee**

The Board approves the Nominating and Election Committee each year to oversee the election process, prepare the ballot, canvass the returns, serve as election judges, and declare the official results of the election.

### ATTACHMENTS

1. Draft minutes of the March 28, 2024 Board meeting
2. New retirements from March, April, and May 2024 (Confidential)
3. Benefits and Services Committee recommendations on Application #2405. The recommendation for #2406 will be distributed after the Benefits and Services Committee meets before the Board meeting
4. Draft Travel Reimbursement policy
5. Independent Auditor's Report
6. Governance Letter
7. Draft appointments to the Nominating and Election Committee

### SUPPLEMENTAL MATERIAL AVAILABLE VIA CONVENE APP

1. December 31, 2023 COAERS Annual Comprehensive Financial Report

# COAERS

CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM  
**MINUTES**

**BOARD MEETING**  
Public Meeting held in-person and telephonically  
Pursuant to Texas Govt. Code 551.127  
4700 Mueller Blvd., Austin, TX 78723  
Thursday, March 28, 2024

**Board Members Present**

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

**Board Members Absent**

Chris Noak

**Guests:**

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

**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\*  
Teresa Cantu

\* present telephonically

† present via videoconference

**1 Call meeting to order**

Chair Yuejiao Liu called the meeting to order at 10:04 a.m.

**2 Call roll of Trustees**

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

**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. No changes were made to the order of the agenda.



March 28, 2024 Board Meeting

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**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 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, 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**

Chair Liu noted that the decision for Disability claim #2404 was now included in the packet. Ms. Leslie Pool moved to approve the consent agenda as presented. Ms. Kelly Crook seconded, and the motion passed 10-0.

**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**

Mr. Russell Nash declared a meeting with Holly Dickson of Link Labs. Mr. Kelly Doggett declared attendance at PIMCO Alternative Credit Roundtable Discussion where lunch was provided.

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

Mr. Lewis Ward of GRS presented the actuarial valuation results prepared as of December 31, 2023. He reported that the funding period is now 30 years as the result of the legislation passed during the 88<sup>th</sup> Legislative Session. He discussed that 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. Mr. Ward reported that the System incurred an additional liability loss of \$89.5 million, due to higher-than-expected salary increases. Mr. Ward also reported that the losses in this valuation create a loss layer

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payment of 1.16% of payroll. 2025 contributions will be: Member rate: 10%; City Contribution Rate: 8.47% plus Legacy Liability Payment of \$111 million. Trustees requested that future valuations include the Legacy Liability payment also expressed as a percentage of payroll.

Ms. Crook moved to adopt the December 31, 2023 actuarial valuation results. Mr. Brad Sinclair seconded, and the motion passed 10-0.

## **8 Receive report on audit of COAERS actuarial valuations**

Mr. Nash discussed the City's audit of COAERS actuarial valuations and experience studies. Mr. Nash reported that the Athena audit concluded that there were no significant deficiencies in the reporting, nor in the basis for which the actuarial assumptions were determined. Mr. Nash noted that the results of the actuarial audit would be presented to the City Audit and Finance Committee on April 24, 2024 and that the report will also be filed with the Texas Pension Review Board.

## **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**

Mr. David Stafford reported that the Investment Committee recommended the Board approve the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI) as the benchmark for the Global Equity portfolio.

Mr. Stafford also reported that the Investment Consultant and Staff recommended 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.

Mr. Ed Van Eenoo moved to approve the MSCI All Country World Index Investable Market Index (MSCI ACWI-IMI) as the benchmark for the Global Equity portfolio and utilize 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. Mr. Dick Lavine seconded, and the motion passed 10-0.

Mr. Van Eenoo moved to approve the Global Equities strategic asset allocation structure as laid out in Exhibit 1; to approve the regional guidelines for Global Equities as laid out in Exhibit 2; to approve the initial reduction of US Diversifiers to 25% of US Equities and the US Diversifiers Phase Out Guidelines; to approve the

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Premier List changes as noted in Exhibit 3; and to approve the rebalancing recommendations as laid out in Exhibit 4. Ms. Diana Thomas seconded, and the motion passed 10-0.

**10 Governance and Human Resources Committee:**  
**A. Discuss and consider proposed revisions to Board Bylaws**

Mr. Christopher Hanson presented proposed revisions to the Board Bylaws, which addressed the composition of the Board of Trustees following the passage of Senate Bill 1444, and included a review cycle to each Board Policy. He noted that the draft also included suggestions from the Governance and HR Committee regarding adding a vice-chair to committees and discussed the proposed responsibilities of the committee vice-chair.

Ms. Pool moved to approve the Board Bylaws as presented. Mr. Sinclair seconded, and the motion passed 10-0.

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

Mr. Hanson reminded Trustees that 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 than the current Board Policy should the Board seek to fill an unexpired term. Mr. Hanson noted those changes were incorporated into the Board Bylaws making this policy unnecessary.

Ms. Pool moved to repeal the “Appointments to Fill Unexpired Terms” policy. Mr. Sinclair seconded, and the motion passed 10-0.

**11 Discuss and consider Policy Committee Charter**

Mr. Hanson reported on the proposed Policy Committee Charter including revisions necessary to be in conformity with the new Board Bylaws. Ms. Crook moved to adopt the Policy Committee Charter as presented. Ms. Thomas seconded, and the motion passed 10-0.

**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**

Mr. Hanson thanked several Staff for their hard work in facilitating the move to the new offices while keeping operations moving. He noted that training opportunities were included in the packet and urged Trustees who were interested in attending events to contact Staff for registration and travel arrangements.

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**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.

As there were no other items to discuss, the meeting adjourned at 10:53 a.m.

DRAFT

# COAERS

CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

June 13, 2024  
DISABILITY RECOMMENDATION

Disability retirement application #2405

The Benefits and Services Committee recommends that Board

Approve    Deny

Retirement application #2405.

Diana Thomas

Diana Thomas  
Committee Chair

6/13/24  
Date

The physician recommends that Board

Approve    Deny

Retirement application #2405.

Harold Skaggs, M.D.

Harold Skaggs, M.D.  
Physician

6/13/24  
Date



## Board Approved Policy

Subject: Travel Reimbursement

Review Committee: Audit and Risk

Date Implemented: December 12, 2017

Date Updated: June 27, 2024

Signature of Chairperson:

\_\_\_\_\_  
Yuejiao Liu

DRAFT

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
BOARD APPROVED POLICY  
TRAVEL REIMBURSEMENT POLICY**

**I. PURPOSE AND SCOPE**

To support the ability of the Board of Trustees and Staff of the City of Austin Employees' Retirement System (COAERS) to carry out their responsibilities, participation in typically relevant seminars and educational programs is encouraged and the costs of these events and related travel may be paid or reimbursed by COAERS.

Travel may also be authorized for onsite research and evaluation of professional firms or organizations and also for site visits conducted for due diligence or investigative purposes. (See also Board Education Policy) This policy describes the eligibility for, and the conditions under which, COAERS will pay or reimburse travel expenses. The provisions of this policy are intended to create an accountable plan under the Internal Revenue Code and Treasury Regulations and therefore, allowances or reimbursements paid for COAERS-related expenses are excluded from wages and are not subject to withholding for federal tax purposes.

**II. RESPONSIBILITIES**

**A. COAERS Board of Trustees:**

Shall determine the quantity and type of education and travel available to a Trustee. Shall assign responsibility to the Audit and Risk Committee to review this policy and oversee its implementation.

**B. Board Chair:**

Shall be authorized to make exceptions to this policy. Shall review and authorize travel expenses for the Executive Director.

**C. Audit and Risk Committee:**

Shall periodically review and update this policy ~~as necessary~~ at least every three years.

**D. Authorized Travelers:**

Shall be mindful of the public trust and comply with the provisions of this policy when incurring training, research, or education expenses on behalf of COAERS. Shall strive to make arrangements resulting in reasonable expense to the System.

**E. Executive Director:**

- Shall approve or deny all proposed training, research, or educational expenses for COAERS staff.
- Shall work with Trustees in determining appropriate expenses and report on

- travel and training budget expenditures at least annually.
- Refer proposed policy changes to the Audit and Risk Committee.

### III. GUIDELINES

#### A. Authorized Traveler:

A person who is authorized to travel in connection with COAERS-related business or an event.

#### B. Authorized Travel Days

Travel will generally be arranged on the days immediately preceding and immediately after the conference or “scheduled event”, unless savings can be achieved by incurring a Saturday stay-over or if the travel can be reasonably accomplished on the day the event begins or ends. A “Scheduled event” means anything that is part of the published program; a related activity, or held in conjunction with a conference or scheduled meeting, supported by written documentation. All itineraries should be coordinated so that the most economical package can be obtained considering cost and time. The number of days of approved lodging will be sufficient so as not to require conference or meeting attendance and travel time in excess of 12 hours in any one day, and reasonable considering time zone differences. One additional day of travel with lodging and per diem is allowed for each day of travel in excess of 12 hours.

#### C. Authorized Expenses

##### 1. COAERS pays and reimburses for expenses which meet the following requirements:

- a. There must be a business connection to the expenditure.
- b. There must be “adequate” accounting by the recipient within 30 calendar days of conclusion of the event including verification of business purpose, date, time, place, amount and receipts for any item for which reimbursement is requested except for per diem paid at the Federal rate.
- c. Excess reimbursements or advances must be returned within 30 calendar days of the accounting of the authorized expenses or notification to the traveler of the excess whichever is later.

##### 2. Subject to the guidelines listed below in Section E, COAERS will pay or reimburse for the following expenses:

- a. Conference or seminar registration
- b. Transportation
- c. Lodging expenses, including parking
- d. On-site airport parking
- e. Shuttle, taxi, or rideshare
- f. Rental car, including associated expenses
- g. Personal vehicle mileage reimbursement for driving to and from the airport



- h. Meals & incidental expenses (M&IE)
- i. Telecommunication charges
- j. Books and supplies
- k. Laundry/dry cleaning if the trip exceeds five continuous days or during international travel out of North America
- l. Flight or trip insurance
- m. Registration costs for State core minimum education training for approved candidates running for Trustee positions
- n. Shipping costs incurred for materials shipped to or from an approved conference
- o. Airline change fees incurred when the business travel scope or event schedule changes.
- p. TSA pre-check or Global Entry expenses.

**D. Unauthorized/Non-Reimbursable Expenses**

- 1. Expenses for non-authorized travelers
- 2. Loss of personal funds or property
- 3. Personal expenses such as haircuts, medicine, newspapers, etc.
- 4. Entertainment and/or alcoholic beverages
- 5. Shuttle and/or taxi to personal destinations

**E. Additional Guidelines for Authorized Expenses**

**1. Transportation**

- a. The most economical method of transportation should be used considering overall costs and time. Transportation provided to a System Representative must meet the requirements of Board Approved Policy ~~C-3~~ "Code of Ethics." Advanced purchase economy airfare should be made as far in advance as possible to achieve the most reasonable fare. Non-stop flights and/or direct flights should be scheduled when available. Whenever possible, airfare will be paid in advance by COAERS. Otherwise, payment should be made using a COAERS credit card. If no COAERS credit card is available, travelers may use personal credit cards or funds, and submit receipts for reimbursement. For any flights of 5 or more hours of continuous in-air travel, business class airfare should be allowed or one additional travel day with lodging and per diem can be provided. COAERS can incur an airfare cost to allow for main cabin upgrades when business class travel is not authorized, such as the following: to confirm an economy seat assignment, allow for early boarding, hold a price on a ticket when travel arrangements are not finalized, provide extra leg room, and allow for assigned seating, or checked baggage.
- b. Trustee mileage for a personal vehicle will be reimbursed at the prevailing IRS mileage reimbursement rate for travel to and from the airport or travel to an educational or research event. Miles driven for personal reasons will not be reimbursed. Individuals may declare a

reasonable number of miles in order to obtain payment in advance of travel. Mileage can be calculated either by noting the actual beginning and ending mileage of the trip, or by using a mapping application that describes the actual route. Highway toll charges are reimbursable if necessary to attend a COAERS-business related event or to ensure on-time arrival at the airport for COAERS-business related travel.

- c. Shuttles, taxis, public transportation, ride-sharing, private charter bus or rental vehicles may be used for travel to and from the airport and a conference or meeting destination(s). Authorized travelers should select the most economical method based on available methods and circumstances. Persons travelling in groups should coordinate these expenses if feasible.

## 2. Lodging

Lodging associated with a conference should be arranged at the hotel in which the conference or seminar is held, if applicable. Otherwise, accommodations should be arranged at a rate comparable to that of the conference designated hotel.

- a. Authorized Hotel Expenses are room, tax, destination (or similar) fee, internet connectivity, business center expenses, and hotel parking.
- b. Hotel services, movies, and non-COAERS phone calls are examples of personal expenses, which are not reimbursable. The authorized traveler must mark personal expenses on bill, invoice, or receipt before submission.
- c. COAERS will reimburse up to the costs of a double occupancy room rate. If a traveler makes their own lodging arrangements, reimbursement will be based on the comparable rate to the other travelers whose arrangements were made by COAERS.

## 3. **Considering costs and logistics, hotel deposits and/or full expenses may be paid in advance by COAERS. Otherwise, payment should be made using a COAERS credit card. If no COAERS credit card is available, travelers may use personal credit cards or funds, and submit receipts for reimbursement. Per Diem Allowance for Meals & Incidental Expenses (M&IE)**

For COAERS-related travel that requires an overnight stay, the Federal per diem rate will be paid for meals and incidental expenses (M&IE). No receipts are required, but the payment must meet the other substantiation requirements including date, time, place, and business purpose. Meals provided to a System Representative must meet the requirements of

Board Approved Policy ~~C-3~~ "Code of Ethics."

- a. Federal per diem rate: These rates are established by the General Services Administration (GSA) and the U.S. Department of State. An amount is assigned to respective cities which includes allowances for breakfast, lunch and dinner plus incidental expenses to cover the cost of tips and fees for food and luggage handling type services.
  1. The per diem will be the current rate published for the destination locality at the time of the advance or reimbursement whichever occurs first.
  2. For both the day travel begins and the day travel ends, the M&IE per diem allowance will be prorated at 75% of the daily rate.
  3. For purposes of figuring the appropriate location per diem, COAERS will use the rate of where the traveler will spend the night. If the traveler is in the air overnight (for example, leaving Chicago in the evening and arriving in Edinburgh early morning), the destination is used as the location the traveler spent the night. On the last day of travel, COAERS will use the rate where the traveler previously spent the night.
  4. If a meal or meals are part of a registration fee, those meals will be deducted from the per diem of the traveler. If a hotel offers a continental breakfast as part of its published price, the meal will be deducted from the per diem of the traveler.
  5. Expenses incurred due to travel delays beyond the traveler's control which extend the travel period are reimbursable.
- b. Any matters related to per diem not specifically addressed in this policy will be administered in accordance with the IRS guidance for accountable plans.

**4. Day Trips – Reimbursement for mileage and business-related meals**

For trips not requiring an overnight stay, authorized travelers will be reimbursed for reasonable transportation and COAERS-related expenses submitted with receipts on COAERS Travel Request Claim Form.

**5. Pre-trip Advances**

Authorized travelers may receive an advance of per diem and mileage reimbursement, if requested.

**F. Emergency Expenditures and Exceptions**

For emergency situations requiring immediate departure from Austin to

attend to COAERS business, or in the event of a personal emergency which requires early departure or, other change in plans, every effort should be made to contact the Board Chairperson or Vice Chairperson to authorize the emergency expenditures. If this authorization is not obtained, the circumstances will be reviewed by the Audit and Risk Committee at their next meeting to recommend an appropriate Board response.

Any exceptions to these procedures may be reviewed and approved by the Audit and Risk Committee, in advance. Emergency exceptions shall be addressed on their own merits.

## **G. Final Travel Expense Claim Form**

### **1. Travel Expense Claim Submittals and Documentation**

Within 30 calendar days of their return, individuals shall complete and submit the "Travel Expense Claim Form". All authorized expenses, including those prepaid by COAERS, and regardless of method of payment, should be recorded on the Travel Expense Claim form. Receipts or a statement of expense incurred are required for authorized expenses, including ground transportation and parking. No receipts are required for expenses covered by the Per Diem Allowance, including meals. If receipts include both personal expenses and authorized expenses, they should be itemized and personal expenses should be marked "personal." A final travel package will have a completed and signed Trustee Education Program Feedback Form attached.

### **2. Trustee Education Program Feedback Form**

When travel is for education or training, trustees are encouraged to complete a Trustee Education Program Feedback Form and submit it to the Executive Assistant. A copy of this form will be posted on the Board Portal.

### **3. Review of Expense Claim Forms**

The Audit and Risk Committee may review any situations when a Travel Expense Claim Form is not submitted within 30 calendar days, or where exceptions to this policy are noted. In addition, the Audit and Risk Committee may periodically review sample Travel Expense Claim Forms.

## **H. Direct Booking/Travel Agencies**

To avoid transaction fees charged by travel agencies, transportation/accommodation arrangements will generally be booked directly with the provider. In the case of complex arrangements, i.e., involving multiple cities or international travel, or short notice travel, travel agencies may be used. Agencies will be selected on the basis of service quality, being mindful of fiduciary responsibilities regarding expenditures.

## **I. Non Exempt Staff Travelers**

Travel that keeps a nonexempt COAERS employee traveler away from home overnight is worktime when it cuts across the employee's workday. The employee is simply substituting travel for other duties. The time is not only hours worked on regular working days during normal working hours but also during the corresponding hours on nonworking days. Thus, if an employee regularly works from 8 a.m. to 5 p.m. from Monday through Friday the travel time during these hours is worktime on Saturday and Sunday as well as on the other weekdays. Regular meal period time is not worktime. When connected with an overnight stay, travel from the employee's home or primary work location to the event or to the airport is worktime. Likewise, travel home from the event or the airport is worktime.

#### IV. ADMINISTRATION

All forms used for the administration of this policy may be created and revised by Staff.



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Audit and Risk Committee of the Board of Trustees  
City of Austin Employees' Retirement System  
Austin, Texas

We have audited the financial statements of the City of Austin Employees' Retirement System as of and for the year ended December 31, 2023, and have issued our report thereon dated May 31, 2024. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit in our statement of work dated November 13, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Austin Employees' Retirement System are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2023.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of accumulated depreciation is based the useful lives of capital assets.
- Management's estimate of the valuation of alternative investments is based on net asset values reported by the investment managers.
- Management's estimate of the total pension liability is based on a third-party actuarial valuation in accordance with GASB 67.

We evaluated the key factors and assumptions used to develop management's estimates in determining they are reasonable in relation to the financial statements taken as a whole.

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Audit and Risk Committee of the Board of Trustees  
City of Austin Employees' Retirement System  
Page 2

***Significant unusual transactions***

We identified no significant unusual transactions.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated May 31, 2024.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Required supplementary information***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.



Audit and Risk Committee of the Board of Trustees  
City of Austin Employees' Retirement System  
Page 3

**Supplementary information in relation to the financial statements as a whole**

With respect to the Investment, General and Administrative, and Professional Services and Consultant Expenses (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 31, 2024.

**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory, investment, actuarial, and statistical sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

This communication is intended solely for the information and use of the the Board of Trustees and management of City of Austin Employees' Retirement System and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Austin, Texas  
May 31, 2024





CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Audit and Risk Committee of the Board of Trustees  
City of Austin Employees' Retirement System  
Austin, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the City of Austin Employees' Retirement System as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City of Austin Employees' Retirement System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Austin Employees' Retirement System as of December 31, 2023 and 2022, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Austin Employees' Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Austin Employees' Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Audit and Risk Committee of the Board of Trustees  
City of Austin Employees' Retirement System

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Austin Employees' Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Austin Employees' Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Audit and Risk Committee of the Board of Trustees  
City of Austin Employees' Retirement System

**Required Supplementary Information**

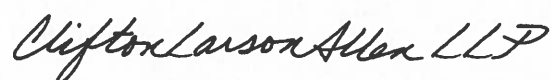
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of Contributions, and the Schedule of Investment Returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Austin Employees' Retirement System's basic financial statements. The Other Supplementary Information – Investment, Professional Services and Consultant, and General and Administrative Expenses (as referenced in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information (as referenced in the table of contents) comprises the Introductory Section, the Investment Section, the Actuarial Section, and the Statistical Section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



**CliftonLarsonAllen LLP**

Austin, Texas  
May 31, 2024

# **CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM**

## **2024 Election for Retired Member Place 10 Nominating and Election Committee**

### **Committee Members**

Garland (Rod) Ellis  
Eyna Canales-Zarate  
Gricelda Diaz  
Dennis Crabill  
Eric Ohlenburger

### **Alternates**

Neal Graham  
Belinda Vasquez  
Rebecca Rocco  
Wesley Jackson  
Anitra Jones

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

A. Ethics policy disclosure statements

B. 2024 meeting calendar

C. April 11, 2024 Investment Committee meeting

D. May 23, 2024 Investment Committee meeting

E. June 13, 2024 Audit and Risk Committee meeting

F. June 13, 2024 Benefits and Services Committee meeting

G. June 13, 2024 Legislative Committee meeting

Presented by Yuejiao Liu



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 6:

Receive reports on the following Board administrative matters, including:

- A. Ethics policy disclosure statements
- B. 2024 meeting calendar
- C. April 11, 2024 Investment Committee meeting
- D. May 23, 2024 Investment Committee meeting
- E. June 13, 2024 Audit and Risk Committee meeting
- F. June 13, 2024 Benefits and Services Committee meeting
- G. June 13, 2024 Legislative 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 June 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. Remaining 2024 Board and Committee calendar
3. Report from Investment Committee meetings of April 11 and May 23, 2024
4. Report from June 13, 2024 Audit and Risk Committee meeting
5. Report from June 13, 2024 Benefits and Services Committee meeting
6. Report from June 13, 2024 Legislative Committee meeting



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

\_\_\_\_\_ For the period March 29, 2024 to June 27, 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



## Current Board and Committee Calendar

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### Thursday, June 27, 2024

Benefits & Services Committee – 9:30 am

Full Board – 10 am

### Thursday, July 25, 2024 – 12:00 noon

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





## Report from April 11, 2024 Investment Committee Meeting

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The April 11, 2024 meeting of the Investment Committee included an asset class review of Fixed Income and Cash & Equivalents and a discussion of the General Investment Consultant RFP.

1. The Committee reviewed a presentation by RVK regarding the Fund's Fixed Income asset class structure. This presentation covered positioning relative to the benchmark and RVK observations. The Committee recommended to the Board that the Fund adopt the Bloomberg US Aggregate Bond Index as the benchmark for Fixed Income. In the Strategic Asset Allocation, the Committee recommended use of a single set of allowable ranges around neutral and eliminating the sub-asset class structure in Fixed Income, and to consider ways to implement differently than the benchmark, including utilizing core fixed income managers and consideration of core-plus.
2. The Committee reviewed a presentation by RVK regarding the Fund's Cash & Equivalents asset class structure. The Committee recommended to the Board that the Fund continue to use the Bloomberg US T-Bills 1-3 Month Index as the benchmark for Cash & Equivalents. In the Strategic Asset Allocation, the Committee recommended use of a single set of allowable ranges around neutral and eliminating the sub-asset class structure in Cash & Equivalents.
3. 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 Staff's scoring of the submitted bids, determined a total scoring process and discussed next steps for site visits and finalist presentations.



