




September 21 Board Meeting


Schedule	Thursday, September 21, 2023 10:00 AM — 2:00 PM CDT
Venue	6850 Austin Center Blvd., Suite 320, Austin, TX 78731
Organizer	Sarah McCleary






Agenda

1. Call meeting to order 1
Presented by Yuejiao Liu, Chair
 Item #1 Summary.docx 2



















 2. Call roll of Trustees 3
Presented by Yuejiao Liu, Chair
 Item #2 Summary.docx 4

















 3. Review order of business and establish meeting objectives 5
Presented by Yuejiao Liu, Chair
 Item #3 Summary.docx 6


 4. Receive System member and public comments 7
Presented by Yuejiao Liu, Chair
 Item #4 Summary.docx 8
-

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.	9
A. June 29, 2023 Board meeting minutes	
B. July 27, 2023 Member meeting minutes	
C. Ratification, confirmation, and approval of Benefits and Services Committee recommendation on Disability Applications #2305, #2306, and #2307	
D. Ratification of June, July, and August 2023 retirements Presented by Yuejiao Liu, Chair	
 Item #5 Summary.docx	10
 2023 06 29 Board Minutes.docx	11
 2023 07 27 Board Minutes Member Meeting.docx	16
 05C Disability recommendations for Consent Agenda.pdf	19
 05D New Retirements Jun-Aug 2023.pdf	22
Vote Move to approve the consent agenda as presented 0 Yes 0 No 0 Abstain 11 Pending	

6. Receive reports on the following Board administrative matters including:	24
A. Ethics policy disclosure statements	
B. 2023 meeting calendar	
C. August 25, 2023 Investment Committee meeting	
D. August 31, 2023 Audit and Risk Committee meeting	
E. August 31, 2023 Benefits and Services Committee meeting	
F. August 31, 2023 Governance and HR Committee meeting	
G. August 31, 2023 Policy Committee meeting Presented by Yuejiao Liu, Chair	
 Item #6 Summary.docx	25
 06A Quarterly ethics disclosure form.pdf	26
 06B 2023 Board and Committee Calendar.docx	27
 06C Investment Committee Report.docx	28
 06D Audit and Risk Committee Report.docx	30
 06E Benefits and Services Committee Report.docx	31
 06F Governance and HR Committee Report.docx	32
 06G Policy Committee Report.docx	33

7. Investment Committee	34
A. Discuss and consider Premier List for Global Equities	
B. Receive report on updated Asset/Liability study	
C. Discuss and consider Asset Allocation Study	
D. Discuss and consider strategic policy rebalancing and delegated authority	
 Item # 7A Summary.docx	35
 7A2 Market & Portfolio Review - Global Equity 2023-Q2.docx	36
 7A3 Premier List Recommendations - Global Equity CONFIDENTIAL.docx	48
 Item # 7B Summary.docx	52
 7B2 Asset Liability Study Staff Presentation.pptx	53
 7B3 Staff AL Study Memo.docx	62
 7B4 RVK AL Study Executive Summary.pdf	63
 Item # 7C Summary.docx	71
 7C2 Staff AA Study Memo.docx	72
 7C3 RVK Asset Allocation Memo.pdf	74
 7C4 RVK Asset Allocation Study.pptx	75
 Item # 7D Summary.docx	89
 7D2 Staff Delegated Authority Request 2023-09.docx	90
 7D3 Fund Positioning 2023-08.pdf	91
<hr/>	
8. Benefits Committee:	92
A. Discuss and consider Benefits Administration Operating Procedures	
B. Discuss and consider Plan Resolution 2023-0921	
Presented by Russell Nash	
 08A Item Summary.docx	93
 August 2023 B&S DRAFT Revised Benefits Administration Operating Procedures.pdf	97
 08B Item Summary IRS Res.docx	133
 Proposed Board Resolution 2023-0921.docx	134
<hr/>	