## Report from May 23, 2024 Investment Committee Meeting

The May 23, 2024 meeting of the Investment Committee included a review of investment performance through first quarter 2024, an asset class review of Real Assets, a discussion of the Fixed Income asset class and policy guidelines, and a discussion of the General Investment Consultant RFP.

1. The Committee reviewed performance data from RVK through March 31, 2024. While the Fund returned 11.72% for the trailing 1-year, RVK reported that the Fund underperformed relative to the Policy Benchmark over the trailing 1-, 3- and 5-year periods. RVK discussed dynamics in the capital markets including the narrow breadth of stock gains and underperformance of real assets due to mismatch with the benchmark.
2. The Committee reviewed a presentation by RVK regarding the Fund's Real Assets asset class structure. This presentation covered positioning relative to the benchmark and RVK observations. The Committee recommended to the Board that the Fund adopt a blended benchmark consisting of underlying primary composite benchmarks at actual allocation weights. RVK further recommended the Real Assets portfolio have a long-term target that would generally favor a larger weighting to real estate vis-à-vis the infrastructure weighting.

In Real Estate, RVK recommended moving to the NCREIF ODCE (Net) (EWA) as the composite benchmark, and consideration should be given to different real estate strategies, including value add and opportunistic strategies which are accessible primarily through the use of drawdown funds.

In Infrastructure, RVK recommended moving to a private markets peer-based benchmark. RVK further recommended the infrastructure portfolio be implemented via private market exposures within the Core segment of the infrastructure universe.

RVK and Staff will work to create a "transition benchmark" while private markets exposures are built out over time

3. RVK recommended the Fixed Income portfolio represent public exposures, however, recognizes that during the interim Private Credit will likely need to be housed within Fixed Income until a critical size (3-5% of Total Fund) is met, at which time it can be relocated outside of Fixed Income as a standalone composite.

As a first phase in portfolio restructuring, RVK recommended implementing a hybrid approach, which would include hiring an active core fixed income manager to serve as the portfolio anchor with respect to accessing primary benchmark exposures (US Treasury, agency MBS, and investment-grade US corporate credit).

After the successful implementation of phase one, a second consideration would be education on the potential benefits of adding an active core plus fixed income manager to access non-benchmark exposures, often referred to as core plus sectors (High Yield, EMD, etc.).

4. The Committee received an update on the status of the current General Consultant RFP and reviewed the site visit team's scoring and recommendations for finalist presentations at the June 27, 2024 Board Meeting.



## Report from June 13, 2024 Audit and Risk Committee Meeting

---

The June 13, 2024, Audit and Risk Committee included a presentation from COAERS financial statement auditor, CliftonLarsonAllen (CLA), for the 12/31/2023 financial statement audit; a discussion about the Travel Reimbursement Policy; presentation of the unaudited 3/31/2024 financial statements, and a report on the 2024 Enterprise Risk Management program.

1. Ms. Bhakti Patel from CLA presented the results associated with the audit of the 12/31/2023 financial statements. Ms. Patel reported to the Committee that CLA issued an unqualified opinion on the financial statements. She further stated that CLA found no significant corrected or uncorrected adjustments during the 2023 audit of the financial statements. Ms. Patel reviewed significant accounting policies used by COAERS and reported that there were no unusual transactions. The Committee referred the financial statements audit to the Board for approval and directed the item to be placed on the Board's consent agenda.
2. Trustees discussed the Travel Reimbursement Policy and recommended minor edits to better reflect current travel conditions. The Committee referred the revised Policy to the Board for approval and directed the item to be placed on the Board's consent agenda.
3. The Committee received a Staff report on the first quarter 2024 unaudited financial statements.
4. The Committee received its quarterly report on COAERS Enterprise Risk Management program with a detailed focus on activities related to the risk categories of personnel, physical, legislative, and cybersecurity.



## Report from June 13, 2024 Benefits and Services Committee Meeting

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The June 13, 2024, Benefits and Services Committee meeting included a review of the one initial disability retirement application and a discussion on the Funding Policy.

1. The Committee reviewed and recommended approval of disability application #2405.
2. The Committee reviewed the Funding Policy which is being created jointly with the City of Austin. The Committee also received a report on the timeline of the approval process for both the Board and the City Council. The Committee made technical edits before recommending that it be placed on the consent agenda of the September Board meeting.



## Report from June 13, 2024 Legislative Committee Meeting

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The June 13, 2024, Legislative Committee meeting included a review of the Committee's 2024 work plan and a report on the 88<sup>th</sup> Session interim charges and interim legislative activity.

1. The Committee reviewed the proposed 2024 Committee Work Plan.
2. The Committee received a report on interim legislative activity including the House and Senate interim Committee charges related to public retirement systems, as well as an update on other relevant public pension policy activity and the Texas political landscape.

## 7. Investment Committee:

A. Discuss and consider Fixed Income, Cash & Equivalents, and Real Assets asset classes, including strategic asset allocation, benchmarking, and policy guidelines

B. Discuss and consider responses to general investment consultant request for proposal including presentations from finalists and investment consulting agreement

Presented by Yuejiao Liu

7A. Discuss and consider Fixed Income, Cash & Equivalents, and Real Assets asset classes, including strategic asset allocation, benchmarking, and policy guidelines





## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 7A:

Discuss and consider Fixed Income, Cash & Equivalents, and Real Assets asset classes, including strategic asset allocation, benchmarking, and policy guidelines

### AGENDA ITEM OBJECTIVE

This agenda item is for the Board to consider recommendations related to the Real Assets, Fixed Income and Cash & Equivalents portfolios.

### RECOMMENDATION FOR BOARD ACTION

Staff and Consultant recommend the Board approve the recommendations for Fixed Income, Cash & Equivalents and Real Assets noted in the "Investment Committee Recommendations" memo.

### ITEM SUMMARY

The Investment Committee reviewed the Fixed Income, Cash & Equivalents and Real Assets portfolios during its April and May meetings and considered a variety of recommendations related to benchmarks, strategic asset allocation, asset class guidelines, and portfolio construction. The Investment Committee approved several Staff recommendations to the Board for consideration. Where appropriate, Staff has provided additional information to expand on the prior recommendations.

In this agenda item, Staff has additionally summarized the recent Board approvals related to the investment program and noted policy areas of further discussion and consideration. These cumulative approvals will be incorporated into draft Investment Policy Statement changes for future consideration for the Board.

### 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. Staff Memo: "Investment Committee Recommendations"
2. RVK Memo: "Investment Committee Recommendations"

### SUPPLEMENTAL MATERIALS

1. Relevant Materials from April and May Investment Committee Meetings
2. Staff Memo "Infrastructure Benchmark Evaluation"

**SUMMARY**

At its meetings in April and May, the Investment Committee approved and referred to the Board several recommendations relating to Fixed Income, Cash & Equivalents and Real Assets. To summarize these recommendations as well as completed and ongoing work related to the investment program, this presentation is organized into the following sections:

**Section 1: Investment Committee Recommendations**

This section contains the recommendations that the Investment Committee approved at its meetings in April and May.

**Section 2: Follow Up Recommendations from Staff**

This section contains a set of new recommendations from Staff. These recommendations expand on certain recommendations from Section 1 that were more general in nature.

**Section 3: Staff Report on Investment Recommendations**

This section provides summarized commentary related to the recommendations contained in Sections 1 and 2.

**Appendix 1: Summary of Recent Board Approvals and Outstanding Investment Matters**

This section summarizes significant Board approvals related to the investment program since the approval of a new Strategic Asset Allocation in September 2023 as well as items that are still to be discussed and considered.

**Appendix 2: Investment Policy Statement and Related Exhibits**

This section summarizes cumulative Board approvals related to various investment guidelines, assuming that all recommendations under consideration today are approved.

**SECTION 1: INVESTMENT COMMITTEE RECOMMENDATIONS**
**I. FIXED INCOME RECOMMENDATIONS FROM THE INVESTMENT COMMITTEE:**

1. Change the benchmark for Fixed Income to the Bloomberg US Aggregate Bond Index.
2. In the Strategic Asset Allocation, use a single set of allowable ranges around neutral and eliminate the sub-asset class structure in Fixed Income.

Asset Class	Min	Neutral	Max
Fixed Income	18%	21%	28%

*Minimum and maximum ranges only to be used for Market Drift rebalancing*

3. Implement the Fixed Income portfolio via public markets, and house Private Credit within Fixed Income until it reaches 3-5% of the Total Fund, at which time it can be housed in a standalone composite.
4. As the first phase in portfolio restructuring, hire an active core fixed income manager to serve as the portfolio anchor (a “hybrid” approach).
5. Further consider core plus, out-of-benchmark sector exposures.
6. Further establish appropriate guidelines for specialty mandate exposures, if warranted.

**II. CASH & EQUIVALENTS RECOMMENDATIONS FROM THE INVESTMENT COMMITTEE:**

1. Continue to use the Bloomberg US T-Bills 1-3 Month Index as the benchmark for Cash & Equivalents.
2. In the Strategic Asset Allocation, use a single set of allowable ranges around neutral and eliminate the sub-asset class structure in Cash and Equivalents.

Asset Class	Min	Neutral	Max
Cash & Equivalents	0%	1%	10%

*Minimum and maximum ranges only to be used for Market Drift rebalancing*

**III. REAL ASSETS RECOMMENDATIONS FROM THE INVESTMENT COMMITTEE:**
*Real Assets:*

1. Use a blended benchmark consisting of underlying primary composite benchmarks at actual allocation weights for Real Assets.
2. The Real Assets portfolio has a long-term target that would generally favor a larger weighting to real estate vis-à-vis the infrastructure weighting. Other asset classes (such as agriculture, commodities, private energy, timber, etc.) could be considered for allowable investments.

*Real Estate composite:*

3. Change the benchmark for Real Estate to the NCREIF ODCE (Net) (EWA) Index.
4. Implement the Real Estate portfolio via private markets exposures.

5. RVK and Staff to work to create a “transition benchmark” while private markets exposures are built out over time.

*Infrastructure composite:*

6. Change the benchmark for Infrastructure to a private markets peer-based benchmark.
7. Implement the Infrastructure portfolio via private markets exposures within the Core segment of the infrastructure universe.
8. RVK and Staff to work to create a “transition benchmark” while private markets exposures are built out over time.

## **SECTION 2: FOLLOW UP RECOMMENDATIONS FROM STAFF**

### **I. FIXED INCOME FOLLOW UP RECOMMENDATION FROM STAFF:**

- a. Update the portfolio guidelines and permissible investments for Fixed Income to be less prescriptive and allow additional investments including, but not limited to, High Yield, Bank Loans, and Emerging Market Debt.

### **II. CASH & EQUIVALENTS FOLLOW UP RECOMMENDATION FROM STAFF:**

- a. Establish the below guidelines for foreign currency Cash & Equivalents exposures:

<b>Cash Strategy Type</b>	<b>Min</b>	<b>Max</b>
Foreign Currency Mandates	0%	25%

*Percentages expressed relative to the Cash & Equivalents exposure  
Minimum and maximum ranges only to be used for Market Drift rebalancing*

### **III. REAL ASSETS FOLLOW UP RECOMMENDATIONS FROM STAFF:**

- a. In the Strategic Asset Allocation, use a single set of allowable ranges around neutral and eliminate the sub-asset class structure in Real Assets:

<b>Asset Class</b>	<b>Min</b>	<b>Neutral</b>	<b>Max</b>
Real Assets	12%	15%	19%

*Minimum and maximum ranges only to be used for Market Drift rebalancing*

- b. For Infrastructure, use the MSCI/Burgiss Global Infrastructure Funds Index as the benchmark upon completion of the transition to private markets implementation.
- c. Adopt the below “transition benchmarks” while private markets exposures are built out, which consists of composite benchmarks at actual allocation weights, reweighted monthly:

<u>Real Estate</u>	
<b>Composite Type</b>	<b>Benchmark</b>
Private Markets	NCREIF ODCE (Net) (EWA)
Public Markets	US REITs Completion Index

Infrastructure

<b>Composite Type</b>	<b>Benchmark</b>
Private Markets	Burgiss Global Infrastructure Funds Index
Public Markets	Dow Jones Brookfield Global Infrastructure Index (Net)

- d. Liquidate small exposure to REITs ETF and transfer funds to REITs completion index mandate. Doing so will ensure that all public markets exposures track the transitional benchmark for Real Estate. Additionally, the completion index will be used as a funding source for new private markets exposures over time.

<b>Mandate</b>	<b>Change</b>
Agincourt FTSE NAREIT Equity REITs ETF	-\$10MM (full redemption)
Fidelity US REITs Completion Index	+\$10MM

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**SECTION 3: STAFF REPORT ON INVESTMENT RECOMMENDATIONS****FIXED INCOME:**

Staff and RVK have independently analyzed various indices and approaches to use in benchmarking the Fund's Fixed Income allocation. The use of the Bloomberg US Aggregate Bond Index as the benchmark is appropriate for several reasons. Notably, the Fund's historical and current exposures in Fixed Income are in the US, and this index has several attractive characteristics relative to the Global Aggregate Bond Index (which is currently used) including stronger historical performance and higher yields.

As adopted in Global Equities, these recommendations for the Strategic Asset Allocation guidelines in Fixed Income simplify allowable ranges, rebalancing authority, and eliminate the current sub-asset class structure. These allocation ranges are calibrated based on the expected volatility of Fixed Income, with consideration given to their role in the total Fund.

In the total portfolio context, the Fixed Income portfolio is expected to provide diversification to equity risk and liquidity through current income. Public fixed income investments best exhibit these characteristics, particularly when compared to their private markets counterparts.

Historically, the Fixed Income portfolio was disaggregated into its component pieces to better manage this allocation and structure it to provide a hedge to equity risk. This was done by increasing exposure to US Treasuries, which provide lower correlations to equities than Mortgages or Investment Grade Credit. These recommendations move implementation back towards a more aggregated "core" approach whereby these decisions would be delegated to an investment manager instead of Staff, Consultant and Board. The data presented by RVK suggests that active managers are more likely to produce higher alpha over the long term but have negative alpha during times of equity market stress.

Another way to improve outcomes is to allow active managers to use out of benchmark exposures to "plus" sectors (e.g., high yield, bank loans, or emerging market debt). Different segments of the Fixed Income universe can exhibit markedly different risk, return and correlation profiles, in contrast to Global Equities where market segments tend to be much more homogeneous. As such, allocating to various sectors can reduce risk or increase returns when compared to the aggregate index and active management tends to be successful in doing so. The follow up recommendation for Fixed Income proposes allowing these "plus" sector investments in Policy.

**CASH & EQUIVALENTS:**

Treasury bills have long been considered the "risk-free" asset and represent a reasonable benchmark for Cash & Equivalents which are expected to maintain stable values. The Bloomberg US Treasury Bills Index is reasonable as it consists of short dated, highly liquid treasury bills and is one of the most widely used for this purpose.

Given the lack of use of total Fund level leverage historically and the focus on improving the Fund's Strategic Asset Allocation through the use of private markets exposures, Staff does not believe that the negative lower bound for cash (permitting Fund level leverage) adds much value to the Fund. As such, these recommendations change the lower bound for Cash & Equivalents to 0%. The neutral 1% allocation to cash equates to approximately 12 months of required operating needs and benefit payments.

Staff believe that maintaining the upper bound at 10% is prudent given current market conditions and the ongoing work to transition to the new Strategic Asset Allocation. As such, Staff expect to potentially recommend reductions to the upper bound as part of upcoming implementation plans related to Private Credit and phased transitions to the new Strategic Asset Allocation.

Similar to the approach in Global Equities, Staff believe that simplifying Cash & Equivalents by eliminating the existing sub-asset classes of US Dollar Instruments and Foreign Currencies would help simplify the Strategic Asset Allocation. The follow up recommendations propose continuing to allow Foreign Currency exposures but limiting their allocation to a maximum of 25% of Cash & Equivalents.

#### **REAL ASSETS:**

Publicly listed equities in real estate (REITs) and infrastructure constitute approximately 42% of the Real Assets portfolio currently. While these strategies do provide underlying exposure to real estate and infrastructure investments, the securities trade very similarly to global equities and exhibit very high equity correlations.

As such, these recommendations are to implement exposure to Real Estate and Infrastructure through private markets strategies. These strategies can offer a range of differentiated risk and return profiles beyond those currently in the portfolio. Similar to Fixed Income, focusing Staff, Consultant and Board time on building out private markets exposures is likely to be more impactful on total Fund outcomes than insourcing asset allocation views/positioning.

Staff would note that the overall structure of the Real Assets portfolio and the allowable underlying strategy types should be discussed further. This could include the appropriateness of "plus" exposures (which tend to have different portfolio roles than "core" investments) and the right mix of underlying Real Assets strategy types. Staff and Consultant will work to incorporate these topics in a strategic plan or similar Board approved guidelines for the asset class. The proposed ranges for Real Assets are calibrated based on the smooth return profile of investments in private markets, with consideration given to the expected volatility in the remainder of the Fund.

Staff analysis suggests that switching to private markets benchmarks will more closely represent actual Fund investments and result in a reduction in tracking error. As such, the use of these types of benchmarks would be prudent to use for performance measurement of these investments. After additional analysis of the various providers available, Staff recommends that the Burgiss Global Infrastructure Funds Index be used as the benchmark for Infrastructure. Additional commentary on this index can be found in the supplemental materials. As private markets exposures are built out over time, Staff recommends benchmarking Real Estate and



## Investment Recommendations Staff Memo

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Infrastructure based on the actual split between public and private markets strategies to reduce tracking error.

Finally, using a benchmarking approach that uses actual allocation weights for the top-level Real Assets benchmark is reasonable, particularly when private markets are used. This approach will significantly limit tracking error resulting from positioning differences. Given the extremely limited (if any) ability to rebalance private markets exposures, relative performance comparisons will instead highlight manager-specific performance and overall structuring differences. This proposed approach would similarly roll up to the top-level Policy Benchmark for the total Fund.



**APPENDIX 1: SUMMARY OF RECENT BOARD APPROVALS AND OUTSTANDING INVESTMENT MATTERS**
**SUMMARY OF RECENT BOARD APPROVALS**
**September 2023 Board Meeting:**

- Receive updated Asset/Liability and Asset Allocation Studies
- Approval of new neutral Strategic Asset Allocation which includes Private Credit and eliminates Multi-Asset

**December 2023 Board Meeting:**

- Approval of maiden private credit commitment

**March 2024 Board Meeting:**

- Receive Investment Practices and Performance Evaluation (IPPE) report
- Approval of Global Equities recommendations including:
  - Benchmark: MSCI ACWI IMI
  - Strategic Asset Allocation including minimum and maximum ranges, removal of sub-asset classes, and rebalancing authority for Market Drift
  - Regional guidelines relative to the MSCI ACWI IMI benchmark
  - Portfolio structure, Premier List, and rebalance which simplify the portfolio and reduce diversifying mandates
- Approval of Private Credit Strategic Plan including:
  - Benchmark: LSTA Leveraged Loans Index +2%
  - Strategic Asset Allocation including minimum and maximum ranges
  - Portfolio diversification and program management guidelines

**FOR CONSIDERATION TODAY**
**June 2024 Board Meeting**

- Approval of Fixed Income recommendations including:
- Benchmark: Bloomberg US Aggregate Bond Index
  - Strategic Asset Allocation minimum and maximum ranges, removal of sub-asset classes, and rebalancing authority for Market Drift
  - Portfolio structure moving towards a “hybrid” approach with a core bond manager, and satellite specialty mandates
  - Update portfolio guidelines and permissible investments to be less prescriptive and allow additional “plus” investment types
- Approval of Cash & Equivalents recommendations including:
  - Benchmark: Bloomberg US T-Bills 1-3 Month Index
  - Strategic Asset Allocation minimum and maximum ranges, removal of sub-asset classes, and rebalancing authority for Market Drift
  - Portfolio guidelines limiting Foreign Currency exposures
- Approval of Real Assets recommendations including:

- Benchmark: blended benchmark consisting of underlying composite benchmarks at actual allocation weights
- Strategic Asset Allocation minimum and maximum ranges and removal of sub-asset classes
- Portfolio structure that generally favors Real Estate over Infrastructure
- Real Estate composite specific recommendations including:
  - Benchmark: NCREIF ODCE (Net) (EWA)
  - Implementation via private markets only
- Infrastructure composite specific recommendations including:
  - Benchmark: Burgiss Global Infrastructure Funds Index
  - Implementation via private markets only
- Further development of asset class guidelines/strategic plan
- During the transitional period, use a blended benchmark which consists of composite benchmarks at actual allocation weights

### **SUMMARY OF OUTSTANDING ITEMS**

#### **Policy Items**

- Investment Policy Statement and Investment Implementation Policy updates
- Review of investment manager selection process
- Phased transition policy for new Strategic Asset Allocation
- Strategic Plan for Real Assets
- Fixed Income guidelines for specialty exposures

#### **Implementation Items**

- Fixed Income active core manager selection
- Build out of Private Credit allocation
- Build out of private markets exposures in Real Assets

**APPENDIX 2: INVESTMENT POLICY STATEMENT AND RELATED EXHIBITS**
**STRATEGIC ASSET ALLOCATION:**

*Based on cumulative Board approvals:*

Asset Class	Minimum	Neutral	Maximum
Global Equities	46%	53%	60%
Real Assets	12%	15%	19%
Private Credit	7%	10%	13%
Fixed Income	18%	21%	28%
Cash & Equivalents	0%	1%	10%

*Minimum and maximum ranges only to be used for Market Drift rebalancing*

*As previously stated in IPS:*

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

T: Tactical Rebalancing Range      S: Strategic Rebalancing Range

**BENCHMARKS:**

*Based on cumulative Board approvals:*

Asset Class	Benchmark
Global Equities	MSCI ACM IMI Net Index
Real Assets	Blended weighted average of primary composite benchmarks
Private Credit	LSTA Leveraged Loans Index +200 bps
Fixed Income	Bloomberg US Aggregate Bond Index
Cash & Equivalents	Bloomberg US Treasury Bills 1-3 Month Index

Real Assets Composite	Benchmark
Real Estate	NCREIF ODCENet EWA
Infrastructure	Burgiss Global Infrastructure Funds Index

*As previously stated in IPS:*

Asset Class/Sub-Asset Class Benchmarks		
Asset Class	Benchmark Index	Bloomberg Ticker
Global Equity	MSCI All Country World IMI Net TR	MIMUAWON
US Equity	MSCI USA Net TR	NDDUUS
DM Equity	MSCI World ex-US Net TR	M1WOU
EM Equity	MSCI Emerging Markets Net TR	NDUEEGF
Real Assets	Neutral weighted blend of sub-asset class benchmarks	
Real Estate	FTSE NAREIT Equity REITS TR	FNRETR
Infrastructure	S&P Global Infrastructure Net TR	SPGTINNT
Fixed Income	Bloomberg Global Aggregate Bond TR	LEGATRUU
US Treasuries	Bloomberg US Treasuries TR USD	LUATTRUU
US Mortgages	Bloomberg US MBS TR USD	LUMSTRUU
US Credit	Bloomberg US Credit TR USD	LUACTRUU
Multi-Asset	COAERS Passive Benchmark	
Asset Allocation	COAERS Passive Benchmark	
Commodities & Other	Bloomberg Commodity TR Index	BCOMTR
Cash	Bloomberg 1-3 Month US T-Bill	LD12TRUU
US Dollars	Bloomberg 1-3 Month US T-Bill	LD12TRUU
Other currencies	Bloomberg 1-3 Month US T-Bill	LD12TRUU

#### ASSET CLASS GUIDELINES:

##### *Global Equities:*

Region	Benchmark	Min	Neutral	Max
US Equities	MSCI USA IMI Net	-5%	Weight in ACWI IMI	+5%
DM Equities	MSCI World ex USA IMI Net	-5%	Weight in ACWI IMI	+5%
EM Equities	MSCI Emerging Markets IMI Net	-5%	Weight in ACWI IMI	+5%

*Minimum and maximum ranges only to be used for Market Drift rebalancing.  
Percentages expressed relative to Global Equities exposure.*

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%

Cash & Equivalents

Cash Strategy Type	Min	Max
Foreign Currency Mandates	0%	25%

*Percentages expressed relative to the Cash & Equivalents exposure  
Minimum and maximum ranges only to be used for Market Drift rebalancing*



## Memorandum

To	City of Austin Employees' Retirement System (COAERS)
From	RVK, Inc.
Subject	Investment Committee Recommendations Summary Memo
Date	June 27, 2024

### Section #1 – Investment Committee Recommendations Summary

- RVK has reviewed Section #1 of the COAERS' Staff Investment Recommendations Staff Memo and agrees the cumulative recommendations stemming from both April and May Investment Committee meetings have been accurately outlined.
- **RVK recommends that the COAERS' Board ratify the April and May Investment Committee recommendations as presented.**

### Section #2 – Follow Up Recommendations from COAERS Staff

- RVK concurs with recommendation #1 to update the portfolio guidelines and permissible investments for Fixed Income to allow for additional out of benchmark investment exposures, often termed core plus. As mentioned in our May IC presentation on Fixed Income, we believe these exposures allow for additional diversification and return-seeking benefits for portfolio construction.
- RVK concurs with recommendation #2 which establishes minimum (0%) and maximum (25%) allocations for foreign currency to be held within the Cash & Equivalents composite. With the transition to a more simplified strategic asset allocation target table within the Investment Policy Statement, establishing these guidelines—which are consistent with current foreign currency implementation (~22% of Cash & Equivalents)—is prudent to outline.
- RVK concurs with all recommendations outlined within #3, applicable to the Real Assets portfolio. We believe these follow up recommendations now accurately allow for updated policy and implementation language to facilitate the IC recommendations approved in May.

### Section #3 – Staff Report on Investment Recommendations

- RVK has reviewed the supplemental information COAERS' Staff has drafted to further outline the April and May Investment Committee recommendations and believe it is an accurate representation of the previous background information that provided the basis for all recommendations to the Investment Committee.

7B. Discuss and consider responses to general investment consultant request for proposal including presentations from finalists and investment consulting agreement

Presented by Yuejiao Liu



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 7B:

Discuss and consider responses to general investment consultant request for proposal including presentations from finalists and investment consulting agreement

#### AGENDA ITEM OBJECTIVE

This agenda item is for the Board to consider the final selection of a general investment consultant to conclude the request for proposal process and authorize the execution of the selected firm's investment consulting agreement.

#### RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board select a finalist as the general investment consultant for COAERS and authorize the Board Chair to execute the investment consulting agreement pending final approval of form by counsel.

#### ITEM SUMMARY

At the December 19, 2023 meeting, the Board authorized Staff to issue a Request for Proposal (RFP) for General Investment Consulting Services. COAERS received seven responses by the deadline of February 9. All firms met the minimum qualifications. The RFP submissions for each of the finalist firms can be found in the supplementary materials.

At the April 11, 2024 meeting, the Investment Committee reviewed Staff's analysis and scoring of the submitted responses, and approved Staff's recommendation that a committee be formed to perform site visits on four semi-finalists. The tear sheet for each finalist firm can be found in the supplementary materials.

Three members of the Board volunteered to perform site visits with COAERS Chief Investment Officer and Executive Director during the week of April 29. Site visit reports for each finalist can be found in the supplementary materials.

After the site visit team presented their findings, the Investment Committee recommended that three firms should present to the full Board of Trustees. Staff requested these presentations be provided in advance and may be found in the Board 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. Staff Memo: "General Investment Consultant"
2. Meketa Presentation
3. NEPC Presentation
4. RVK Presentation

SUPPLEMENTAL MATERIALS

1. Meketa Materials
2. NEPC Materials
3. RVK Materials
4. Prior Investment Committee Staff Memos



**COAERS**

**Presentation for General Investment Consultant – June 27, 2024**

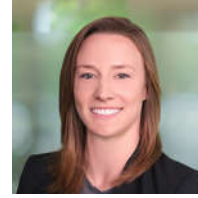
# Presenters



## Leandro Festino, CFA, CAIA

Managing Principal  
Consultant

- 24 years of industry experience
- Joined Meketa in 2003; Shareholder
- On Board of Directors
- Lead consultant for both general and private markets consulting clients
- Focuses on Texas-based public pension funds
- Member of the Texas Association of Public Employee Retirement Systems (TEXPERS)
- MBA: Boston College; BA: University of Evansville



## Stephanie Sorg, CAIA

Managing Principal  
Consultant

- 8 years of industry experience
- Joined Meketa in 2017; Shareholder
- Serves as a consultant for public pension, foundation, endowment, non-profit, and defined contribution plans
- Member: Meketa's Private Equity Fund-of-funds and Secondaries research teams and Individual Investor Solutions Group
- Member: Women in Institutional Investments Network organization
- Executive Board Member for the CAIA Southwest Chapter
- MS and BS: Santa Clara University



## Hannah Webber

Managing Principal  
Director of Consulting and Client Service

- 17 years of industry experience
- Joined Meketa in 2018; Shareholder
- Responsible for overseeing Meketa's client facing teams, which includes general consultants, investment analysts, performance analysts, and client service associates
- Chair: Consulting Leadership Committee
- Member: Marketable Securities Oversight and Compliance Committees
- MBA: Kellogg School of Management at Northwestern University; BS: Trinity College

# Table of Contents

1. Firm Introductions
2. How We Will Work with COAERS to Meet Your Stated Vision to be a Best-in-Class Public Pension Plan
3. Summary and Next Steps

# Firm Introductions

# Firm Overview

## Who is Meketa

- We are **investment consultant experts, focused on public fund clients**, who can share our insights, best practices, and lessons learned from over four decades of experience.
- We are proud to work with **over 90 public fund** clients, with \$1.7 trillion in assets.
- The proposed client team has **extensive experience working with plans of similar size and structure** to COAERS. We are excited at the opportunity to act as an independent extension of Staff and collaborate with both the Staff and Board to make COAERS best in class.

## Why Meketa

- We develop **customized investment solutions** to help our clients meet their objectives.
- We develop **leading edge tools** and make these and other resources available to clients.
- We believe we have **strong alignment of interests** with the COAERS.
- We are **transparent and objective** and have no internal institutional products.
- We seek to minimize any conflicts of interest, which allows our clients to **trust our research and decisions**.

# Meketa Overview

45

Years of Experience

## Four decades of investment advisory experience

- Advising Defined Benefit plans since inception of the firm
- 25 years advising public pension funds nationally
- 15 years advising Texas-based public pension funds

252

Clients

## Over 250 clients\*

- Over 180 General Consulting clients
- Over 100 Private Market clients
- Over 90 Public Fund clients

\$1.8 T

In Assets under Advisement

## Staff of 243, including 166 investment professionals

- 67 consultants and 51 analysts
- 58 investment operations
- 68 corporate & business administration

\$1.2 B

Median Public Fund  
Assets Under Advisement

## One Line of Business

- 100% of our revenue comes from our clients
- No proprietary products for institutional use

\* Overlap may occur as some clients have multiple mandates.  
Client and employee counts as of March 31, 2024; assets as of September 30, 2023.

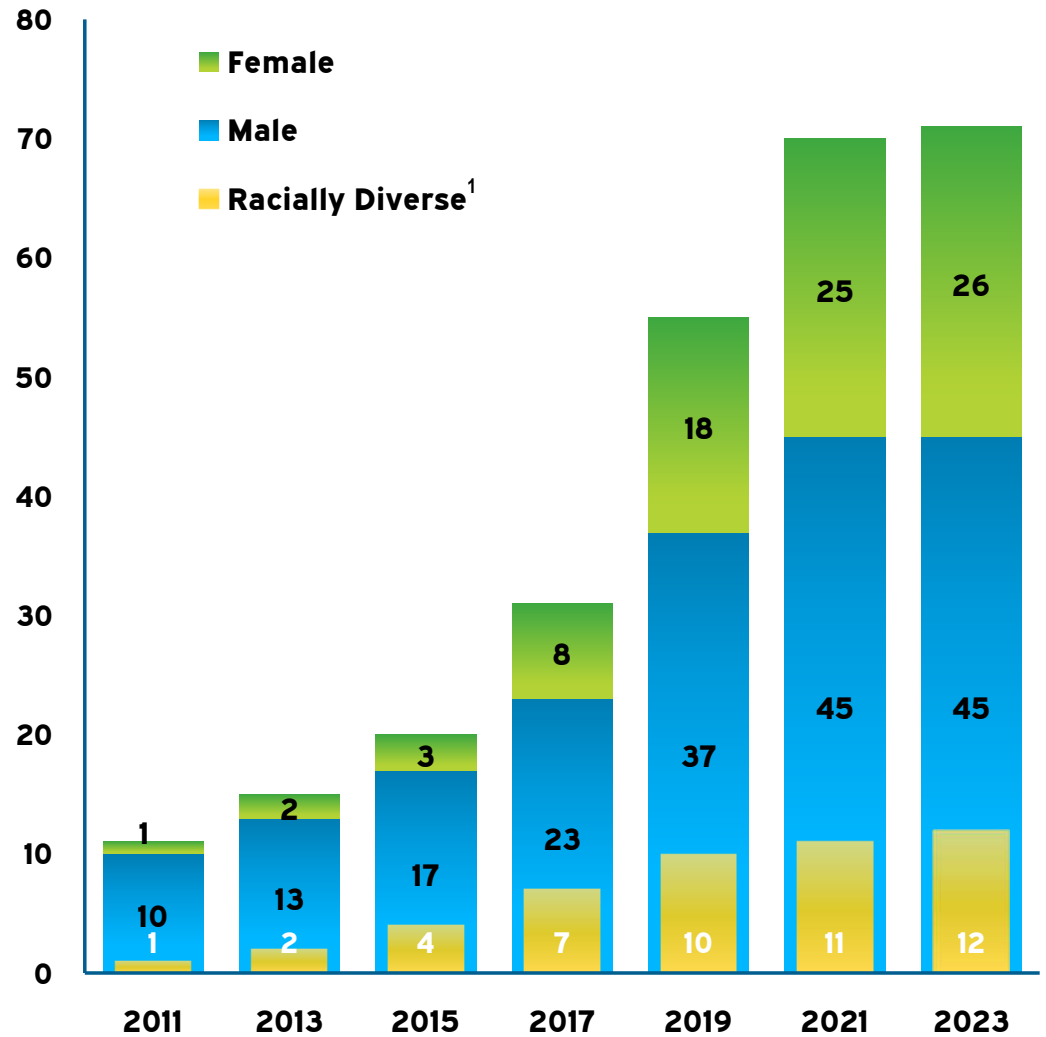
# Employee-Owned

We empower individuals to become owners of the firm, with no shareholder owning more than 25%.

Our Co-CEO structure and team orientation across business groups enhances and secures our collaborative culture.

Our collegial atmosphere is exemplified by an open-door policy with approachable management as well as a formal process of continual feedback.

## Shareholders

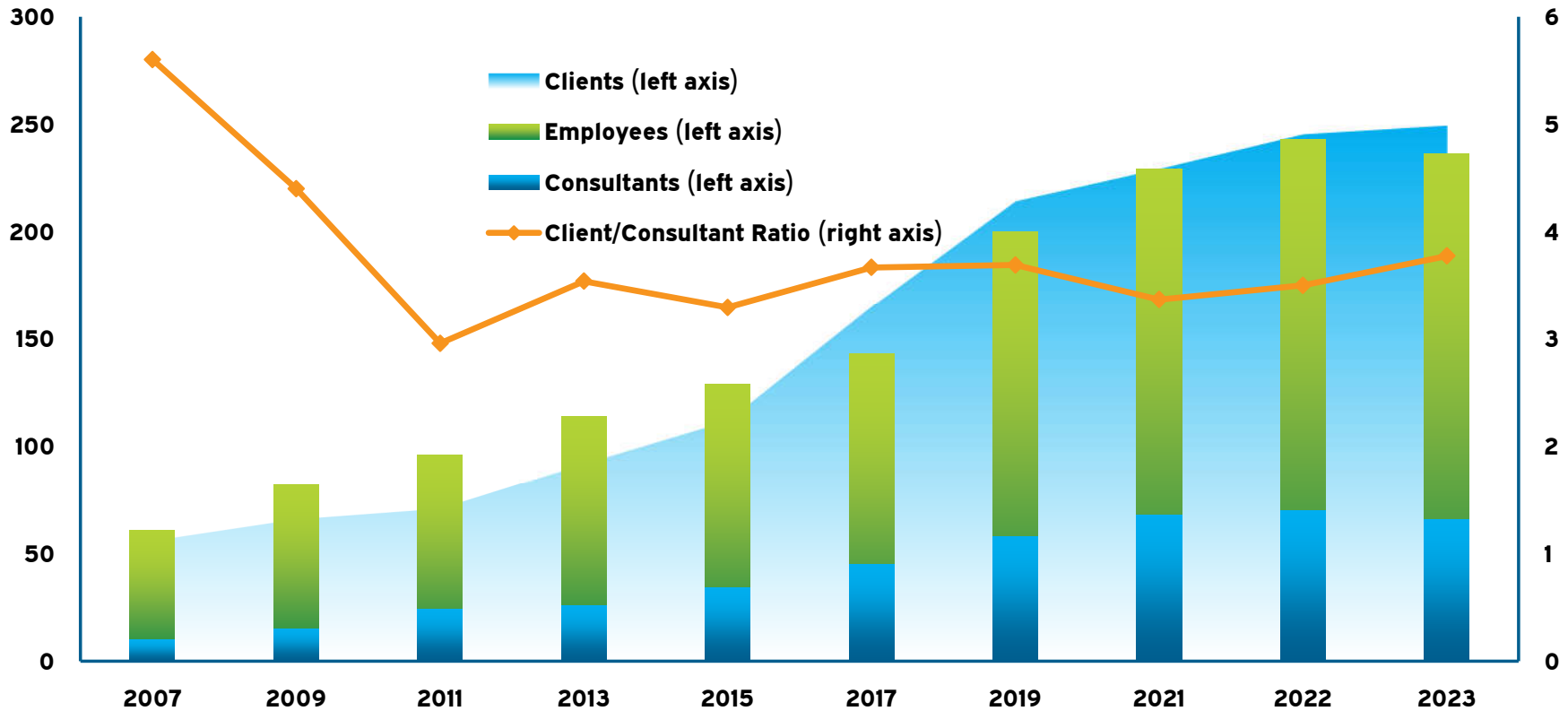


<sup>1</sup> Racially Diverse includes shareholders counted in the male and female categories.



# Committed to Client Service

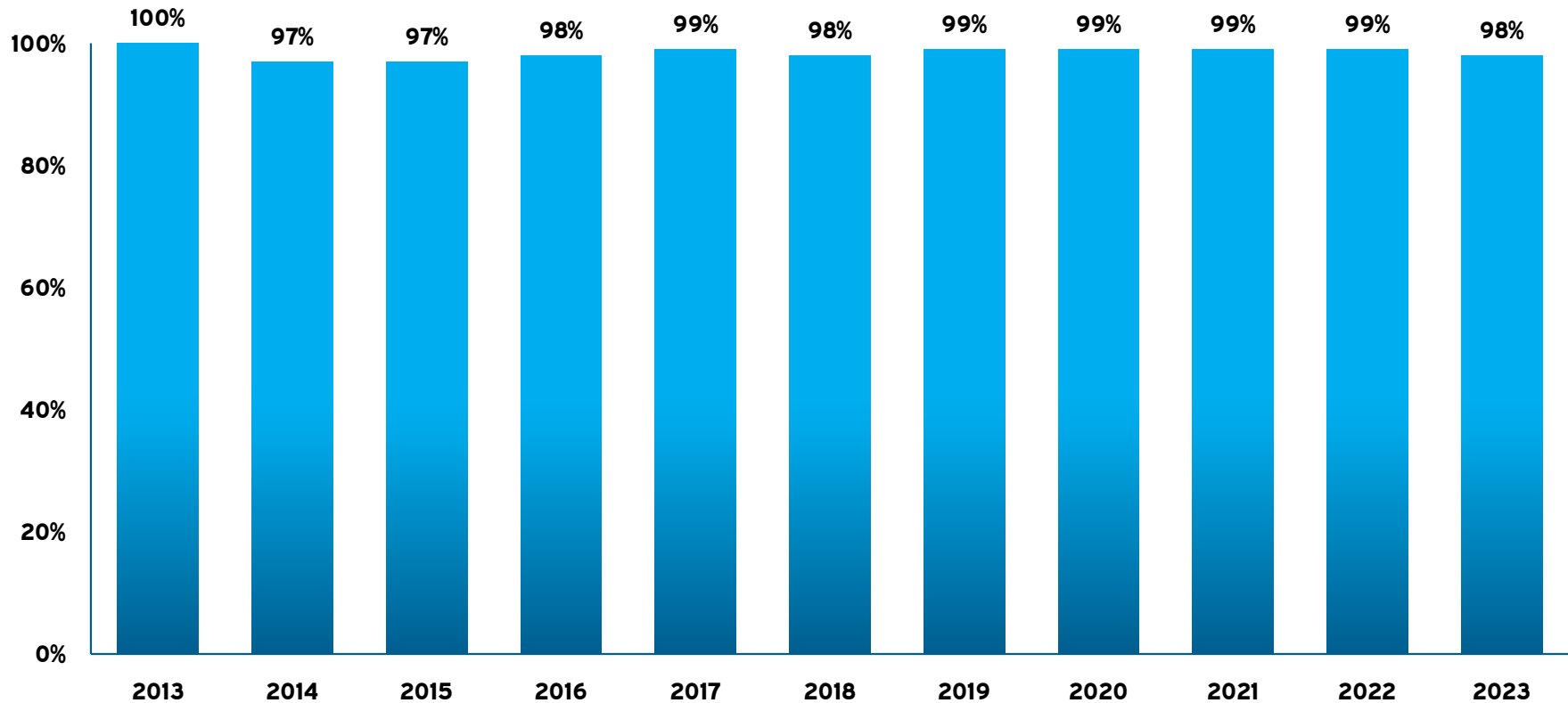
- We work directly with each client to meet their unique objectives.
- Low client to consultant ratio means we know our clients and their portfolios well.
- Timely and proactive advice has resulted in strong client retention.



# Client Satisfaction

- Consistent and controlled growth has resulted in strong retention.
- Nearly 100% client retention rate<sup>1</sup> shows we have been able to meet our clients needs.

Annual Client Retention Rate



<sup>1</sup> Average over the previous five years. Client Retention Rate is one minus the number of clients lost divided by the number of clients at prior year end.

# Public Pension Fund Representative Clients

We are Proud to Serve Some of the Leading Pension Funds in the US



The above clients are representative only and not an endorsement by any client listed. It is not known whether the clients listed approve of Meketa or the services we provide. As of March 31, 2024.

**How We Will Work with COAERS to  
Meet Your Stated Vision to be a  
Best-in-Class Public Pension Plan**

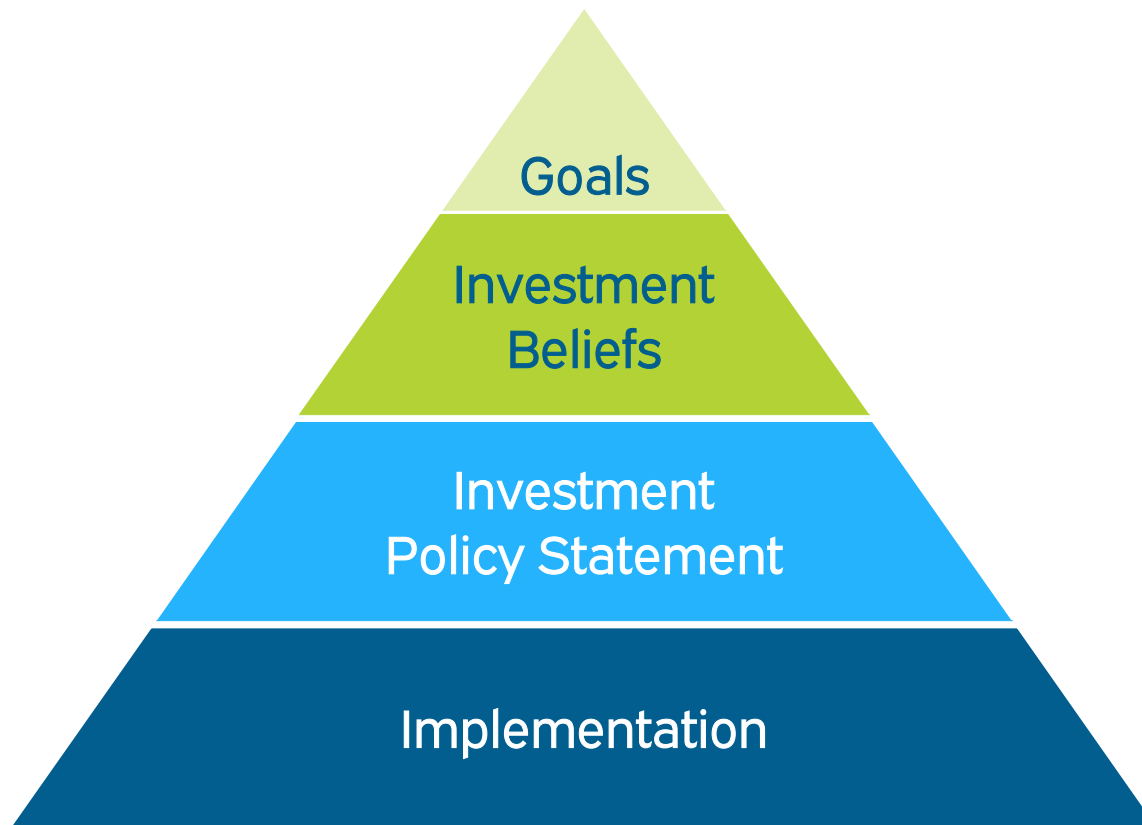
# Why Meketa?