9. Governance and HR Committee	135
A. Discuss and consider Code of Ethics	
B. Discuss and consider Diversity Policy	
C. Discuss and consider Emergency Succession Policy	
Presented by Christopher Hanson	
 Item 9A Summary.docx	136
 09A Code of Ethics.pdf	137
 Item 9B Summary.docx	174
 09B Diversity Policy.pdf	175
 Item 9C Summary.docx	178
 09C Emergency Succession Policy.pdf	179
<hr/>	
10. Policy Committee:	183
A. Discuss and consider Communications Policy	
B. Discuss and consider 2023 administrative budget amendment	
Presented by Christopher Hanson	
 Item #10A Summary.docx	184
 Proposed Revisions to Board Communications Policy.pdf	185
 Item #10B Summary.docx	193
<hr/>	
11. Receive report from Executive Director on the following matters:	194
A. 4700 Mueller	
B. October Board Workshop	
C. MET report and upcoming educational programs and conferences	
Presented by Christopher Hanson	
 Item #11A Summary.docx	195
 11A 4700 Mueller Report.pptx	196
 Item #11B Summary.docx	202
 Draft of Workshop Agenda.docx	203
 Item #11C Summary.docx	204
 11C1 2023 MET Report.docx	205
 11C2 List of Upcoming Educational Events and Conferences.docx	207
<hr/>	

12. Review key meeting takeaways and call for future agenda items	210
Presented by Yuejiao Liu, Chair	
 Item #12 Summary.docx	211

1. Call meeting to order

Presented by Yuejiao Liu, Chair



BOARD MEETING
Agenda Item Information Sheet

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, Chair



BOARD MEETING
Agenda Item Information Sheet

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, Chair



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 3: Review order of business and meeting objectives

AGENDA ITEM OBJECTIVE

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

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

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

MEETING OBJECTIVES

Below is a summary of the major agenda items that the Board will discuss and consider during its September meeting:

1. The Board will consider the recommendations of the Investment Committee related to the approval of the Global Equities Premier List and a proposed target portfolio from the Asset Allocation Study.
2. The Board will receive a report on an approved delegated authority related to the strategic policy rebalancing and consider continuation of this authority for a specified time period.
3. The Board will consider approval of revisions to the Benefits Administration Operating Procedures and Plan Resolution 2023-0921 as recommended by the Benefits and Services Committee.
4. The Board will consider approval of proposed revisions to the Code of Ethics, Diversity Policy, and Emergency Succession Policy as recommended by the Governance and Human Resource Committee.
5. The Board will receive a report from the Executive Director on the 4700 Mueller facility, the upcoming Board Workshop, current MET hours, and upcoming educational events.

4. Receive System member and public comments

Presented by Yuejiao Liu, Chair



BOARD MEETING Agenda Item Information Sheet

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. June 29, 2023 Board meeting minutes

B. July 27, 2023 Member meeting minutes

C. Ratification, confirmation, and approval of Benefits and Services Committee recommendation on Disability

Applications #2305, #2306, and #2307

D. Ratification of June, July, and August 2023 retirements

Presented by Yuejiao Liu, Chair



BOARD MEETING Agenda Item Information Sheet

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. June 29, 2023 Board meeting minutes
- B. July 27, 2023 Member meeting minutes
- C. Ratification, confirmation, and approval of Benefits and Services Committee recommendations on Disability Applications #2305, #2306, and #2307
- D. Ratification of June, July, and August 2023 retirements

AGENDA ITEM OBJECTIVE

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

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

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

RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board approve the consent agenda.

BACKGROUND

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

ATTACHMENTS

- 1. June 29, 2023 Board meeting minutes
- 2. July 27, 2023 Member meeting minutes
- 3. Benefits and Services Committee recommendation on Disability Application #2305, #2306, and #2307
- 4. New retirements from June, July, and August 2023 (Confidential)



BOARD MEETING

Public Meeting held in-person and telephonically on June 29, 2023 at 10:00 am CT
Pursuant to Texas Govt. Code 551.127

Board Members Present

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

Board Member Absent

Dick Lavine

Guests:

Paige Saenz, General Counsel
Cyril Espanol, With Intelligence*
Ian Bray, RVK*
Spencer Hunter, RVK
Lewis Ward, GRS*
Bhakti Patel, CLA

Staff:

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

* present telephonically

† present via videoconference

1 Call meeting to order

Chair Yuejiao Liu called the meeting to order at 10:01 a.m.

2 Call roll of Trustees

Ms. Sarah McCleary called the roll. The following Trustees were present in person: Crook, Granof, Liu, Pool, Ross, Sinclair, and Thomas. The following Trustee was present via videoconference: Noak.

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.

Mr. Benson arrived on Zoom at 10:04 a.m.

Ms. Hunter arrived at 10:04 a.m.

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 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 30, 2023 Board meeting minutes**
- B. Ratification, confirmation, and approval of Benefits and Services Committee recommendation on Disability Application #2304**
- C. Ratification of March, April, and May 2023 retirements**
- D. Appointment of Nominating and Election Committee for 2023**

Ms. Leslie Pool moved to approve the consent agenda. Ms. Diana Thomas seconded, and the motion passed 10-0.

6 Receive reports on the following Board administrative matters including:

- A. Ethics policy disclosure statements**
- B. 2023 meeting calendar**
- C. April 21, 2023 Investment Committee meeting**
- D. May 19, 2023 Investment Committee meeting**
- E. June 15, 2023 Legislative Committee meeting**
- F. June 15, 2023 Audit and Risk Committee meeting**
- G. June 15, 2023 Benefits and Services Committee meeting**
- H. June 15, 2023 Governance and HR Committee meeting**

Staff Declarations: Russell Nash declared due diligence meetings with Flintrock Commercial, Metropolitan Contracting, Harvey Cleary, and Gorilla Expense. Michelle Mahaini declared meeting at Mueller for pre-bid walkthrough with Sam Smith, Mark Harrington, and Dan McClure of StructureTone; meeting for pre-bid walkthrough with Katie Stewart and Nick Moulinet of DPR Construction; meeting with Antoine Delwaide of Sensolus regarding GPS trackers; meeting at Mueller for pre-bid walkthrough with John Harvey of Harvey Cleary; with Daniel Matl, Debra Ramos, Dylan Edwards from Flintrock and their subcontractor; and with Harvey Cleary's Brian Estrata. Chris Hanson declared attendance at the NCPERS Chief Officers Summit from June 19-20 with breakfast, lunch, and dinner provided.

Chair Liu noted that Trustees with questions on the Committee meeting reports should contact Staff.

7 Investment Committee

- A. Discuss and consider Premier List for Fixed Income and Cash & Equivalents – David Stafford**
- B. Discuss and consider strategic policy rebalancing and delegated authority – Christopher Hanson and David Stafford**
- C. Discuss and consider 2023 PRB Investment Practices and Performance Evaluation Report – Christopher Hanson**

7A. Discuss and consider Premier List for Fixed Income and Cash & Equivalents

Mr. David Stafford presented an overview of the current construction and composition of the Fixed Income and Cash & Equivalents allocations. Mr. Brad Sinclair moved to approve the Premier List as proposed. Mr. Anthony Ross seconded, and the motion passed 10-0.

7B. Discuss and consider strategic policy rebalancing and delegated authority

Mr. Christopher Hanson discussed current market dynamics and the March 2023 policy exception granted by the Board not to rebalance the Fund back into the Strategic Bands for certain asset and sub-asset classes. Mr. Hanson also noted the upcoming Asset/Liability and Asset Allocation Studies, and how those relate to current fund positioning. Ms. Amy Hunter moved to authorize a policy exception through the September 21, 2023 Board meeting to allow Staff discretion to not rebalance the asset and underlying sub-asset classes for Fixed Income, Multi-Asset, and Cash & Equivalents for market drift and to allow Staff to rebalance between existing Cash & Equivalents mandates. Ms. Thomas seconded, and the motion passed 10-0.