## How we plan to support COAERS' Investment Management to be a best-in-class public pension plan

Meketa Differentiator	
<b>Working <u>with</u> the Staff and Board</b>	<ul style="list-style-type: none"> <li>→ We are fully committed, proactive, and responsive.</li> <li>→ We are prepared and ready to hit the ground running.</li> <li>→ We provide clear and transparent education and advice.</li> </ul>
<b>Deep Public Fund Experience</b>	<ul style="list-style-type: none"> <li>→ Advising public funds for 25+ years and currently for 90+ clients.</li> <li>→ We have been working with Texas public pension funds for over 15 years.</li> <li>→ Leveraging our depth and breadth of public fund experience to provide the most applicable guidance.</li> </ul>
<b>Best-in-Class Tools and Capabilities</b>	<ul style="list-style-type: none"> <li>→ Meketa's proprietary tools are designed to elevate asset allocation, portfolio construction, risk management, and ongoing oversight.</li> <li>→ We will leverage these to ensure COAERS investment management is well-diligenced and maintained.</li> </ul>
<b>Our People</b>	<ul style="list-style-type: none"> <li>→ Meketa believes our employees and organization are what sets us apart.</li> <li>→ Deep bench of dedicated Research Staff &amp; Committees allows us to bring unique and best ideas from cross-functional perspectives.</li> <li>→ Low client-to-consultant ratio.</li> </ul>
<b>Excellence in Customized Solutions</b>	<ul style="list-style-type: none"> <li>→ We will ensure that the path to achieve COAERS' unique goals and objectives is customized to meet your needs.</li> <li>→ We are dedicated to your success.</li> </ul>


# Governance and Investment Policy Statement are Crucial

- Good policies and processes today lead to better decisions tomorrow.
- Through Meketa's breadth and depth of experience with public funds, we derive best practices for Board/Staff governance, development/maintenance of investment polices, and optimal implementation to achieve your unique objectives.



# Comprehensive Initial Fund Review

- Examines existing Investment Policy Statement, asset allocation policy, and structure.
- Results in a useful guide for discussions and decision-making.
- Provides current status of the Retirement System, recommendations, and priorities.
- Use an iterative process and dialogue among our clients' Staff, Board members, and consultants.



**Initial Fund Review**  
Sample Client Fund

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Summary Initial Fund Review

The table below summarizes Meketa Investment Group's initial review of the Sample Client Fund, including recommendations for action and priorities. Each recommendation is described in detail in the following pages.

Fund Governance	Priority
<b>Investment Policy Statement</b>	
• Review and update Investment Policy Statement _____	One
<b>Investment Manager Guidelines</b>	
• Review and update Investment Manager Guidelines _____	One
<b>Crisis Response Plan</b>	
• Establish a Crisis Response Plan _____	One
Fund Asset Allocation & Portfolio Construction	Priority
<b>Asset Allocation Policy &amp; Portfolio Construction</b>	
• Adopt a new asset allocation and target ranges; revise definitions of asset classes; establish rebalancing policy _____	One
• Meet with the Fund's investment managers on a regular basis _____	One
• Replace lower conviction, redundant portfolios _____	Two
• Consider passive investments for large cap equities (domestic and international) _____	Two
• Diversify broadly across and within asset classes to reduce idiosyncratic risks _____	Two
<b>Equity</b>	
• Remain market cap neutral relative to the broad domestic equity index _____	One
• Eliminate value/growth biases in the domestic and international equity portfolio _____	One
• Consider adding a dedicated emerging market equity portfolio _____	Two
• Consider redeeming investments in dedicated long-short equities (Manager) _____	Two
<b>Fixed Income</b>	
• Consider adding an explicit target allocation to TIPS _____	One
• Consider adding an allocation to emerging markets debt _____	Two
• Consider adding a dedicated high yield bond mandate _____	Three

Priority one areas will be addressed by the Trustees and Meketa Investment Group, and any recommendations implemented by Meketa Investment Group within the next nine months. Priority two areas will be addressed over the next six to eighteen months, and any recommended actions implemented within that timeframe. Priority three areas will be addressed over the next twelve to thirty-six months, and any recommended actions implemented within that timeframe.

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BOSTON CHICAGO LONDON MIAMI NEW YORK PORTLAND SAN DIEGO

# We are Staffed to Provide an Intensive Level of Client Service



→ Each of our clients is serviced by a team of consultants, analysts, and support staff.

→ We strive to provide timely and detailed responses to all inquiries from our clients.

\* General Consulting, Public Markets, Private Markets, and Global Macro counts include overlap of professionals and includes support staff.  
Employee counts as of March 31, 2024.



# Innovative Proprietary Tools & Risk Management

→ We have built many tools designed to help with asset allocation, portfolio construction and risk management.

→ These tools include:

- Asset Allocation Tool
- Portfolio Builder
- Asset-Liability Analysis
- Private market pacing
- Manager/strategy research

→ The on-going plan:

- Regularly develop new tools to solve investment challenges and opportunities identified by Meketa and our clients.
- Continually enhance existing tools and the User Interface to be more user-friendly and client-accessible.

→ This is indicative of our commitment to being innovative and using technology to help our clients.

MEKETA INVESTMENT GROUP

Asset Allocation / Asset Allocation Tool Example / Asset Study 2021

Portfolio Statistics

Asset Group	Policy A	Policy B	Benchmark
Rate Sensitive	20.00 %	21.50 %	17.50 %
Cash Equivalents	2.5 %	3 %	1 %
Investment Grade Bonds	2.5 %	3 %	1.8 %
Long-term Government Bonds	10 %	10 %	2.5 %
TIPS	5 %	5.5 %	1 %
Global Credit	9.00 %	8.00 %	7.50 %
High Yield Bonds	2 %	2 %	1.2 %
Bank Loans	1 %	1 %	0.8 %
Private Debt	4 %	4 %	3 %
Emerging Market Bonds (major)	1 %	0.5 %	1.25 %
Expected Return (20 year)	6.94 %	7.00 %	6.80 %
Standard Deviation	12.89 %	12.93 %	13.30 %
Sharpe Ratio	0.45	0.46	0.43

MEKETA INVESTMENT GROUP

Asset Allocation / Asset Allocation Tool Example / Asset Study 2021

Select Asset Classes

Asset Class	Current Weight	Target Weight
<input checked="" type="checkbox"/> Cash Equivalents	11	10
<input checked="" type="checkbox"/> Short-term Investment Gr...	12	10
<input checked="" type="checkbox"/> Investment Grade Bonds	18	10
<input type="checkbox"/> Intermediate Investment...	2.0	5.0
<input type="checkbox"/> Investment Grade Corpor...	2.3	7.0
<input type="checkbox"/> Long-term Corporate Bon...	3.2	8.0
<input type="checkbox"/> Multi-Sector Global Secur...	1.8	3.5
<input type="checkbox"/> Intermediate Government...	1.4	3.0
<input checked="" type="checkbox"/> Long-term Government B...	2.5	10.0
<input type="checkbox"/> Long-term Strips	3.3	20.0

Edit Asset Mixes

Asset Class	Policy A	Policy B	Benchmark
Cash Equivalents	2.5	3	1
Investment Grade Bonds	2.5	3	1.8
Long-term Government Bonds	10	10	2.5
TIPS	5	5.5	1
High Yield Bonds	2	2	1.2
Bank Loans	1	1	0.8
Private Debt	4	4	3
Emerging Market Bonds (major)	1	0.5	1.25
Emerging Market Bonds (total)	1	0.5	1.25
Total	100	100	100

# Staying on the Forefront of Trends Through In-Depth Research

→ Our ongoing research covers a broad array of topics:

Recently Published
Total Fund Benchmarking
Generative Artificial Intelligence
Deglobalization
The Magnificent Seven
RMS Framework
Functional Asset Classes
Four Themes We are Watching in 2024
Evaluating the Office Landscape
Impact of the Inflation Reduction Act
Digital Infrastructure
The Impact of Debt on Growth

In the Pipeline
Investing in EM ex-China
Private Credit
The Rise of India
Trend-following Strategies
European Buyouts
Risk Budgeting
Natural Resources
Investing In Secondaries
2024 Election Impact
Real Assets
Japan 2.0

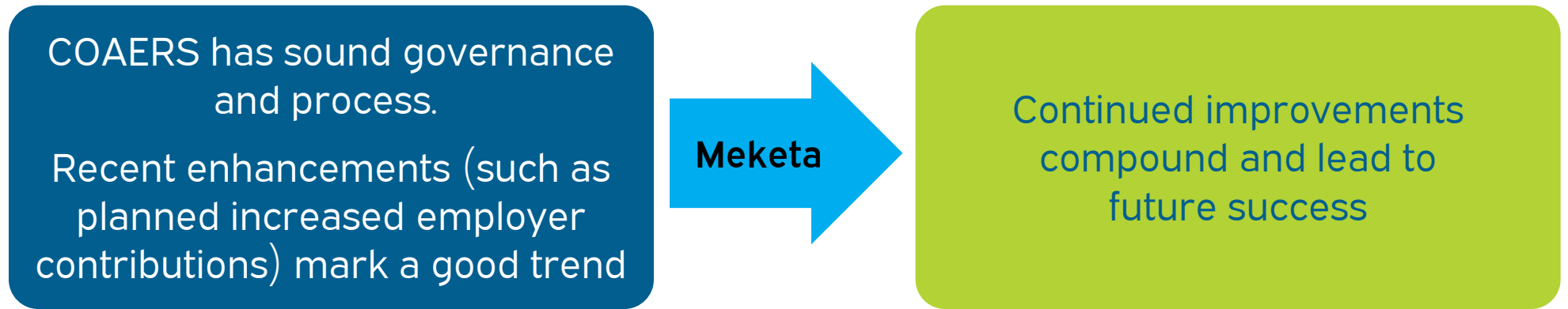
→ This research, as well as customized peer surveys/analysis, directly translate to actionable advice we provide to our clients and create opportunities to be first-movers.

## You Can Expect the Following from Meketa

- Full Commitment to COAERS.
- Responsive & proactive team.
- Trustworthy, unconflicted advice.
- Full access to all personnel and resources from Meketa.
- Actionable recommendations supported by deep analysis.
- Education prior to any investment recommendations.
- Communication that is understandable and actionable.
- Transparent flat fee structure for our services.

## Summary and Next Steps

# Overall Message



- Much work remains ahead to get to full funding.
- We believe Meketa can add most value in asset allocation considerations, portfolio implementation decisions, and operational efficiencies.

# Onboarding Clients – We Have Done This Many Times

- The proposed consultants have onboarded **over 20 clients historically**.
- As a firm, we have onboarded many more over the past few years.
- Our goal is to make it **easy on Staff** and **seamless to the Trustees**.
- We have a **dedicated onboarding specialist** analyst who would support the client team initially.
- We typically propose a transition timeline similar to the following:

Phase 1	Phase 2	Phase 3	Phase 4
<ul style="list-style-type: none"> <li>☑ Gather all critical data for the Fund from current providers (managers, custodian, actuary, etc.)</li> <li>☑ Schedule due diligence meetings with each of the System’s managers</li> <li>☑ Begin review of investment policy, asset allocation, manager roster and other critical Retirement System components</li> </ul>	<ul style="list-style-type: none"> <li>☑ Complete initial investment policy review</li> <li>☑ Complete initial asset allocation review</li> <li>☑ Complete initial manager due diligence meetings</li> <li>☑ Finalize Initial Fund Review</li> </ul>	<ul style="list-style-type: none"> <li>☑ Present Initial Fund Review to Staff and Trustees – update as needed based on feedback/priorities.</li> <li>☑ Review investment policy with Trustees</li> <li>☑ Review asset allocation policy with Trustees</li> <li>☑ Review manager roster analysis with Trustees</li> </ul>	<ul style="list-style-type: none"> <li>☑ Begin to implement Trustee decisions</li> <li>☑ Continue dialogue with Trustees regarding other components critical to running a successful investment program</li> </ul>

# Our Initial Proposed Approach & Timeline

## Key Action Items:

→ Defining/understanding risk posture, reviewing IPS/investment philosophy & Board governance, continued education on the functional framework and roles of asset classes, and review of the COAERS private markets program ought to be key focus areas at the beginning of the relationship.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Onboarding / Administrative</b>									
Kick-off calls to confirm objectives and timeline	█	█							
Document/data collection and Review	█	█							
Review Investment Policy Statement(s)	█	█	█						
Reporting Development & Design	█	█	█	█	█	█	█	█	█
<b>Investment Portfolio Review / Asset Allocation / Governance</b>									
Provide education on investment structure	█	█	█	█	█	█	█	█	█
Review portfolio constraints and guidelines	█	█	█	█	█				
Review long-term strategic asset allocation	█	█							
Revisit governance / delegation of authority				█	█	█			
Review Premier List	█	█	█						
Review Benchmark(s)	█	█							
Private Markets Program Review		█	█	█	█	█	█	█	█
Various Asset Class Review/Education	█	█	█	█	█	█	█	█	█

## Thank You

*Thank you for the opportunity to meet with you and present our capabilities.*

*We are excited about the prospect of serving the*

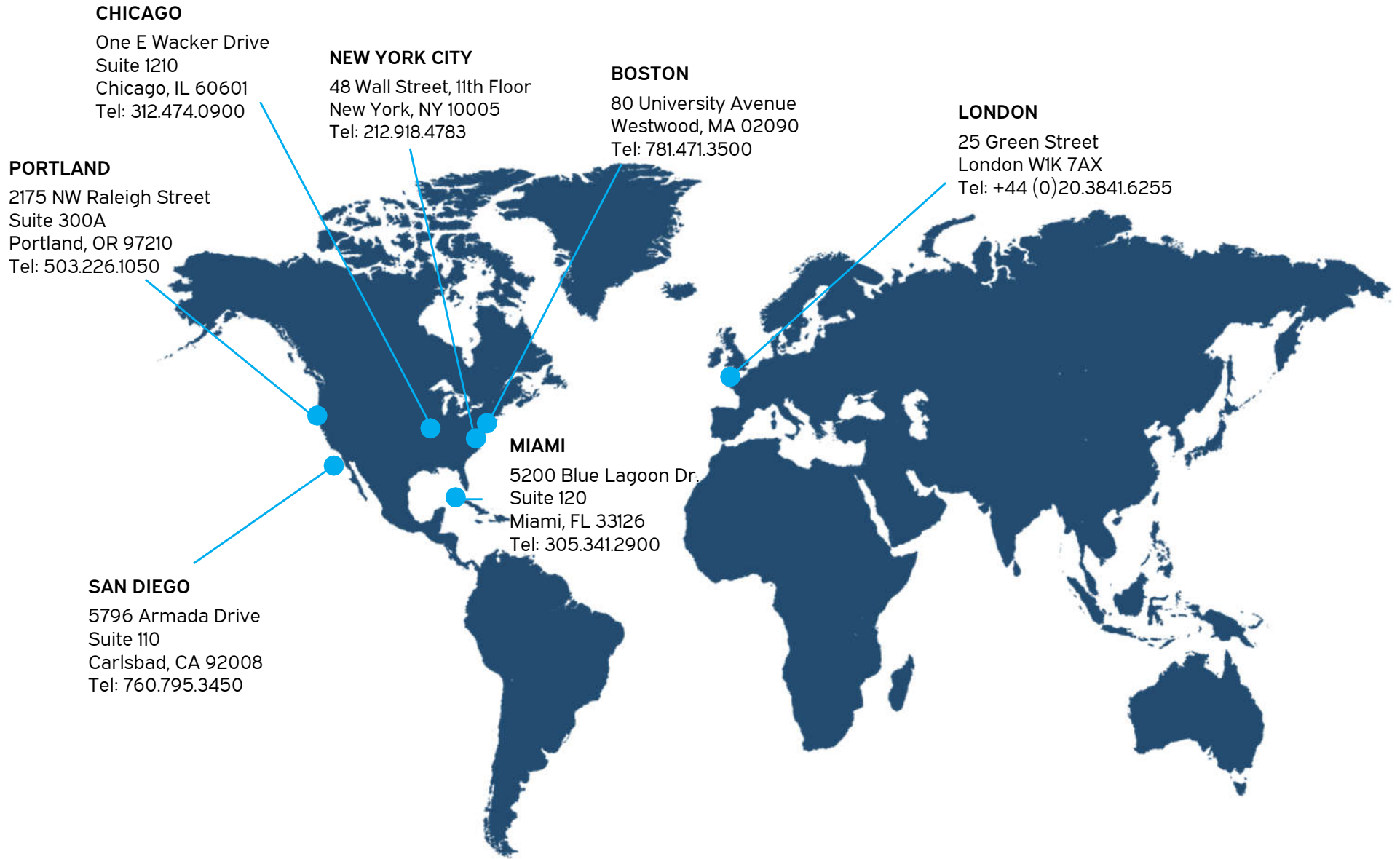
**COAERS**

*and believe we would be a great fit for your organization.*

*It would be an honor and a privilege to serve as your investment consultant.*



# Contact Information



# Disclaimer

This presentation has been prepared by Meketa Investment Group® and its affiliates (Meketa or the Firm). It is intended to describe Meketa and certain investment services Meketa provides or proposes to provide. This presentation does not constitute an offer or solicitation of an offer to sell any securities, to manage investments or a promotion of, or an invitation to make an offer for any particular investment. Clients (existing or prospective) should rely solely on their confidential client agreements provided to them by Meketa. This presentation and the information contained herein is confidential and must not be shared with any other person without the prior consent of Meketa. No reliance should be placed on the contents of this presentation in connection with any of Meketa's future investment activity. The information in this presentation represents Meketa's current business processes and operations as of the date described herein. At its sole discretion, Meketa may change its business process or operations at any time and without any notice. Meketa undertakes no obligation to update any of the information contained in this presentation.

Any case studies or investment examples provided are for illustrative purposes only and are meant to provide an example of Meketa's investment process and methodology. There can be no assurance that Meketa will be able to achieve similar results in comparable situations. This information does not constitute an exhaustive explanation of Meketa's investment process, investment allocation strategies or risk management. Information contained herein has been obtained from a range of third-party sources. While the information is believed to be reliable, Meketa has not sought to verify it independently. As such, Meketa makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential, or incidental damages) for any error, omission, or inaccuracy in the data supplied by any third party. Any estimates contained in this presentation are necessarily speculative in nature and actual results may differ. Past performance is not necessarily indicative of future results. For additional information, please contact your Meketa consultant.

Meketa merged with Pension Consulting Alliance (PCA) on March 15, 2019. Data presented in this presentation may include information related to PCA prior to the merger with Meketa. This information could include years of tenure with the firm, client inception dates, and services offered, among other items.

**COAERS**

CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

# NEPC VALUE PROPOSITION

PRESENTATION TO COAERS BOARD OF TRUSTEES

JUNE 27, 2024



# YOUR NEPC TEAM PROPOSED FOR COAERS



**Sam Austin**

Partner

- 35 years of investment experience
- Member of NEPC Governance Board
- M.B.A. Questrom School of Business, Boston University
- Former Student Body President, Travis High School, AISD

**Will DuPree**

Senior Consultant

- 13 years of investment experience
- M.B.A., DePaul University
- Experience in both manager research and public funds
- Co-Chair of NEPC Diverse Manager Committee

**Dan Hennessy**

Senior Consultant

- 22 years of investment experience
- Member of Impact Investing Committee
- M.B.A. Wharton School, University of Pennsylvania
- B.A. Pomona College



# INTRODUCING MIKE MANNING



## Mike Manning

Managing Partner

- President of NEPC since 2003 and Managing Partner since April 2011
- Works with broad array of clients, covering all types that NEPC works with today
- Serves on NEPC's OCIO Committee and chairs Alternative Assets Committee



# ABOUT NEPC

- Our success as a firm is fueled by our love for this business
- We are aligned with your interests
- We invest heavily in research and people



**357 EMPLOYEES**



**8 REGIONAL OFFICES**



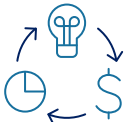
**EMPLOYEE-OWNED**

50 Partners



**100% OF REVENUE**

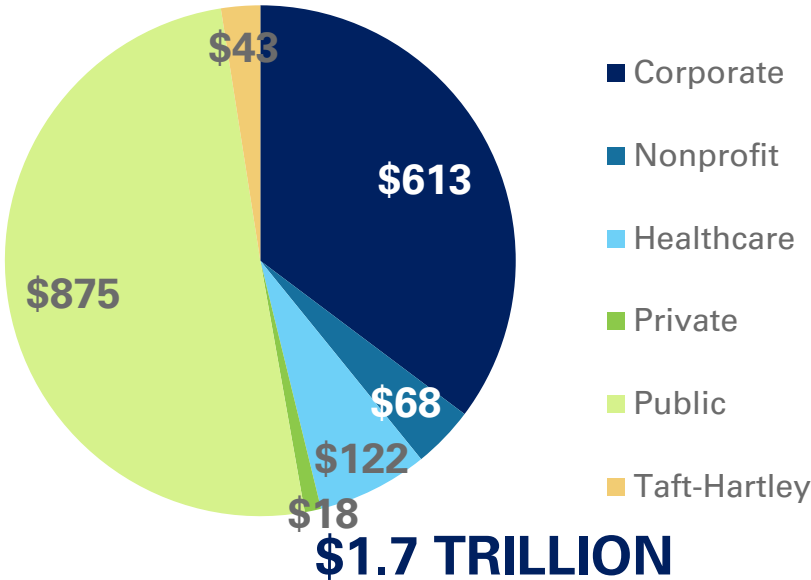
from advisory consulting and OCIO services



**7 PRACTICE TEAMS**

deliver expertise by client type

## 423 CLIENTS



Assets Under Advisement  
Chart represents assets advised (\$ billions) per client type.

*NEPC also has a practice team dedicated to supporting our clients' defined contribution plans across all client types.*



Employees as of 4/1/2024, clients as of 4/1/2024

# OUR CORE VALUES



# WE KNOW PUBLIC FUNDS

**75 Public Fund Clients**  **Assets: \$875 Billion**

**Public Funds account for 50% of NEPC’s Clients’ Total Assets**

### AVERAGE CLIENT SIZE



**\$11.7 billion**



### MEDIAN CLIENT SIZE



**\$2.7 billion**



### DEDICATED TEAM

17 PROFESSIONALS  
6 PARTNERS



### CLIENT RETENTION

**83%** OF CLIENTS WITH  
NEPC FOR 5+ YEARS



Employees as of 1/1/2024, clients as of 1/1/2023



# NEPC CLIENTS IN SOUTHWEST REGION



As of 1/1/2024. The above client list is only a sample. It is not known whether or not the clients approve of the services received. It should not be considered an endorsement by any individual client listed.



# WHY NEPC IS AN IDEAL PARTNER FOR COAERS



# INVESTMENT PROCESS



# NEPC INVESTMENT TEAM OVERVIEW

**CHIEF INVESTMENT OFFICER**  
**Tim McCusker, FSA, CFA, CAIA**

## 69 PROFESSIONALS



As of 4/1/2024

\*Ownership interest in NEPC (Partner) .



# MANAGER RESEARCH

## GLOBAL COVERAGE

- **Dedicated investment team supplemented by consulting teams**



**13,000**  
investment strategies rated  
across asset categories<sup>1</sup>



**588**  
searches<sup>2</sup> in 2023



**3,059**  
manager meetings in 2023



**\$30.1 billion**  
total search<sup>2</sup> assets in 2023

<sup>1</sup>Includes all unique products and strategies tracked in NEPC’s database on which NEPC has developed an opinion and assigned a rating of 1-5. Does not include products that are flagged as Not Rated. Private equity, real estate and real assets categories include all products/strategies tracked in NEPC’s internal database (including Not Rated).

<sup>2</sup>Includes public market searches, hedge fund reviews and private markets commitments.



# NEPC INVESTMENT PROCESS – DUE DILIGENCE

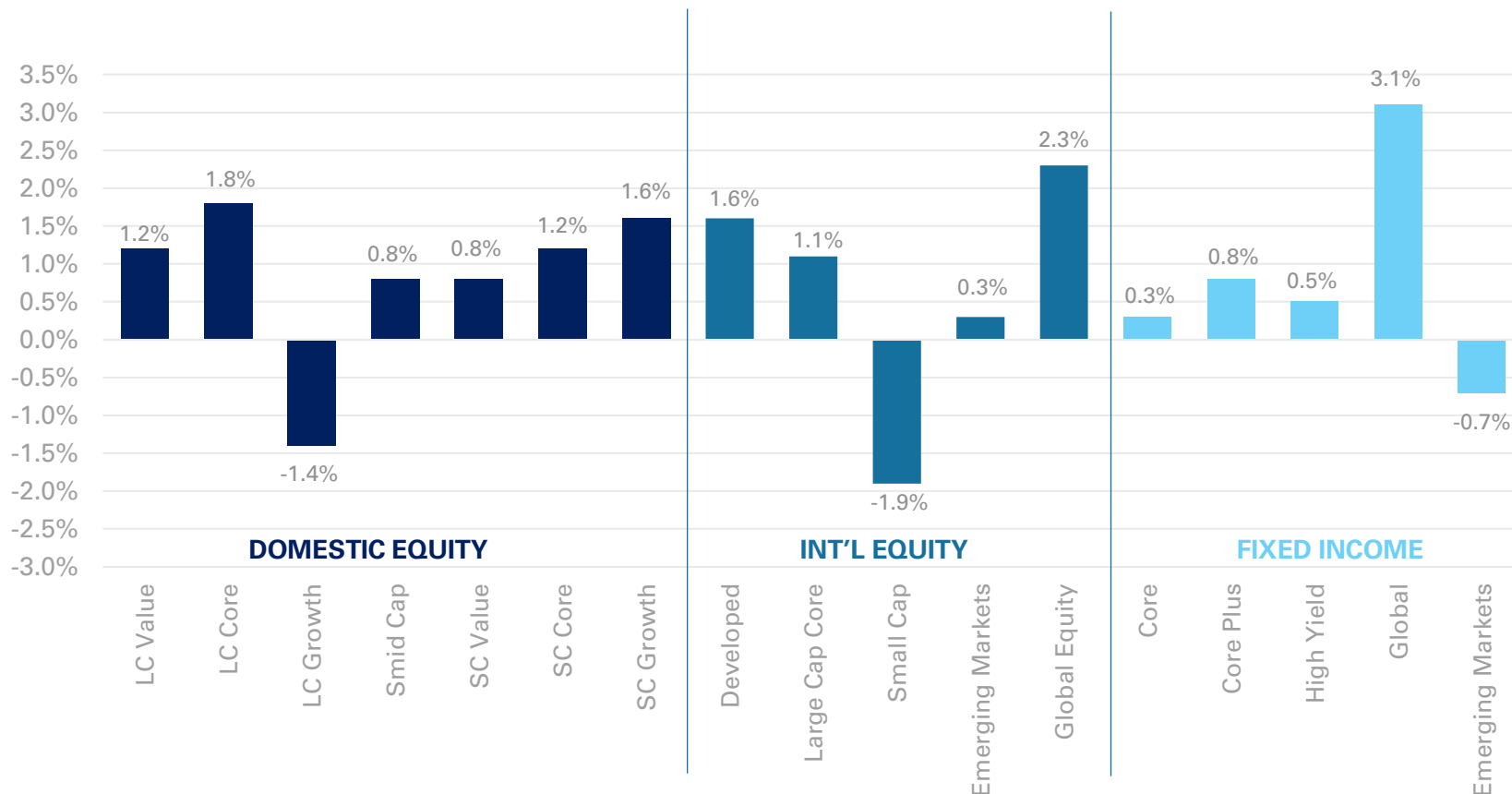
- Quantitative data analysis, and qualitative analyses of people and their incentives to identify and deliver sustainable alpha

Quantitative Analysis	Qualitative Analysis	
<b>Proprietary Tools</b>	<b>Investment Process</b>	<b>Alignment of Incentives</b>
<ul style="list-style-type: none"> <li>• Used to facilitate Second-level Thinking<sup>1</sup>, helping us identify true skill</li> </ul>	<ul style="list-style-type: none"> <li>• Identifying investment edge</li> <li>• Determine whether it is sustainable and repeatable</li> <li>• Evaluate the team's resources</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of interest between the client and the manager is key</li> </ul>
<ul style="list-style-type: none"> <li>▪ Luck vs. skill</li> <li>▪ Likelihood of success</li> <li>▪ Alpha expectations</li> <li>▪ Performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ People &amp; Resources</li> <li>▪ Investment Philosophy, Strategy &amp; Process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business strategy</li> <li>▪ Viability/profitability</li> <li>▪ Succession planning</li> </ul>

<sup>1</sup><https://www.oaktreecapital.com/docs/default-source/memos/2015-09-09-its-not-easy.pdf>

# MANAGER RESEARCH RESULTS

## NEPC CLIENT PUBLIC MARKETS MANAGER PERFORMANCE AVERAGE EXCESS RETURNS 12/31/2012 – 12/31/2022



The data represents the average gross return of all current or former managers across all current or former NEPC clients, excluding outliers. Outliers are defined as accounts two standard deviations from the median annual performance for each asset class. Not all managers were placed by NEPC. All plan and sponsor types tracked through Investment Metrics are included. Does not include passively managed accounts (index funds), accounts NEPC does not advise on, or accounts being funded or liquidated.



# BENEFITS OF SCALE

## NEPC leverages our size, scale, and reputation to negotiate competitive fees for clients

### BENEFITS OF NEPC RELATIONSHIP



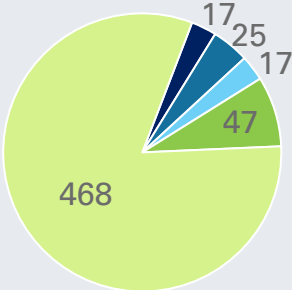
#### Negotiated Annual Fee Savings<sup>1</sup>

**\$76M**

Client Fee Savings  
Negotiated Annually

**~574**

Investable Vehicles  
with Negotiated Fees



- Real Assets
- Private Markets
- Hedge Funds
- Direct Lending
- Public Markets

#### Other Benefits

- **Reduced Fees & Hurdle Rates**
- **Lower Minimums**
- **Better Alignment**

<sup>1</sup>As of 11/1/2023. Reflects only asset-based management fee vehicles with active exposure by NEPC’s clients; includes both OCIO and advisory client managers. Past performance is no guarantee of future results. Not all funds are suitable for all clients and some funds may be closed to new investment.





# OUR INITIAL THINKING FOR COAERS



# IDENTIFYING THE RIGHT SOLUTION FOR YOU

- **Understand optimal goals**
- **Align investment goals with risk tolerance**
- **Ensure strategy design meets investment goals & aligns with risk tolerance**
- **Implementation – Formalize in Investment Policy Statement**
- **Monitoring – use tools to evaluate fund position**



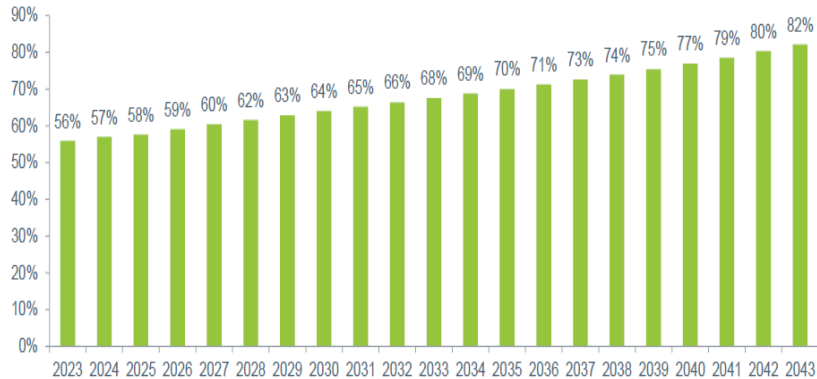
# OUR UNDERSTANDING OF CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM

- **We've studied your portfolio and your newly approved investment policy**
  - Under NEPC Q2 2024 Return Assumptions, this model has a 10-year expected return of 5.88% and 30-year expected return of 7.12%
- **We also understand the long-term goals of the portfolio are as follows**
  - To generate a 30-year expected return above the current actuarially assumed rate of return, 6.75%
  - To generate top quartile returns vs the peer group
  - To maintain sufficient liquidity according to the portfolio's projected benefit payout schedule
- **Based on our discovery, we have a specific view for your investment program and are ready to discuss**

The logo for COAERS (City of Austin Employees' Retirement System) features the word "COAERS" in a bold, sans-serif font. The "CO" is in dark blue, the "A" is a light blue triangle with a white star inside, and the "ERS" is in green.

# A HEALTHY LIQUIDITY PROFILE

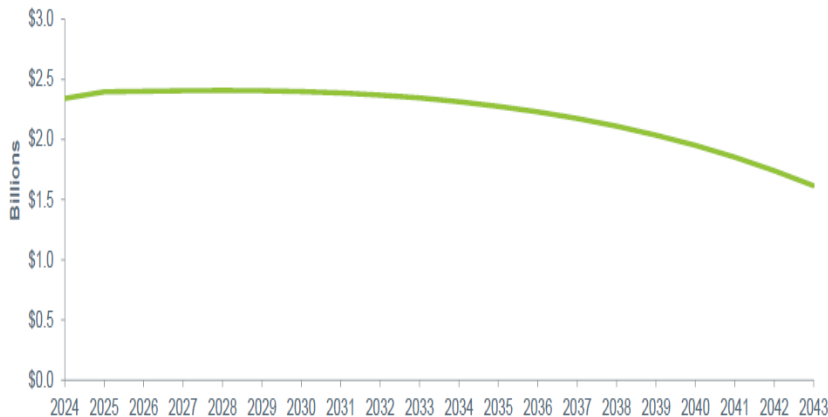
## Projected Market Funding Ratio



## Funded Status Projected to Significantly Improve in 20 years

- Assuming the portfolio generates a return, consistent with its Actuarial EROA of 6.75%, funded status should improve significantly over 20 years
- However, funded status has experienced volatility in recent years
  - 12/31/2021 Funded Status: 71%
  - 12/31/2022 Funded Status: 56%

## Projected Deficit

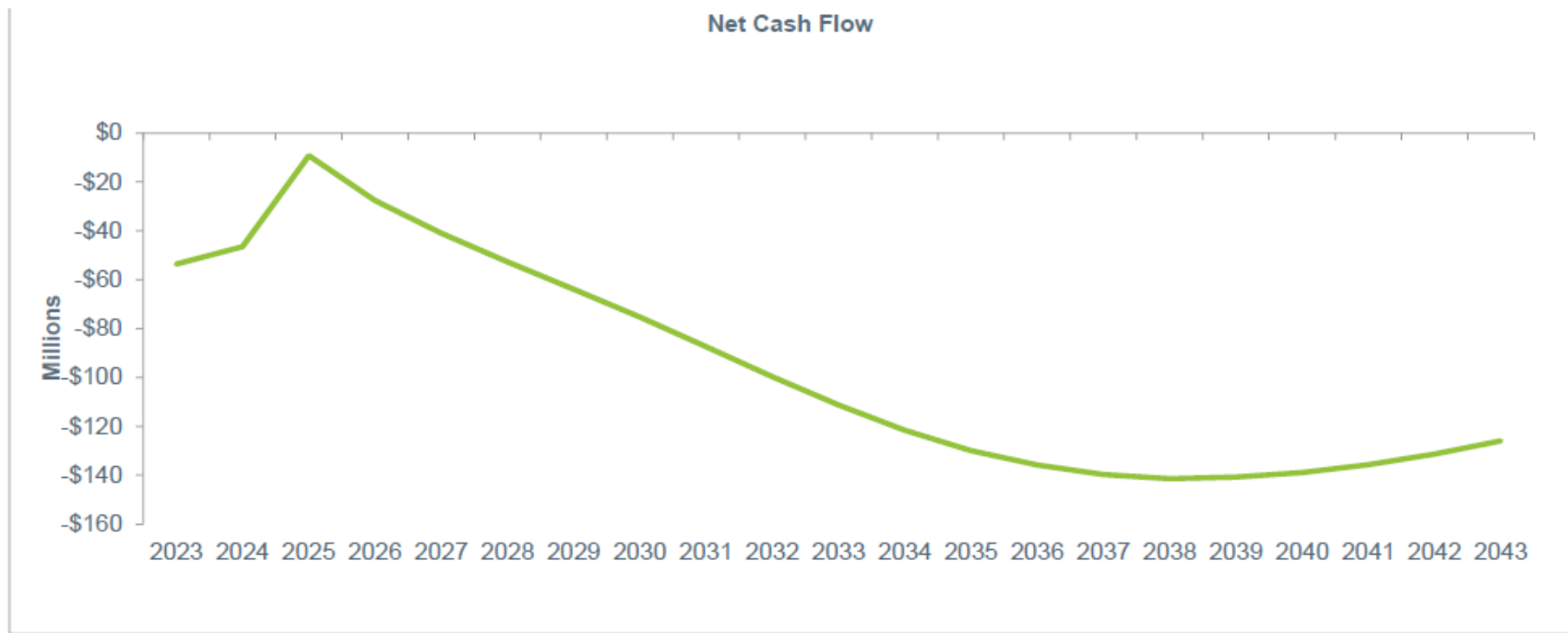


## Sufficient Liquidity

- Projected net cash flow remains healthy relative to investment assets and peers
- Assuming all actuarial assumptions hold, the disparity between the market value of assets and liabilities is expected to decline by 31% over 20 years



# PROJECTED NET CASH FLOW



## As % of Market Value

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Net Cash Flow	1.8%	0.3%	0.3%	0.8%	1.1%	1.4%	1.6%	1.8%	2.0%	2.1%	2.3%	2.4%	2.5%	2.5%	2.4%	2.4%	2.3%	2.1%	2.0%	1.8%	1.7%

- Assuming unchanged contribution policy, and actuarially assumed annual returns, COAERS' net negative cash flow is expected to range from -0.3% to -2.5% of market value per year
- This level of expected cash flow is inline or better than most public pension peers, and we believe would accommodate an investment portfolio with much less short-term liquidity
- We believe COAERS' portfolio could benefit from harvesting greater illiquidity premia



# INITIAL VIEWS FOR DISCUSSION

	Newly Approved Policy	Mix 1 (Greater Illiquidity Premia)	Mix 2 (Mix 1 + PE)
US Domestic Equity	33.00%	33.00%	31.00%
Non-US Developed Equity	15.00%	15.00%	12.00%
Emerging Market Equity	5.00%	5%	5.00%
Private Equity	0%	0%	5.00%
<b>Total Equity</b>	<b>53.00%</b>	<b>53.00%</b>	<b>53.00%</b>
US Core Bond	21.00%	15.00%	18.00%
US Multisector Bond	0.00%	6.00%	3.00%
Private Debt	10%	10%	10.00%
<b>Total Credit</b>	<b>31.00%</b>	<b>31.00%</b>	<b>31.00%</b>
Global Infrastructure Equity	5.00%	0.00%	0.00%
US REITs	4.00%	0.00%	0.00%
Commodities	0.00%	0.00%	0.00%
Core Real Estate	6.00%	6.00%	6.00%
Non Core Real Estate	0%	4.00%	4.00%
Private Infrastructure	0%	5%	5.00%
<b>Total Real Assets</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>
Cash	1.00%	1.00%	1%
<i>Expected Return 10 yrs</i>	<b>5.88%</b>	<b>5.98%</b>	<b>6.20%</b>
<i>Expected Return 30 yrs</i>	<b>7.12%</b>	<b>7.19%</b>	<b>7.36%</b>
<i>Standard Dev</i>	<b>12.52%</b>	<b>12.53%</b>	<b>12.70%</b>
<i>Sharpe Ratio (10 years)</i>	<b>0.14</b>	<b>0.15</b>	<b>0.17</b>
<i>Sharpe Ratio (30 years)</i>	<b>0.29</b>	<b>0.3</b>	<b>0.31</b>
<i>Probability of 1 Yr Return Under 0%</i>	<b>31.90%</b>	<b>31.70%</b>	<b>31.30%</b>
<i>Probability of 1 Yr Return Under -15%</i>	<b>4.80%</b>	<b>4.70%</b>	<b>4.80%</b>

- **Taking on greater illiquidity premia may enhance portfolio efficiency and reduce funded status volatility**
  - According to NEPC EROAs, Mixes 1 and 2 are more likely to achieve COAERS' IPS goal of top quartile returns
  - Both mixes are more likely to enhance portfolio efficiency (as measured by Sharpe Ratio, i.e., Return per unit of risk)
  - Drawdown risk across both models is either superior or equivalent that of the current policy
  - **Credit:**
    - Multisector Credit enhances tactical characteristics of credit portfolio
  - **Real Assets:**
    - Private Real Assets (Non-Core Real Estate and Private Infrastructure) provide real assets exposure without equity market volatility
  - **Equities:**
    - We remain cautious on Equities given the current state of the equity market
    - Private Equity diversifies equity volatility and enhances long-term growth potential
- **Note: Mixes 1 and 2 are NOT recommendations**

# ADDITIONAL CONTEXT

- **The previous models are not initial recommendations for your portfolio**
  - Asset Allocation Exercises are often academic in nature
  - We believe viewing these portfolios was a necessary step in helping you achieve your long-term return objectives
- **We understand that building a more illiquid portfolio requires thoughtful, long-term strategic planning**
  - **Implementation should include periodic assessments** to consider lessons learned before moving on to the next stage of building out private markets portfolios
  - As an **extension of your investment staff**, we are committed to customized solutions, not cookie cutter approaches
- **We are confident in our team's ability to partner with COAERS in helping you achieve your long-term return objectives over time**

The logo for COAERS features the word in a bold, sans-serif font. The letters 'CO' are dark blue, 'A' is green with a small blue star at its base, and 'ERS' are green.



# NEPC'S VALUE PROPOSITION





# THE VALUE PROPOSITION NEPC OFFERS TO COAERS



**Alignment of Interests**



**Texas Public Fund Experience**



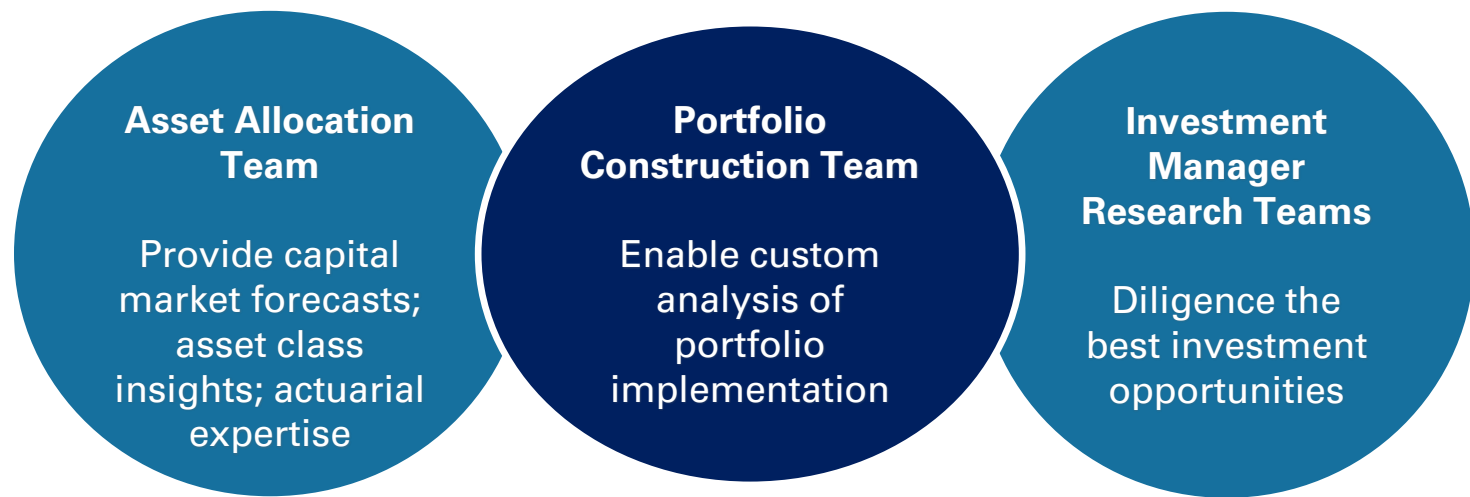
**A Partner as You Build Complexity**



# APPENDIX



# OUR RESEARCH FUNCTIONS ARE ALIGNED WITH CLIENT NEEDS

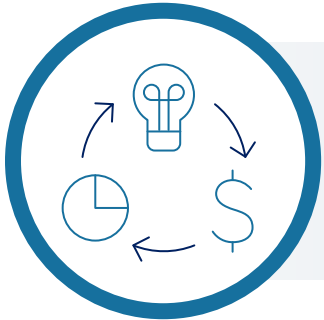


# ASSET ALLOCATION TEAM

## A MOSAIC OF MODELS FOR CLIENT ASSET ALLOCATION



**The foundation of portfolio construction is based on long-term strategy**



**No single asset allocation model paints a perfect picture; we use multiple models**



**Our tools analyze portfolios from different perspectives**

# ASSET ALLOCATION TEAM

## PROPRIETARY MODELING CAPABILITIES

Expected Asset Class Returns

Stochastic Forecasting

Liquidity Analysis

Economic Scenario Analysis

**NEPC uses a variety of models to construct enduring and diverse investment portfolios that combine strategic objectives with tactical allocations**

**All tools are developed and maintained internally; allowing for complete customization**

# ASSET CLASS ASSUMPTIONS

## OVERVIEW

- **NEPC's capital market assumptions are available each quarter and reflect March 31, 2024 market data**
- **Risk-on sentiment fueled equity valuation expansion and tighter credit spreads, weighing on forward-looking returns**
- **The multi-year path for cash levels and interest rates reflect a bias to higher interest rates and a stickier inflation environment**
- **We encourage a dedicated safe-haven fixed income allocation to serve as a critical liquidity source for the portfolio**
- **We recommend adding strategic policy targets for U.S. TIPS given elevated long-term forecasts for real yields and breakeven inflation**
- **Real asset exposure can enhance risk-adjusted returns as markets undergo a secular shift toward higher interest rates and inflation levels**

# ASSET CLASS ASSUMPTIONS

## DEVELOPMENT

- **Assumptions are published for over 70 asset classes**
  - NEPC publishes return forecasts for 10-year and 30-year periods
- **Market data as of 03/31/2024**
  - Assumptions are developed with NEPC valuations models and rely on a building block approach
- **The 10-year return outlook is intended to support strategic asset allocation analysis**
- **30-year return assumptions are used for actuarial inputs and long-term planning**

## Asset Allocation Process

1. Finalize list of new asset classes
2. Calculate asset class volatility and correlation assumptions
3. Set model terminal values, growth, and inflation inputs
4. Model data updated at quarter-end
5. Review model outputs and produce asset class return assumptions
6. Assumptions released on the 15<sup>th</sup> calendar day after quarter-end