Mr. Benson went off camera at 10:25 a.m.

7C. Discuss and consider 2023 PRB Investment Practices and Performance Evaluation Report

Mr. Hanson outlined the responses from firms who submitted bids for the Investment Practices and Performance Evaluation (IPPE) Report, and the recommendation from the Investment Committee. Ms. Pool moved to approve the selection of RVK to conduct the IPPE report and the related contract amendment. Mr. Sinclair seconded, and the motion passed 9-0. (Mr. Noak had stepped away from camera-view thus no vote was recorded).

8 Discuss and consider acceptance of the financial statement audit report as of December 31, 2022

Ms. Bhakti Patel from CliftonLarsonAllen (CLA) delivered required communications for the audit of the financial statements ending December 31, 2022. She reported that CLA had issued an unqualified opinion and that CLA found no significant corrected or uncorrected adjustments nor any unusual transactions.

Mr. Benson arrived in-person at 10:36 a.m.

Ms. Crook moved to accept the December 31, 2022 financial statements and auditor's report from CliftonLarsonAllen. Mr. Benson seconded, and the motion passed 10-0.

9 Discuss and consider December 31, 2022 Risk Sharing Valuation Study Report

Mr. Lewis Ward of GRS shared the results of the Risk Sharing Valuation Study (RSVS) report, which establishes several actuarial metrics tied to the recently passed legislation, including the schedule of Legacy Liability payments; the corridor midpoint, maximum, and minimum; the amortization payment of gain and loss layers; and the actual City Contribution to be made in addition to the Legacy Liability payment. Mr. Ward stated that in future years, the RSVS report will identify if the corridor maximum is reached and if any additional employee contributions are required under the new contribution policy. He also noted that beginning with the December 31, 2023 actuarial valuation, the RSVS report will be included as part of annual actuarial valuation report and not a separate stand alone report.

Ms. Thomas moved to approve the December 31, 2022 RSVS report. Mr. Ross seconded, and the motion passed 10-0.

10 Governance and HR Committee

A. Discuss and consider Election Policy - Russell Nash

Mr. Nash presented a draft of the Election Policy, which reflected changes due to the passage of S.B. 1444. Ms. Crook moved to approve the Election Policy as presented. Ms. Thomas seconded, and the motion passed 10-0.

B. Discuss and consider Board Governance Manual - Christopher Hanson

Mr. Hanson presented a draft of the Governance Manual, which reflected one change regarding the frequency with which the Governance Manual would be revisited. Mr. Sinclair moved to approve the Board Governance Manual as presented. Mr. Ross seconded, and the motion passed 10-0.

11 Receive report from Executive Director on the following matters:

A. 4700 Mueller

B. Operational matters including staffing

C. Annual Member Meeting

D. MET report and upcoming educational programs and conferences

Mr. Hanson updated Trustees on the 4700 Mueller property, reporting that permits had been issued and an internal working group was formed to keep the project on schedule. He also updated the Board on the process to select a firm for the first floor renovations.

Mr. Hanson then reported to the Board that interviews had concluded for the new IT position approved by the Board.

Mr. Noak went off camera at 11:51 p.m.

Mr. Hanson reported to the Board that the Member Meeting would be held at 5:30 PM on July 27, 2023, in the Mueller Assembly Room on the Austin Energy campus at 4815 Mueller Boulevard. Lastly, he reported that all Trustees had either finished their required training or were registered in training that would be complete before the due date.

Trustees took a break from 11:53 a.m. to 12:12 p.m.

- 12 Discuss and consider performance for the Executive Director**
- A. Convene into executive session pursuant to Tex. Government Code 551.074 to deliberate the evaluation, employment, and/or duties of the Executive Director**
 - B. Reconvene into public session and take action, if any, as determined appropriate**

Trustees adjourned into Executive Session at 12:13 p.m.

Trustees returned to Public Session at 12:56 p.m.