# ASSET CLASS BUILDING BLOCKS

## METHODOLOGY

- **Asset models reflect current and forecasted market data to inform expected returns**
- **Systematic inputs are paired with a long-term trend to terminal values**
- **Model inputs are aggregated to capture key return drivers for each asset class**
- **Building block inputs will differ across asset class categories**





# CORE ASSET CLASS RETURN ASSUMPTIONS

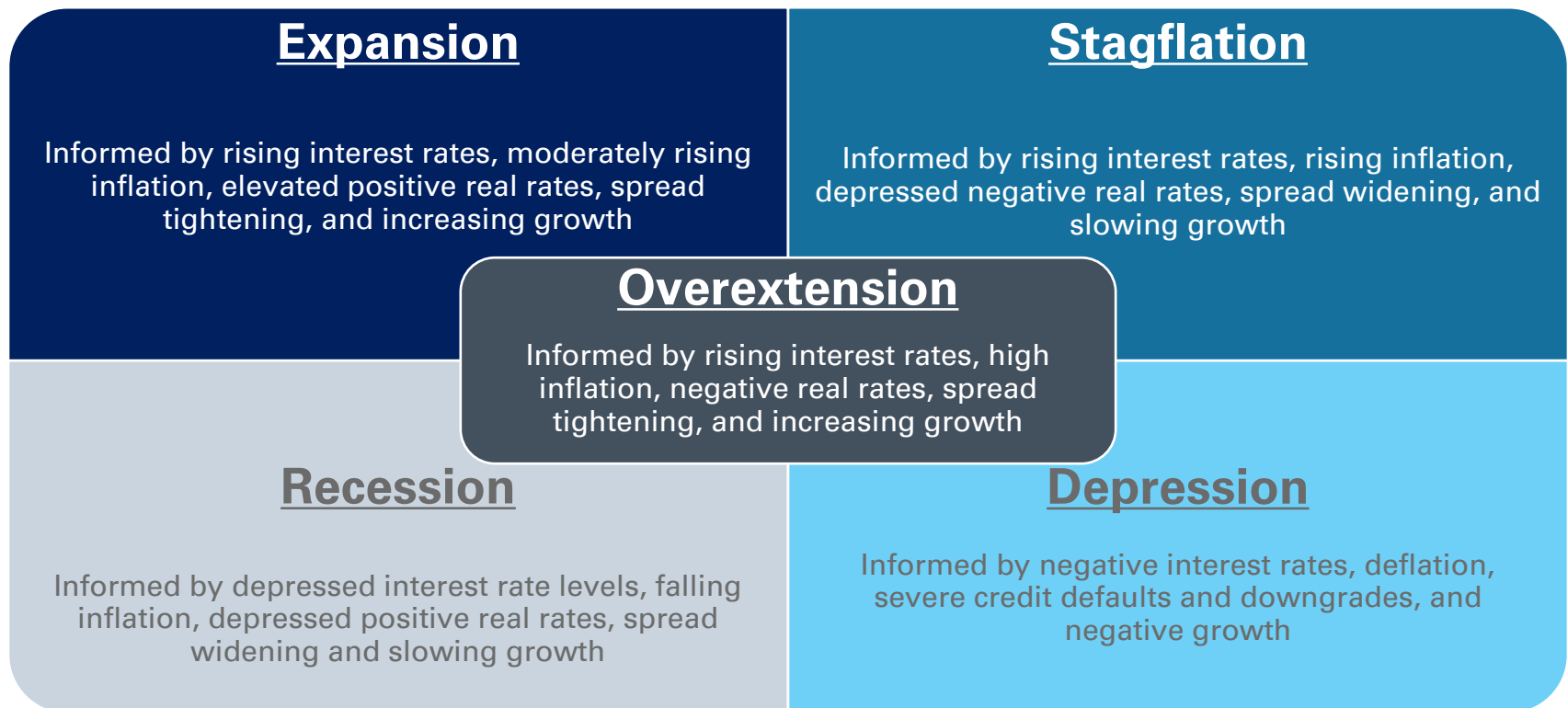
	Asset Class	03/31/24 10-Year Return	03/31/23 10-Year Return	Delta
	Cash	4.1%	3.8%	+0.3%
	U.S. Inflation	2.6%	2.5%	+0.1%
Equity	U.S. Large-Cap Equity	4.1%	4.9%	-0.8%
	Non-U.S. Developed Equity	4.3%	5.0%	-0.7%
	Emerging Market Equity	8.3%	9.3%	-1.0%
	Global Equity*	5.1%	5.9%	-0.8%
	Private Equity*	8.8%	9.2%	-0.4%
Fixed Income	U.S. Treasury Bond	4.4%	3.9%	+0.5%
	U.S. Municipal Bond	3.7%	4.1%	-0.4%
	U.S. Aggregate Bond*	4.8%	4.5%	+0.3%
	U.S. TIPS	4.7%	4.1%	+0.6%
	U.S. High Yield Corporate Bond	6.1%	6.9%	-0.8%
	Private Debt*	8.3%	8.6%	-0.3%
Real Assets	Commodity Futures	4.3%	3.9%	+0.4%
	REIT	6.1%	6.3%	-0.2%
	Gold	4.8%	4.8%	-
	Real Estate - Core	5.8%	4.5%	+1.3%
	Private Real Assets - Infrastructure	6.7%	6.6%	+0.1%
Multi-Asset	60% S&P 500 & 40% U.S. Aggregate	4.7%	4.8%	-0.1%
	60% MSCI ACWI & 40% U.S. Agg.	5.3%	5.4%	-0.1%
	Hedge Fund*	6.1%	6.3%	-0.2%

\*Calculated as a blend of other asset classes



# SCENARIO ANALYSIS: REGIME DEFINITIONS

- **NEPC scenario analysis highlights the impact of shifting economic and market regimes on the portfolio and potential asset allocation mixes**
  - Risk asset returns are informed by credit returns which are based on changes in real rate, inflation, and credit spreads experienced across market regimes



# SCENARIO ANALYSIS: REGIME RETURNS

## Expansion Scenario Returns\*

**Cash: 2.9%**  
**Treasuries: 5.3%**  
**Long Treasuries: 8.1%**  
**U.S. TIPS: 6.1%**  
**U.S. IG Credit: 7.3%**  
**High Yield Bonds: 6.1%**  
**U.S. Large-Cap Equity: 4.6%**  
**Emerging Market Equity: 8.8%**  
**Commodities: -1.9%**

## Stagflation Scenario Returns\*

**Cash: 6.6%**  
**Treasuries: 2.5%**  
**Long Treasuries: -1.7%**  
**U.S. TIPS: 5.8%**  
**U.S. IG Credit: 2.6%**  
**High Yield Bonds: 5.1%**  
**U.S. Large-Cap Equity: -1.7%**  
**Emerging Market Equity: -1.8%**  
**Commodities: 7.7%**

## Overextension Scenario Returns\*

**Cash: 5.6%**  
**Treasuries: 3.9%**  
**Long Treasuries: 2.5%**  
**U.S. TIPS: 4.3%**  
**U.S. IG Credit: 4.3%**  
**High Yield Bonds: 4.6%**  
**U.S. Large-Cap Equity: -1.6%**  
**Emerging Market Equity: -1.5%**  
**Commodities: 2.8%**

## Recession Scenario Returns\*

**Cash: 1.4%**  
**Treasuries: 4.9%**  
**Long Treasuries: 8.1%**  
**U.S. TIPS: 6.7%**  
**U.S. IG Credit: 6.6%**  
**High Yield Bonds: 4.9%**  
**U.S. Large-Cap Equity: -3.1%**  
**Emerging Market Equity: -4.2%**  
**Commodities: -3.0%**

## Depression Scenario Returns\*

**Cash: 0.9%**  
**Treasuries: 5.3%**  
**Long Treasuries: 9.5%**  
**U.S. TIPS: 7.7%**  
**U.S. IG Credit: 6.4%**  
**High Yield Bonds: -1.4%**  
**U.S. Large-Cap Equity: -12.6%**  
**Emerging Market Equity: -23.0%**  
**Commodities: -4.3%**

Notes: \*Scenario returns are 5-year annualized returns, as of 12/31/2023

# PORTFOLIO CONSTRUCTION TEAM

## PROPRIETARY RESOURCES AND RISK TOOLS

Private Markets  
Pacing

Liquidity  
Analysis

Scenario  
Analysis

Risk Budgeting

Factor Analysis

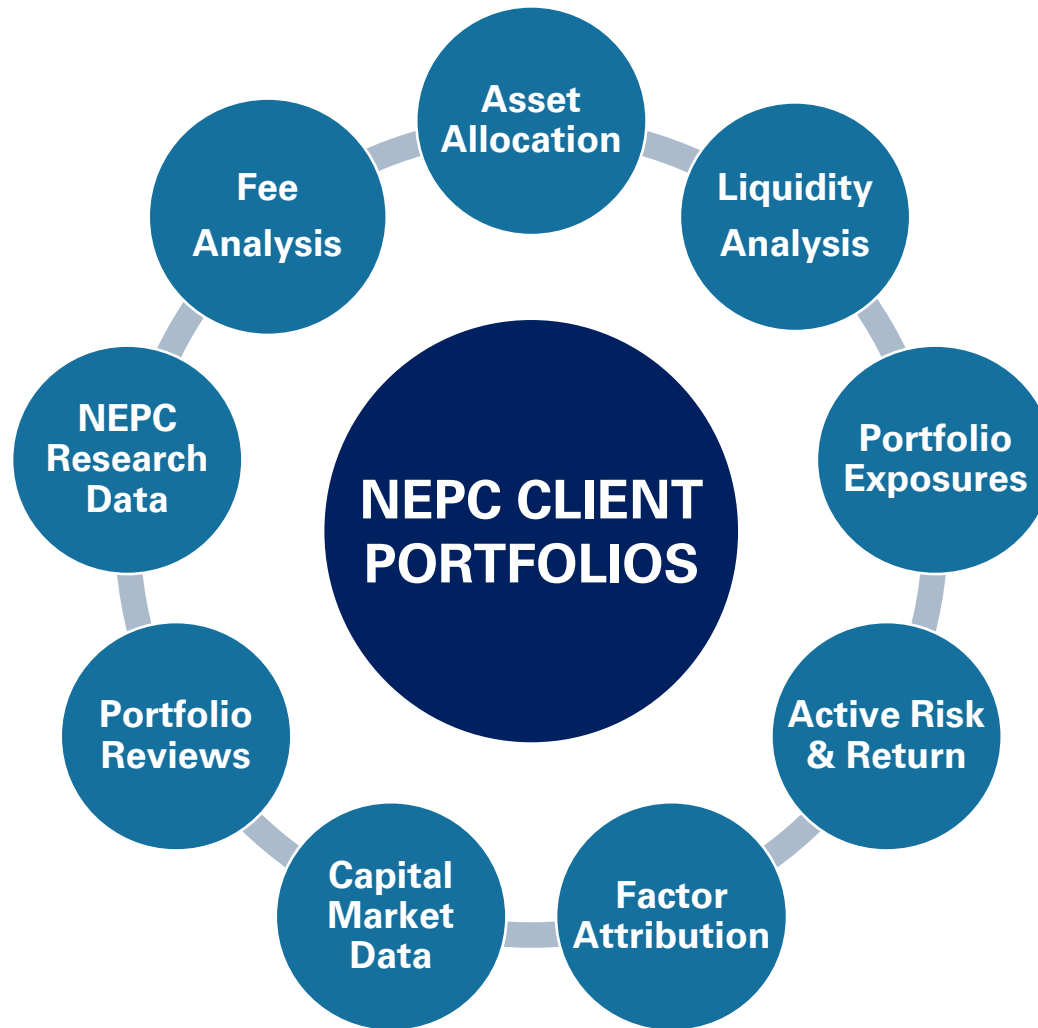
Portfolio  
Look-Through

**Multi-perspective modeling  
approach informs the asset  
allocation solution**

**Mosaic of analytical tools  
look to identify the ideal  
portfolio relative to long-  
term objectives**

# WHAT IS C.H.I.L.L TOOL?

ANALYTICAL TOOL CENTERED AROUND THE CLIENT PORTFOLIO



# KEY OBJECTIVES OF C.H.I.L.L. TOOL



## Centralization

- Singular Web-App
- Streamlined Client Data
- Research & Consulting

**Single source of NEPC modeling available to all NEPC Consulting and Research team members**



## Customization

- Proprietary NEPC Data
- Built to fit NEPC workflow
- Modular design

**Designed by NEPC to fit our analytical frameworks and client needs**



## Analytical Scale & Efficiency

- Continued Self-Service
- Integrated with NEPC operational systems

**Firm wide accessibility creates significant operational efficiency**

# PRIVATE MARKETS RESOURCES

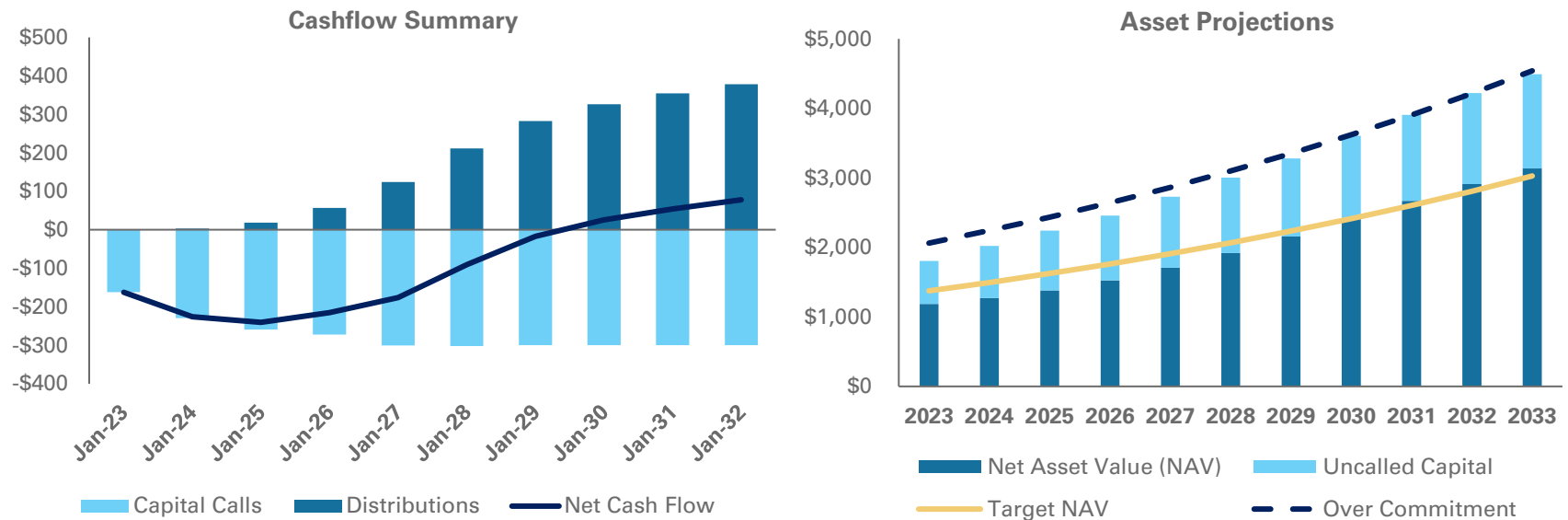
## NEPC PRIVATE MARKETS PACING APP

- **Self-service web application for Private Markets cash-flow and pacing analysis**

- Accessible by all NEPC Research and Consulting team members
- Customizable by client & plan, stored for future use year over year

- **Internally designed and built; tailored to fit NEPC's Private Markets process**

- Calculation engine supported by NEPC's Asset Allocation forward-looking assumptions
- Fully integrated with NEPC's investment reporting platform to supply client data



# PRIVATE MARKETS ADDITIONAL RESOURCES

## LIQUIDITY ANALYSIS MODULE & DATA AGGREGATION TOOLS

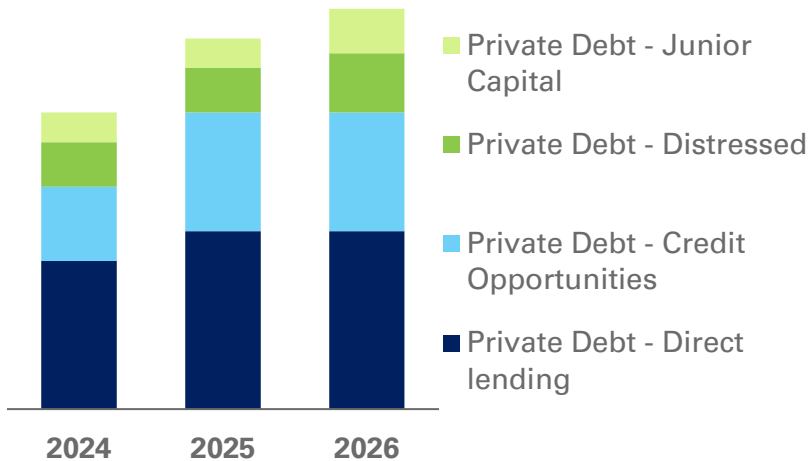
### Private Markets Data Aggregation

- **View across all NEPC Client Portfolios**
  - Broad Portfolio Positioning
  - Manager & Fund Exposures
  - Projected Commitment Budgets

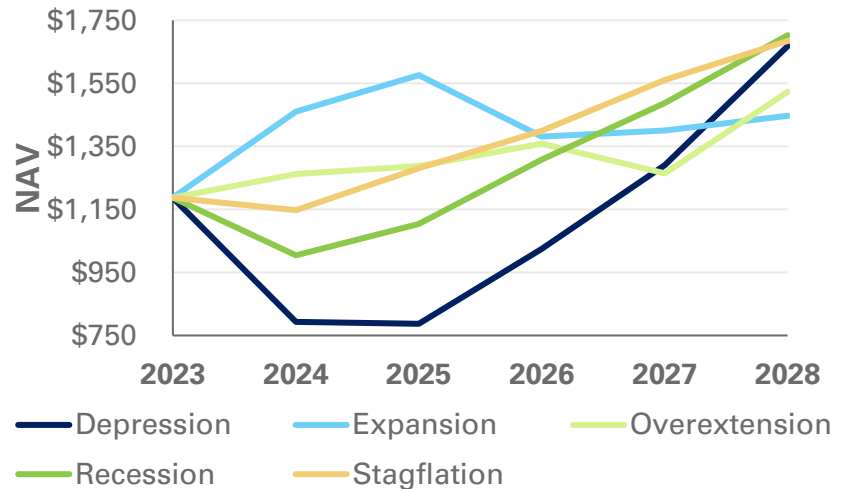
### Liquidity Analysis

- **Scenario Analysis**
  - Impact on private markets cash flows & portfolio liquidity
  - Incorporating expected asset class returns in various economic scenarios

Projected Commitments by Sub-Strategy



Economic Scenario Projections





# INVESTMENT STRATEGY TEAM

## DEPTH OF RESOURCES AVAILABLE TO COAERS

INVESTMENT STRATEGY SELECTION				
Sarah Samuels, CFA, CAIA, Head of Investment Strategy Selection*				
MARKETABLE SECURITIES (Long-Only & Hedge Funds)		PRIVATE MARKETS		
<p><b>Equities</b></p> <p><b>Will Forde</b>, CFA, CAIA, Head of Marketable Equity Investments*</p> <p><b>Rosann Halleran</b> Sr. Investment Director</p> <p><b>Nedelina Petkova</b> Sr. Investment Director</p> <p><b>Rob Britenbach</b>, CFA, CIPM Investment Director</p> <p><b>Lily Fayerweather</b>, CFA, CAIA Investment Director</p> <p><b>Alex Rickels</b>, CFA Investment Director</p> <p><b>Kristina Tomasik</b> Investment Director</p> <p><b>Daniel Schutz</b> Sr. Investment Analyst</p> <p><b>Zreh Gupte</b> Sr. Investment Associate</p> <p><b>Jackie Patterson</b> Sr. Investment Associate</p>	<p><b>Credit &amp; Diversifying Strategies</b></p> <p><b>Dulari Pancholi</b>, CFA, CAIA, Head of Credit &amp; Diversifying Strategy Investments*</p> <p><b>Alec Rapaport</b> Sr. Investment Director+</p> <p><b>Kadmiel Onodje</b>, CAIA Sr. Investment Director</p> <p><b>Conor Fitzell</b>, CFA Investment Director</p> <p><b>Kyan Nafissi</b>, CFA Investment Director</p> <p><b>Raj Palekar</b> Sr. Investment Analyst</p> <p><b>Briana Vertucci</b> Investment Analyst</p> <p><b>Client Strategy</b></p> <p><b>Steve Gargano</b> Sr. Investment Director</p> <p><b>Istvan Meszaros</b> Investment Director</p>	<p><b>Private Equity</b></p> <p><b>Joshua Beers</b>, Head of Private Equity Investments*</p> <p><b>Nick Mann</b> Sr. Investment Director+</p> <p><b>Andrew Pettersen</b>, CFA Sr. Investment Director</p> <p><b>Brian Cronin</b> Investment Director</p> <p><b>Sam Jeannotte</b> Sr. Investment Analyst</p> <p><b>Reema Kaakarli</b> Investment Analyst</p>	<p><b>Private Debt</b></p> <p><b>Oliver Fadly</b>, Head of Private Debt Investments*</p> <p><b>Brandon Heaney</b>, CFA Investment Director</p> <p><b>Colton Lavin</b>, CFA Investment Director</p> <p><b>Lindsay Powers</b> Sr. Investment Analyst</p>	<p><b>Real Assets</b></p> <p><b>Matthew Ritter</b>, CAIA, Head of Real Assets Investments*</p> <p><b>Neil Sheth</b> Partner*</p> <p><b>Shelley Santulli</b> Sr. Investment Director+</p> <p><b>Larissa Davy</b> Sr. Investment Director</p> <p><b>Eli Johnson</b> Sr. Investment Analyst</p> <p><b>Matt Treveloni</b> Sr. Investment Analyst</p> <p><b>Evan Canney</b> Investment Analyst</p> <p><b>Andrew Fournier</b> Investment Associate</p>
<b>Operational Due Diligence</b>				
<b>Kevin Lau-Hansen</b> , Head of Operational Due Diligence		<b>Brenna McGready</b> , Sr. Investment Analyst	<b>Charles Tilden</b> , Sr. Investment Analyst	



As of 4/1/2024, \*Ownership interest in NEPC (Partner), +Principal designation for leadership within the Firm.

# RESOURCES & PUBLICATIONS TO HELP CLIENTS

- Capital Market Assumptions
- Megatrends
- Key Market Themes
- Strategic Views
- Portfolio Tilts
- Annual Public Fund Workshop
- Quarterly Market Webinars
- NEPC Market Outlook
- Monthly Pension Monitor
- Monthly Market Commentary
- Weekly Insights
- Topical Blogs and White Papers



# DISCLOSURES



# NEPC DISCLOSURES

- This document may contain confidential or proprietary information and is intended only for the designated recipient(s). If you are not a designated recipient, you may not copy or distribute this document.
- Certain information, including that relating to market indices, was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Investment Metrics Plan Universe - As of 12/31/2022, the Investment Metrics Universe contained actual, custodian-supplied and audited data on over 3,250 plan sponsors, representing roughly \$2.2 trillion in assets. This data is drawn from 52 independent investment consulting firms, including NEPC.
- ICC Universe - Through 2011, universe rankings were based on the ICC Universe, which was populated by 12 independent investment consulting firms, including NEPC, and supplemented by many of the performance measurement clients of State Street Bank.
- NEPC's OCIO assets of \$64.2 billion as of 4/1/2023 include clients that receive full OCIO services as well as those that receive partial OCIO services, including operational support. OCIO assets reported on Form ADV are \$63.6 billion, which includes NEPC's Access Vehicles.