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

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

As there were no other items to discuss, the meeting adjourned at 12:57 p.m.



MINUTES

BOARD MEETING

Public Meeting held in-person on July 27, 2023 at 5:30 p.m. CT
Austin Energy Building, 4815 Mueller Blvd., Austin, TX

Board Members Present

Kelly Crook
Amy Hunter
Dick Lavine
Yuejiao Liu, Chair
Leslie Pool
Anthony B. Ross, Sr.
Diana Thomas

Board Members Absent or online

Michael Benson
Michael Granof
Chris Noak
Brad Sinclair

Staff:

Jenni Bonds
Teresa Cantu
Kelly Doggett
Christopher Hanson
Jay Inghram
Amy Kelley
Michelle Mahaini
Sarah McCleary
Deverett Morrow
Rachel Muise
Russell Nash
Mehrin Rahman
David Stafford

Guests:

Reza Alagehband
Art Alfaro
Xavier Apóstol
Angela Baez
Francia Baez
Ngoc-Minh Bruce
Michael Coffey
Lynn Cui
Doug Dear
Michael Faivor
Jerry Glavan
Joseph Garza
Linda Gonzalez
Mark Guy
Reiner Hersnaw
Blender Hill
Jarrett Homan
Franklin Houston
Joseph Kelleher
Sylvia Kisner
Rob Mack
George Martinez
Cathy Martinez
Ken Muenzle
Jana McCann
Janet Newman
Donald Pleasant

Guests:

Gail Ray
Julia Robbins
Tasha Rhodes
William Rhodes
Peter Rieck
Carl Schattenberg
Benson Thottiyil
Michael Wiltz
Malcolm Yeatts

5 members of the public
dialed in

49 members of the
public participated
concurrently on
Facebook

1 Call meeting to order

Chair Yuejiao Liu called the meeting to order at 5:33 p.m.

2 Call roll of Trustees

Chair Liu introduced the Trustees who were present in person: Ross, Crook, Thomas, Hunter, Pool, and Lavine. Chair Liu noted that Trustees Benson and Noak were joining the meeting online. Lastly, Chair Liu noted that Vice-Chair Sinclair was unable to attend in person due as he was participating in a trustee educational conference.

3 Receive presentations regarding COAERS matters:

A. Operations Updates and New Initiatives

Mr. Russell Nash thanked City employees and retirees for their contributions to the community and gave an update on COAERS operations including Member Direct, appointment scheduling, and retiree resources. Mr. Nash discussed two risk trends that could impact COAERS members: paper check scams and financial fraud. Mr. Nash provided background on each risk and described how COAERS members could mitigate these risks. Lastly, Mr. Nash provided an update on the acquisition of 4700 Mueller and plans to relocate the COAERS headquarters to that location.

B. Investment Program Update

Mr. David Stafford gave an update on the COAERS investment program including the importance of the Fund in the overall funding equation for the System. He discussed the highly principled approach to implementing the program in what was described as the "Austin Model" of investment management. Mr. Stafford noted the challenges of 2022 and the return for bearing investment risk over the years. Mr. Stafford also provided information on how the investment program has been able to optimize costs related to implementing investment mandates and he discussed the results of a recent third-party benchmarking analysis which identified COAERS as a highly cost efficient investment program. He discussed potential future initiatives that the Board was considering including the Fund's asset allocation in view of market dynamics and legislative changes.

C. Funding Report and Legislative Update

Mr. Christopher Hanson gave an update on the most recent actuarial valuation, and the work that the City and COAERS accomplished to pass legislation intended to strengthen the long-term financial position of the System. He noted that this work was done proactively prior to being required by the Pension Review Board and thanked the City for its partnership in these efforts. He outlined the specifics of the legislation and the extent to which the legislation's passage improves the long-term financial trajectory of the System.