## CLIENT RESULTS DISCLOSURES – ALL CLIENTS

- Past performance is no guarantee of future results.
- NEPC acts in an advisory capacity-only for many clients and does not have discretion over those client assets. As a result, a client's investment performance may not be attributable solely to NEPC's advice.
- NEPC's Overall Composite is compiled from all Pension Plans, Endowments and Foundations for which NEPC is the sole full-retainer consultant. Plans are included in the Composite provided they have exposure to equity and bonds (including alternatives) of at least 25% each, and no more than 20% to other assets such as cash and GIC's.
- New clients are added to the Overall Composite with the first full quarter of a new manager selected from an NEPC search, or after one year as an NEPC client, whichever comes first, provided that the plan is globally diversified.
- Results are reported gross of NEPC advisory fees.
- NEPC's fees for advisory clients vary considerably depending on client size and complexity.

## ALTERNATIVE INVESTMENT DISCLOSURES

- It is important that investors understand the following characteristics of non-public market investment strategies including hedge funds, real estate, real assets and private equity:
  - Performance can be volatile and investors could lose all or a substantial portion of their investment
  - Leverage and other speculative practices may increase the risk of loss
  - Past performance may be revised due to the revaluation of investments
  - These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
  - A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
  - These funds are not subject to the same regulatory requirements as registered investment vehicles
  - Managers are not required to provide periodic pricing or valuation information to investors
  - These funds may have complex tax structures and delays in distributing important tax information
  - These funds often charge high fees
  - Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy



# ALTERNATIVE INVESTMENT DISCLOSURES

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June 27, 2024

# Finals Presentation

General Investment Consultant RFP




# RVK Overview

  
 Year founded  
**1985**

  
 Total Employees  
**138**

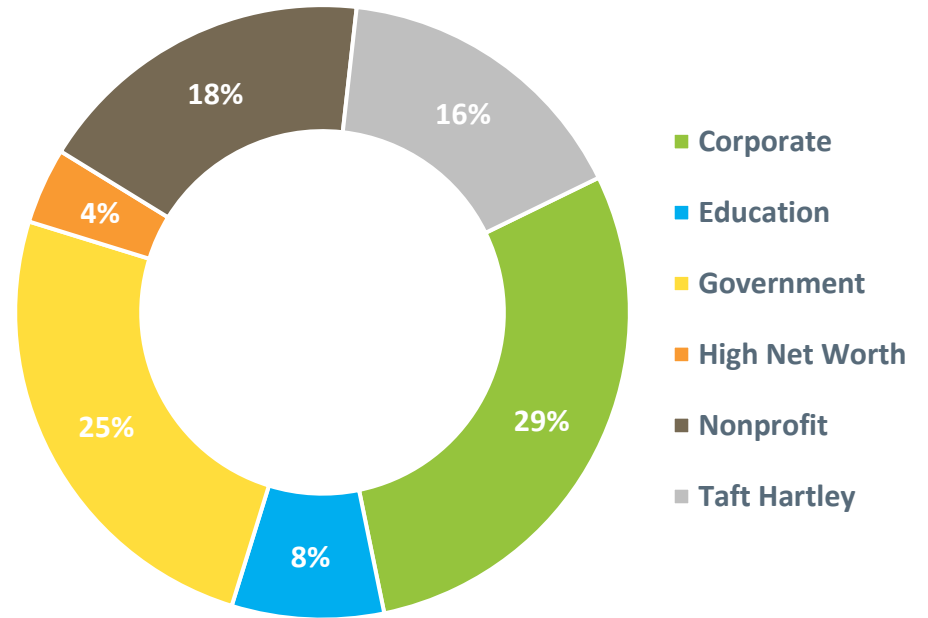
  
 Advanced degrees & certifications  
**57**

  
 AUA  
**\$3.4T**  
 (\$1.6T in Retainer)

**100%**

Revenue Derived From Client Fees  
 Employee Ownership  
 Non-discretionary Consulting

## RVK Client Base



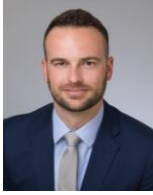
*52 public fund clients, 39 of which have over \$1 billion in total assets\*\**

## RVK Offices

- Portland, OR
- Boise, ID
- Chicago, IL
- New York, NY

\*Client data as of 12/31/23; employee data as of 5/31/24.  
 \*\*Reflects clients served on a full-retainer and/or project basis.

# COAERS – Core Client Service Team Members



**Spencer Hunter**  
Co-President,  
Principal

Joined RVK in 2007

- Original member of proposed COAERS service team.
- Serves select number of strategic client relationships, focused on public pensions and sovereign wealth funds.
- Recently elected Co-President of RVK, additionally serves on RVK's Board of Directors.



**Ian Bray, CFA**  
Senior Consultant,  
Principal

Joined RVK in 2011

- Original member of proposed COAERS service team.
- Leads number of RVK's largest and most complex public pension clients.
- Focuses primarily on asset allocation and risk management capabilities.



**Kevin Wyllie**  
Consultant

Joined RVK in 2013

- Original member of proposed COAERS service team.
- Serves a diverse client base which primarily consists of public and corporate pensions as well as endowments and foundations.
- 11 years industry experience providing asset allocation recommendations, manager structure analyses, and board/committee education to a variety of client types.



**Jake Theno**  
Associate Consultant

Joined RVK in 2016

- Joined the RVK COAERS service team in 2019.
- Serves a diverse client base including public and corporate pensions, insurance portfolios, endowments, foundations, and defined contribution plans.



**Jake Gerbner**  
Investment Associate

Joined RVK in 2021

- Joined the RVK COAERS service team in 2022.
- Work with variety of client types, focusing mainly on public and Taft Hartley pensions.
- Also supports RVK's OCIO Search, Evaluation, and Monitoring practice.

Not Yet  
Pictured

**Matt Wong**  
Investment Analyst

Joined RVK in 2022

- Joined RVK COAERS service team in 2023.
- Tasked with performance measurement and reporting duties.
- Serves as Team Lead, overseeing small team of analysts and serving as dedicated mentor.



# Additional Resources for COAERS

## Firm Leadership



**Becky Gratsinger, CFA**  
CEO

Joined RVK in 1994



**Josh Kevan, CFA**  
CEO Elect

Joined RVK in 2000



**Tony Johnson**  
Co-President

Joined RVK in 2008

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## Specialty Practice Experts



**Jim Voytko**  
Governance

Joined RVK in 2004



**Marcia Beard**  
Policy

Joined RVK in 1996



**Ryan Sullivan**  
Asset Liability

Joined RVK in 2007



**Jonathan Kowolik**  
Custody Bank/Operations

Joined RVK in 2001

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## Investment Manager Research Directors



**Joe Ledgerwood, CFA**  
Director – Investment  
Manager Research

Joined RVK in 2010



**Matt Sturdivan, CFA**  
Director – Traditional  
Markets

Joined RVK in 2007



**Steve Hahn, CFA**  
Director – Alternative  
Markets

Joined RVK in 2007

# RVK and COAERS



# RVK Cornerstones



1

We are a deep team of **experienced and dedicated investment professionals** who have been providing consulting and fiduciary services to institutional asset owners for 38 years.

2

We are committed to providing an exceptional client service experience, often serving as a **highly collaborative and integrated component** of a client's organization. Our **independence, employee ownership, and focused business model** enables us to focus on our clients' needs.

3

We pride ourselves on our reputation of maintaining **high ethical standards** in working with clients, investment managers, and employees of the firm. All revenue is derived from direct compensation from clients; we have **no conflicting business practices or arrangements**.

# Expert Advice

## 1) Long-Term Strategic Relationships and Tenured Consultants

- a) Average retainer client tenure of 15 years
- b) Average Consultant industry experience of 21 years\*
- c) Average Consultant RVK tenure of 15 years\*

## 1) Experience with Similar Clients\*\*

- a) 52 public fund clients, \$3.26 trillion AUA
- b) 31 public pension clients, \$2.28 trillion AUA

## 2) Experienced Governance and Policy Team

## 3) Robust Asset Liability/Asset Allocation Modeling with Proprietary Capital Markets Assumptions

## 4) Dedicated Investment Manager Research Professionals

## 5) Deep Performance Measurement and Investment Operations Support Resources

# Client Focused

Our approach to client service provides focused leadership supported by a deep pool of subject matter expertise, with open access to RVK's deep resources.

## COAERS

### Core Consulting Team

Spencer Hunter – Co-Lead Consultant

Ian Bray – Co-Lead Consultant

Kevin Wyllie – Backup Consultant

Jake Theno – Primary Support

Jake Gerbner – Additional Support

Matt Wong – Performance Measurement Analyst

Sally Ison – Project Support Team

Afton Downey – Project Support Team

Investment  
Practice Review

Asset/Liability  
and Asset  
Allocation

Investment  
Manager  
Research

Performance  
Measurement

Investment  
Operations

# Trusted Partner

## RVK Code of Conduct and Ethics Policy: Guiding Principle

At RVK, Inc., it is essential that all employees conduct business with integrity and professionalism. Therefore, we aim to provide our clients with the highest level of service without a real or potential conflict of interest.

### Alignment of Interest

#### **1) 100% of Revenue from direct fees paid by clients**

- a) No soft dollars or other conflicted sources of revenue or gifts
- b) We do not accept asset managers (or other vendors) as clients that we may be asked to evaluate by other clients

#### **2) 100% Non-Discretionary Consulting**

- a) No asset management products or services
- b) All clients treated equally; as we are 100% advisory, we do not require allocation policies for internal resources or investment strategies
- c) RVK does not compete with our clients in capacity constrained or hard to access strategies

#### **3) 100% Employee Owned and Independent**

# RVK & COAERS: Ongoing Work & Special Projects

## Ongoing Work/Routine Deliverables

- Weekly Calls w/Staff
- Monthly Performance Report
- Quarterly Executive Summary
- Quarterly Performance Summary
- Quarterly Performance Report
- Quarterly Manager Strategy Summaries
- Quarterly Plan Sponsor Peer Group Analysis
- Semi-Annual Public Fund Reporting
- Annual Asset Allocation Studies
- Annual ACFR Letters
- Annual Manager Due Diligence
- Annual IPS/IIP Review

## Special/Ad-Hoc Projects

- |                                 |  |                                       |                                      |
|---------------------------------|--|---------------------------------------|--------------------------------------|
| 2017:                           | 2018:                                  | 2019:                                 | 2020:                                |
| – Active/Passive Analysis       | – Asset/Liability Education            | – Benchmarking Education              | – <b>Custody RFP</b>                 |
| – Strategic Partnerships        | – TCA & Commission Recapture           | – Overlay Provider Review             | – Overlay Provider Review            |
| – Private Markets Education     | – US and Intl. Equity Portfolio Review | – Equity Portfolio Review             | – TCA Report Analysis                |
| – Best Practices – Governance   | – Performance Measurement Edu.         | – Active/Passive Analysis             | – Tracking Error Analysis            |
| – Real Assets Education         | – Delegation Models Education          | – Real Assets Implementation          |                                      |
| – Fixed Income Portfolio Review | – Real Assets Portfolio Review         | – Securities Lending Analysis         |                                      |
|                                 | – Currency Hedging Education           | – TX SB 322                           |                                      |
|                                 | – <b>Asset/Liability Study</b>         | – GTAA Education                      |                                      |
| 2021:                           | 2022:                                  | 2023:                                 | 2024:                                |
| – Peer Delegation Analysis      | – Manager DDQ                          | – Private Credit Education            | – Global FI Attribution              |
| – GIPS Education                | – Asset/Liability Education            | – SAA Peer Comparison                 | – Strategic Plan Education           |
| – Benchmarking Education        | – Private Equity Education             | – Global Equity Attribution           | – Global Equity Structure Study      |
|                                 | – <b>Asset/Liability Study</b>         | – <b>Private Credit Due Diligence</b> | – PC Annual Plan and Pacing          |
|                                 |  | – IPPE Report                         | – FI Benchmarking and Implementation |
|                                 |  | – <b>Asset/Liability Study</b>        | – RA Benchmarking and Implementation |



**2017 – 2024: Support Model**

**2024 and beyond: Co-Leadership**





# Past Support Model to Evolving Co-Lead Model

## [RVK has worked as a collaborative partner with COAERS, its Board, IC, and Staff since being hired in 2017.](#)

- **The model was largely Staff-driven, with RVK providing support and our objective feedback on recommendations to the IC and Board.**
  - RVK typically led the strategic asset allocation and asset liability discussions, while Staff led the majority of the implementation discussions.
- **The Board and IC continued to support a Staff-led model for many years, with numerous reviews of the Policy and delegation models provided throughout.**
- **More recently, the IC and Board have expressed a desire to alter the delegation and approach for the COAERS investment program.**
  - RVK has worked closely with the Board, IC, and Staff to adjust to the new model.
- **Moving forward, RVK views the working relationship as one that is more traditional and similar to other relationships with public pensions.**
  - While there is a wide spectrum of approaches, RVK would classify the new model as one that could be considered “co-leadership” of portfolio implementation.

# Co-Lead Model

**RVK's dedication to COAERS will remain unchanged, but our role will be more pronounced with the IC and Board as it relates to portfolio implementation considerations.**

- **RVK will provide independent recommendations and opinion memos on Staff recommendations.**
  - This process has now been in place for much of 2024, but will likely continue to evolve.
- **RVK will “own” certain items, such as strategic asset allocation, asset liability studies, performance measurement, peer rankings, etc.**
- **RVK will collaborate with Staff on recommendations related to manager selection, rebalancing, and general portfolio positioning.**
- **RVK will take more of a lead on manager evaluation, diligence, and selection, pending a review of the Premier List structure and process.**

# RVK's Experience in Traditional Co-Leadership Role

	As of 12/31/2023	1 Year	3 Years	5 Years	7 Years	10 Years
All RVK Public DB Plans	Median Client Total Fund Return	12.21	5.40	9.38	8.49	7.47
	Median Target/Policy Index Return	12.75	4.59	8.97	7.73	7.09
	Median Client Peer Group Rank	39	19	24	18	22
	Median All Public DB Plan Rank	60	14	25	15	13
	Average Total Fund Return	12.23	5.25	9.16	8.26	7.28
	Average Target/Policy Index Return	12.79	4.34	8.60	7.55	6.81
	Average Client Peer Group Rank	47	36	35	32	31
	Average All Public DB Plan Rank	59	26	33	27	28
Public DB Plans Served by Ian or Spencer	Median Client Total Fund Return	11.98	5.34	9.45	8.37	7.21
	Median Target/Policy Index Return	12.76	4.92	8.97	7.87	6.96
	Median Client Peer Group Rank	43	19	23	22	24
	Median All Public DB Plan Rank	63	16	24	18	25
	Average Total Fund Return	12.78	5.66	9.45	8.46	7.37
	Average Target/Policy Index Return	13.23	4.75	8.86	7.92	7.13
	Average Client Peer Group Rank	46	24	24	21	24
	Average All Public DB Plan Rank	52	19	23	17	20
COAERS Results	COAERS Total Fund Return	12.54	2.57	7.71	6.95	6.03
	COAERS Policy Index	15.86	3.49	8.55	7.22	6.07
	COAERS vs. \$1-5B Public DB Peer Group	26	93	82	83	84
	COAERS vs. All Public DB Plan Peer Group	55	81	80	77	80

All performance and peer group information is provided in response to COAERS' request for this information and is shown as gross of fees.

There are 31 RVK public pension clients included in the median and average data presented above. COAERS is not included in the median and average data presented, but is detailed separately in an attempt to show non-COAERS RVK client returns and peer group ranks. "Public DB Plans Served by Ian or Spencer" consists of seven clients (ex. COAERS), each of which either Ian or Spencer led or co-led in the last five years.

Only clients which utilize RVK for a minimum of asset allocation advice are included. RVK consults to an additional ~20 public pension plans with a reduced scope focused solely on performance reporting; these clients' returns have not been included in the analysis.

"Client Peer Group Rank" is the median/average of each client's rank vs. the client-selected peer group. These peer groups include the following asset size constraints:

- Less than \$250M
- Less than \$500M
- \$250M to \$500M
- \$500 to \$5B
- Less than \$2B
- \$1B to \$5B
- Greater than \$1B
- Greater than \$5B
- Greater than \$10B

# Backtest of New SAA – Private Markets Additive

	As of 12/31/2023	1 Year	3 Years	5 Years	7 Years	10 Years
New Asset Allocation (Backtest)	COAERS New Policy Index	13.28	4.47	8.76	7.87	6.95
	New Policy vs. \$1-5B Public DB Peer Group	15	46	37	38	44
	New Policy vs. All Public DB Plan Peer Group	45	34	53	41	37

- The return and peer group information presented for the “COAERS New Policy Index” is hypothetical and includes only benchmark data over the time periods shown.

- The makeup of the hypothetical policy index mirrors the asset allocation targets approved in September 2023 and utilizes the recommended and approved underlying benchmarks presented to the COAERS Investment Committee and Board subsequent to the approval of the new asset allocation targets. A detailed breakdown is found below:

- 53% MSCI ACW IMI Index
- 21% Bloomberg US Aggregate Bond Index
- 10% NCREIF ODCE (Net) (EWA)
- 5% Cambridge Infrastructure Index
- 10% Credit Suisse Leveraged Loan Index +2%
- 1% Bloomberg 1-3 Month US Treasury Bill Index

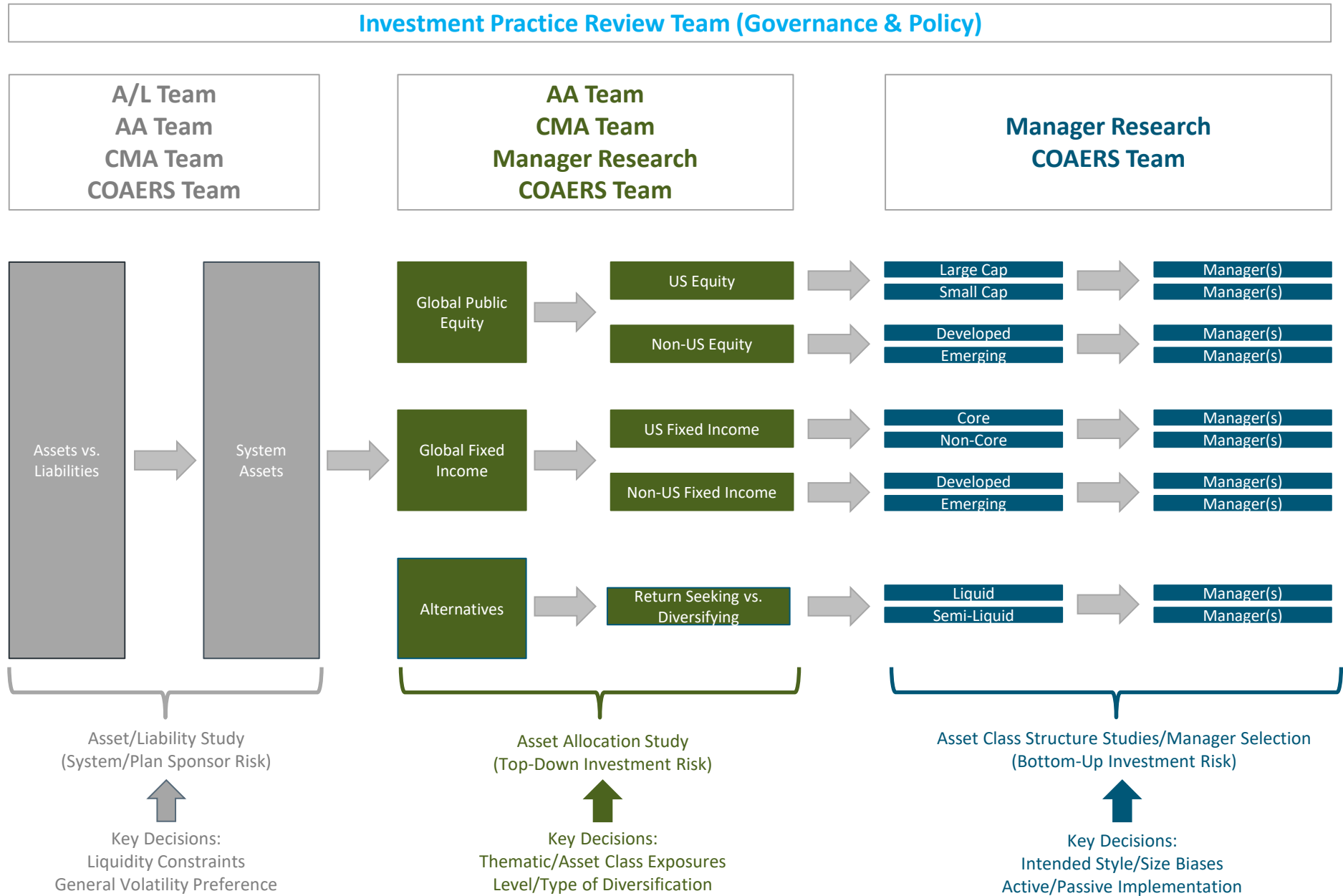
- This analysis also assumes the targets were held constant through the period analyzed, with the hypothetical index rebalanced on a quarterly basis.

- The analysis is hypothetical for illustrative purposes only. A portfolio or policy index’s actual future return will be impacted by changing market conditions, fees and expenses, strategy selection, and cash flows.

# **RVK and COAERS – Potential Future Portfolio and Process**



# Hierarchy of Investment Decision-Making and Responsible Internal Teams



# COAERS: Current and Future SAA Considerations

**Current SAA**

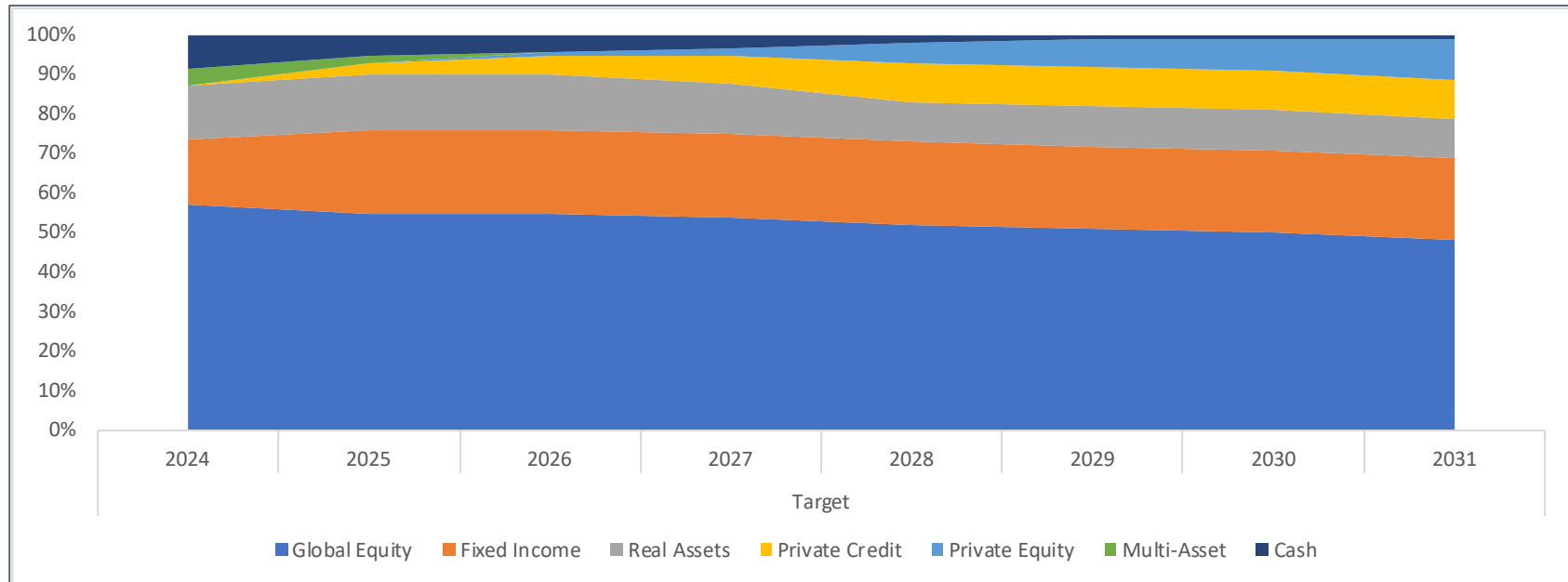
Asset Class	Target
Global Equity	53
Fixed Income	21
Real Assets	15
Private Credit	10
Cash & Equiv.	1



**Potential Future SAA**

Asset Class	Target
Global Equity	48
Fixed Income	21
Real Assets	10
Private Credit	10
Private Equity	10
Cash & Equiv.	1

**Gradual Transition - SAA**



# COAERS: Current and Future SAA Considerations

## Retain General Risk Posture:

1. Through detailed asset/liability and subsequent asset allocation modeling, RVK has demonstrated the current risk posture of the portfolio to be aligned with the goals of the System and its liabilities.
2. The strategic asset allocation will continue to be reviewed for appropriateness, but material shifts in risk would only be warranted should there be changes to the outlook of the health and liquidity needs of the System.

## Introduce Private Equity:

1. As detailed in prior education sessions, the introduction of private equity could meaningfully enhance the return expectations for the portfolio.
2. Private equity is an illiquid asset class and total portfolio liquidity would need to be carefully monitored. Sourcing half of the private equity allocation from public equity and half from real assets creates a slightly less liquid portfolio, but still one that is reasonable given future cash flow projections.

## Patience:

1. Moving toward a new strategic asset allocation inclusive of private markets will take time; based on preliminary pacing, we estimate the portfolio could reach the potential future SAA sometime near 2030. Properly diversifying private markets exposure necessitates a multi-year buildout and a comprehensive diligence process.



# Asset Class Environment and Implications for COAERS: Public Equity

## Recent Approved Recommendations:

1. Move to a Global Equity benchmark, utilizing the MSCI ACW IMI.
2. Reduce “Diversifying Strategies” within the US equity portfolio, moving to a more traditional passive approach.

## Implementation Considerations for Future:

1. Assuming a continued buildout of private markets strategies, review the Global Equity portfolio and exposures with the goal to retain adequate diversification.
2. Staff and Consultant time will naturally shift away from public markets to some degree, allowing for greater focus and diligence on private markets strategies.
3. A simplified approach in public markets, with large core passive allocations and selective active/diversifying strategies is likely the best balance of risk control and portfolio contribution.

# Asset Class Environment and Implications for COAERS: Public Fixed Income

## Recent Approved Recommendations:

1. Move to a US only benchmark, utilizing the Bloomberg US Aggregate Bond Index.

## Implementation Considerations for Future:

1. Private Credit is currently housed under “Fixed Income” but will eventually be its own standalone asset class in the SAA. As the Private Credit allocation grows to ~3%, RVK and Staff will bring back a recommendation and transition plan for this change.
2. The current fixed income portfolio is largely insourced, with dedicated duration and sector strategies utilized. Most asset owners use a more outsourced approach, hiring an outside manager for a multi-sector approach. RVK believes there is value in the addition of an outside manager and will continue to work with the Board/IC and Staff on education and potential hybrid implementation options.



# Asset Class Environment and Implications for COAERS: Real Assets

## Recent Approved IC Recommendations:

### 1. Real Estate:

- a) Move to the NCREIF ODCE as the benchmark for the real estate portion of Real Assets.
- b) Remove public real estate (REITs) from the portfolio.
- c) Consider the addition of core-plus, value add, and opportunistic real estate strategies.

### 2. Infrastructure:

- a) Move to a private markets peer-based benchmark to better align with implementation and purpose.
- b) Remove public infrastructure from the portfolio.

### 3. Total Real Assets:

- a) Create blended benchmark, consisting of the underlying real estate (ODCE) and infrastructure (peer-based) at actual allocation weights.

# Asset Class Environment and Implications for COAERS: Private Credit

## Current Portfolio and Forward Planning:

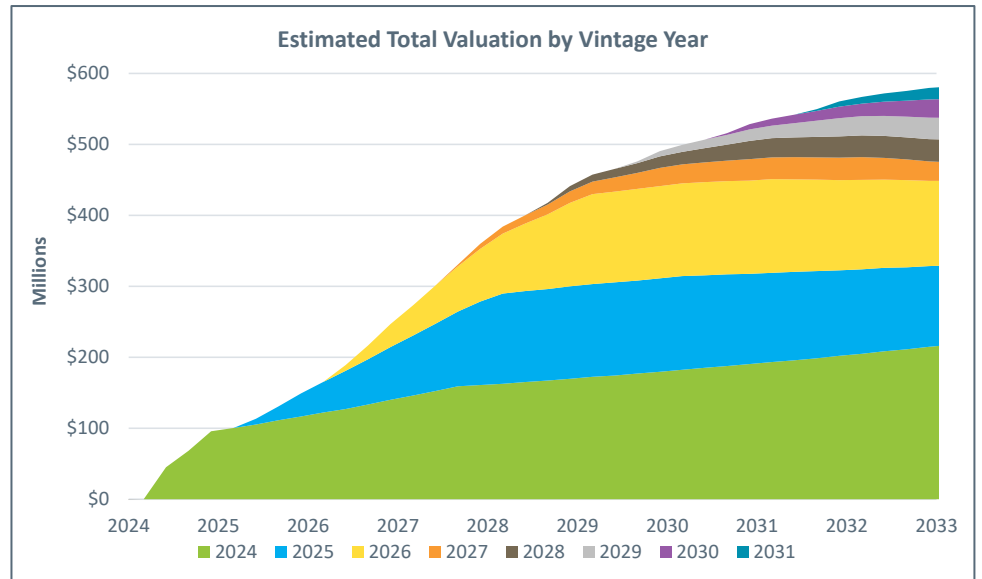
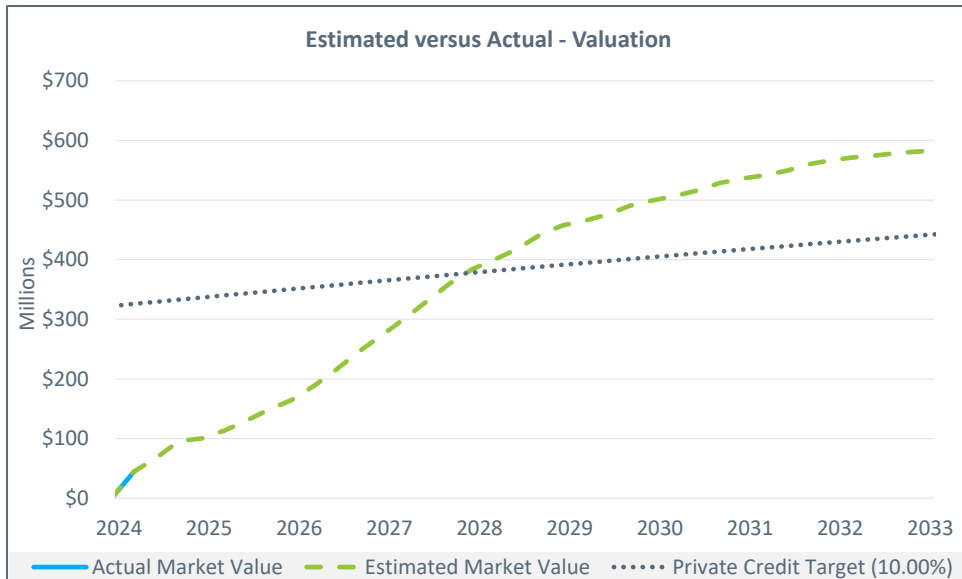
1. The current Private Credit portfolio is allocated to Blue Owl, which is a top-tier middle-market direct lending strategy.
  - a) COAERS elected to allocate to an evergreen structure, which allows for some degree of liquidity and the ability to remain invested in the strategy without needing to “re-up” with the GP.
2. The annual plan – pacing and potential strategy allocations – was presented to the Board and IC earlier this year, with additional potential commitments and strategy types detailed.
  - a) Both commitment size and type are subject to market conditions and the attractiveness of opportunities.

## Market Conditions/Portfolio Construction:

1. As the Private Credit portfolio grows and evolves, it is likely that more esoteric and unique exposures can be added to complement the core strategy types of direct lending, asset backed, and specialty finance.
  - a) Future commitments will likely be a combination of evergreen and drawdown style funds, which will retain some amount of flexibility without narrowing the universe.
  - b) Additional strategies such as secondaries and co-investments will require education, but can be additive to the portfolio and reduce the J-curve and fee impact.

# Private Credit Annual Plan (COAERS)

Year	Commitment Amount
2024	\$90 million (done) \$50 million (remaining)
2025	\$140 million
2026	\$140 million
2027	\$40 million
2028	\$40 million



# Asset Class Environment and Implications for COAERS: Private Equity

## Potential Allocation in Future:

1. Private Equity is currently not approved within the SAA, but could be additive to the portfolio from a return perspective.
2. Private Equity comes with new or heightened risks and an allocation must be well-thought out and executed in order for the program to be successful.
3. Unlike many public markets asset classes, simply obtaining exposure to Private Equity will not achieve attractive results as the dispersion between top and bottom quartile strategies is magnified.

## Implementation Options:

1. Direct fund buildout, funds of one, separate accounts, and funds of funds are all viable options in Private Equity.
2. Some strategy types – namely venture capital – require deep relationships with top-tier GPs, thus lending themselves to fund of fund or similar style structures.
3. While fees can be alarming, it is critical to partner with the top performing GPs and not screen out potential partners due to their fee structures.

# Investment Manager Research



# Manager Selection – Potential Premier List Changes

## Retain the Framework, Narrow the Focus

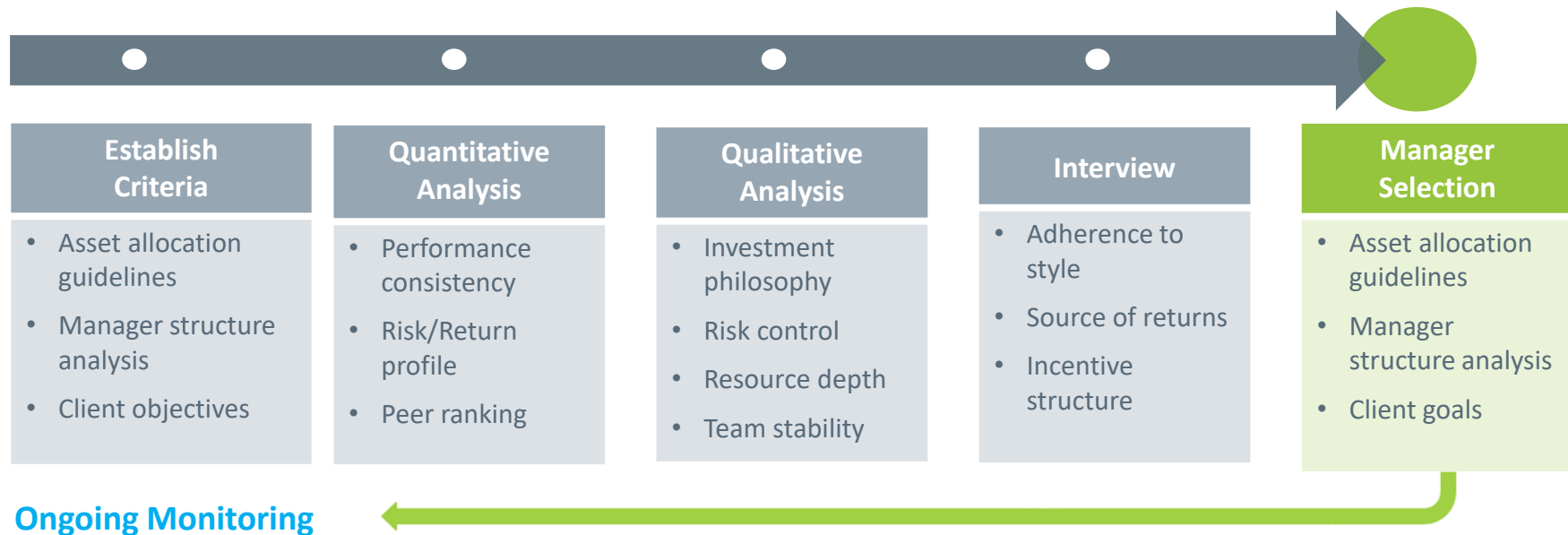
- The current Premier List process allows for both active and passive strategies to be pre-approved.
- RVK continues to be constructive on the concept of the Premier List, but would recommend narrowing its focus to include passive strategies only.
- However, RVK and COAERS would be able to continue working together to identify top-tier managers – both public and private – throughout the year, allowing for a head-start on any potential search activity.
- Because COAERS would have pre-approved passive strategies in place for all public market mandates, the need to quickly terminate a manager would not be delayed as those assets could be “parked” in the index product(s).
- The change to the Premier List would also allow for more consistency in process between public and private markets due diligence; the current Premier List was structured for public markets only and will require revisions to account for private markets regardless of any other changes made.



# Investment Manager Selection

## Customized Manager Research Process

- Searches customized to meet client needs
- Proprietary and third-party databases and tools
- Client access to extensive manager universe
- Open architecture – ideas provided by clients are researched



- RVK's research team continually monitors all managers to which our clients have exposure
- All material changes or events regarding the manager or strategy are immediately disseminated to all consultants and then promptly communicated to clients in their preferred method (e.g., phone call, email, memorandum, etc.)

## Review/Termination Process

- Change to the investment management team, firm, or process; strategy grew above AUM capacity
- Plan re-allocation due to target asset allocation changes
- Poor performance relative to expectations

# Investment Manager Selection

## Complementing COAERS' Premier List Process

- As previously noted, RVK works with each client to determine the process and methods utilized to source, underwrite, and monitor investment managers and strategies across each asset class.
- However, RVK also follows a well-established internal process to provide adequate and broad coverage of new and existing strategies.
- By running parallel and complementary processes, RVK and COAERS both benefit from additional touchpoints, data, and opinions regarding managers/strategies and the potential implications for future performance.
- RVK has over 450 Positively ranked public markets strategies on our platform across 160 managers, covering all major asset classes, with an additional 1000+ strategies ranked either neutral or research.
- COAERS will continue to benefit from RVK's extensive network of managers, continuous diligence process, and access to new and innovative ideas.

	<b>Five-Year Average</b> As of 12/31/2023
<b>Annual Searches / Placements</b>	154
<b>Assets Placed Annually</b>	\$20.5 billion
<b>Annual Manager Visits</b>	107
<b>Annual Manager Meetings</b>	1,450

# Concluding Remarks and Q&A



# RVK and COAERS

## Stable and Experienced Firm

- RVK has worked with public pensions for 35+ years, currently serving 31 such clients representing \$2.28 trillion in combined AUA.

## Stable and Experienced Service Team

- Each of the original proposed core service team members from 2017 are still with the firm.
- Notably, Spencer Hunter and Ian Bray have been the lead consultants since that time.

## Dedication to Continuous Improvement

- RVK has heard the feedback from the Board, IC, and Staff regarding the new expectations and we have worked hard to meet those and will continue to do so in the future.

## A Trusted Partner

- With non-discretionary consulting as our only business, COAERS can be assured that its needs will remain priority #1.



PORTLAND

BOISE

CHICAGO

NEW YORK

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8. Receive report from Executive Director on the following matters:

A. Discuss and consider 2024 additional IPPE report

B. Receive report on implementation of Global Equity portfolio restructure

C. 2024 Annual Member Meeting

D. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 8:

Receive report from Executive Director on the following matters:

- A. Discuss and consider 2024 additional IPPE report

#### AGENDA ITEM OBJECTIVE

This agenda item is for the Board to discuss if an additional IPPE report is necessary.

#### RECOMMENDATION FOR BOARD ACTION

At the Board's discretion.

#### ITEM SUMMARY

At its January meeting, the Board of Trustees approved a motion directing the Executive Director to work with the Investment Committee, or a working group of the Committee, to contract with an independent third-party investment consultant to conduct a comprehensive review of the System's investment performance practices and policies.

The Executive Director reported to the Investment Committee at its February meeting that he reached out to various firms for proposals for a separate IPPE report. The Executive Director further reported that he received two proposals for outside review of the investment program. The Committee discussed whether to proceed with an additional third-party report of the investment program. Based on the thoroughness and independence of the RVK report, the Investment Committee agreed it was not necessary at this time to pursue a second opinion of the IPPE report as previously requested. The Committee noted that at the completion of the general investment consultant RFP, it would be prudent to revisit the necessity of the additional IPPE report.

With the completion of general investment consultant RFP, the Executive Director is seeking direction from the Board on whether it wishes to seek a second IPPE or not.

#### 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 8:

Receive report from Executive Director on the following matters:

- B. Receive report on implementation of Global Equity portfolio restructure

#### AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Board to receive a report on the implementation of the Global Equity portfolio restructure.

#### RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

#### ITEM SUMMARY

At its March meeting, the Board approved recommendations related to the Global Equity portfolio. This would include the transition towards a more cap-weighted US Equity portfolio and the simplification of the total Global Equity portfolio by transitioning to fewer mandates across the US, DM, and EM portfolios. A Staff report on implementing the Global Equity portfolio restructuring is included in this agenda item's materials. A report on the post-trade analysis as required by the Investment Implementation Policy is included in the supplementary materials.

#### RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with one of the five core competencies established in the COAERS Strategic Plan: "**Prudent Investment Management: Fulfilling fiduciary duty through monitoring performance within adopted processes and stated goals.**" Board review of the implementation of the investment program ensures that Trustees monitor the portfolio.





## Agenda Item #8B Global Equities Portfolio Implementation Update

At its March 28 meeting, the Board approved a Global Equity rebalance implementation plan to accomplish the following:

- Reduce exposure to US Equity diversifying strategies from 50% of US Equity exposure down to 25%,
- Consolidate assets in passive mandates that tracking the benchmark, and
- Simplify the manager/mandate lineup through a consolidation of mandates.

Staff implemented the approved rebalancing during the second quarter of 2024. All of the above objectives of the rebalance were met. Staff utilized in-kind transfers where possible to minimize transaction costs, and a transition manager traded the securities to maintain proper equity exposures. A copy of the post-trade analysis, per the Investment Implementation Policy, is available in supplemental materials.

Mandate	Previous Number of Mandates	Previous (\$M)	Current Number of Mandates	Current (\$M)
<b>US Equity</b>	<b>9</b>	<b>1,175</b>	<b>4</b>	<b>1,175</b>
US Diversifying	4	580	1	294
Cap-Weighted	3	516	3	881
Futures	1	79	0	-
<b>DM Equity</b>	<b>6</b>	<b>526</b>	<b>5</b>	<b>526</b>
Active	3	402	3	402
Cap-Weighted	1	45	2	124
Futures	2	78	0	-
<b>EM Equity</b>	<b>3</b>	<b>215</b>	<b>2</b>	<b>215</b>
Active	1	130	1	130
Cap-Weighted	1	76	1	84
Futures	1	8	0	-

There are no outstanding transitions or rebalances.



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 8:

Receive report from Executive Director on the following matters:

#### C. 2024 Annual Member Meeting

##### AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board an update on the July Member Meeting.

##### RECOMMENDATION FOR BOARD ACTION

At the Board's discretion.

##### ITEM SUMMARY

This year, Staff has redesigned the annual member meeting to offer a more member-centric program. In addition to the traditional "State of the Fund" update, the newly rebranded Member Summit will curate a series of conference-style educational sessions for both active members and retirees on topics such as retirement planning, retiree resources, and the value of the COAERS benefit. The event will take place in-person at the new COAERS HQ at 4700 Mueller Blvd.

##### RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Strategic Plan Goal 3: Provide high-quality stakeholder services, education, and experience.**



**AGENDA**

**BOARD MEETING**

July 25, 2024 12:00 p.m.

**Physical Meeting Location**

4700 Mueller Blvd., Austin, TX 78723

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The Board may deliberate and take action on any of the following items:

1. Call meeting to order
2. Member Summit kick off
3. The Value of the Defined Benefit
4. Retirement Planning 101
5. Retiree Resources
6. Recognition of former COAERS Trustee
7. State of the Fund Update
8. Adjournment

This meeting shall be conducted pursuant to the Texas Government Code Section 551.001 et seq. At any time during the meeting, the Board reserves the right to adjourn into Executive Session on any of the above posted agenda items in accordance with the following of the Texas Government Code: Sections 551.071, 551.072, 551.073, 551.074, 551.075, 551.076, 551.0785, or 551.089; or Sec. 13, art. 6243n Texas Rev. Civ. Stat.

Posted Date: July 19, 2024  
City Hall, City of Austin

A handwritten signature in black ink, appearing to read "C.D.H.", is positioned above the printed name of the Executive Director.

Christopher D. Hanson  
Executive Director



## BOARD MEETING Agenda Item Information Sheet

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### AGENDA ITEM 8:

Receive report from Executive Director on the following matters:

D. MET report and upcoming educational programs and conferences

#### AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board a report on 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 rolled 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		4	4	√
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	74.5	76	√
Brad Sinclair 01/01/2024-01/01/2026		16		√
Diana Thomas 01/19/2024-1/19/2026		20.5		√
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	7.5			√



## Upcoming Educational Programs and Conferences

This page contains links with information on upcoming conferences and educational programs. Noted programs are pre-approved for meeting either core or continuing education requirements from the PRB. 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](#)
  - July 22-24, 2024, Advanced Investments Management (Wharton) – San Francisco, CA
  - July 30-31, 2024 Certificate of Achievement in Public Plan Policy (CAPPP) Part 1 – Boston, MA
  - August 1-2, 2024, Certificate of Achievement in Public Plan Policy (CAPPP) Part 2 – Boston, MA
  - September 16-17, 2024 – Investment Basics – Nashville, TN
- [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)
  - 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](#)
  - November 13-16, 2024, Making Corporate Boards More Effective – Boston, MA
- [Texpers](#)
  - August 18, 2024, Advanced Trustee Training – San Antonio, TX
  - August 18-20, 2024 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



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

Presented by Yuejiao Liu

**AGENDA ITEM 9:**

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.