4 Receive system member and public comments

A number of questions were asked in advance from COAERS members, then in person from attendees. Staff answered the pre-submitted questions as well as those questions from in-person attendees. Due to time constraints, Staff could not answer all on-line questions. Mr. Hanson committed to answering all remaining questions and urged members to reach out if they had further questions. Mr. Hanson noted that the video of the meeting plus a document with presentations and written answers to the verbal questions would be made available on the COAERS web site and YouTube channel.

5 Closing comments from Trustees

Trustee Anthony Ross thanked all the City workers for their important contributions and urged employees to enjoy their work and plan for their retirement.

6 Adjournment

As there were no other items to discuss, the meeting adjourned at 7:10 p.m.

COAERS

CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

August 31, 2023
DISABILITY RECOMMENDATION

Disability retirement application #2305

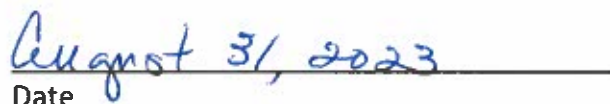
The Disability Committee recommends that Board

Approve Deny

Retirement application #2305.



Diana Thomas
Committee Chair

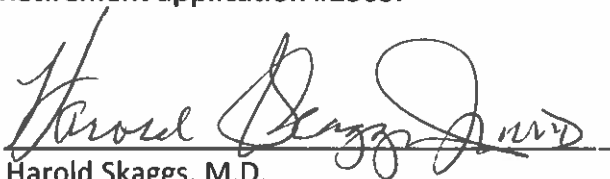


Date

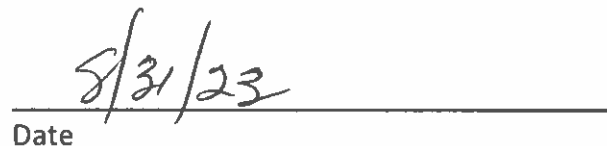
The physician recommends that Board

Approve Deny

Retirement application #2305.



Harold Skaggs, M.D.
Physician



Date

COAERS

CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

August 31, 2023
DISABILITY RECOMMENDATION

Disability retirement application #2306


The Disability Committee recommends that Board

Approve Deny

Retirement application #2306.



Diana Thomas
Committee Chair

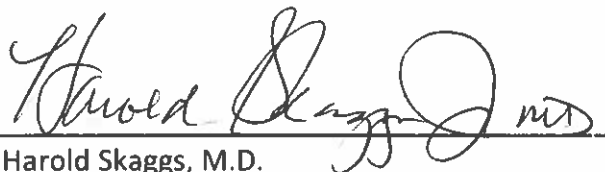


Date

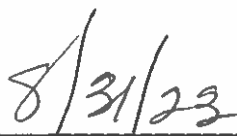
The physician recommends that Board

Approve Deny

Retirement application #2306.



Harold Skaggs, M.D.
Physician



Date



CITY OF AUSTIN
EMPLOYEES' RETIREMENT SYSTEM

August 31, 2023
DISABILITY RECOMMENDATION

Disability retirement application #2307

The Disability Committee recommends that Board

Approve Deny

Retirement application #2307.

Diana Thomas

Diana Thomas
Committee Chair

8/31/23
Date

The physician recommends that Board

Approve Deny

Retirement application #2307.

Harold Skaggs, M.D.

Harold Skaggs, M.D.
Physician

8/31/23
Date

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

A. Ethics policy disclosure statements

B. 2023 meeting calendar

C. August 25, 2023 Investment Committee meeting

D. August 31, 2023 Audit and Risk Committee meeting

E. August 31, 2023 Benefits and Services Committee meeting

F. August 31, 2023 Governance and HR Committee meeting

G. August 31, 2023 Policy Committee meeting

Presented by Yuejiao Liu, Chair



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 6:

Receive reports on the following Board administrative matters, including:

- A. Ethics policy disclosure statements
- B. 2023 meeting calendar
- C. August 25, 2023 Investment Committee meeting
- D. August 31, 2023 Audit and Risk Committee meeting
- E. August 31, 2023 Benefits and Services Committee meeting
- F. August 31, 2023 Governance and HR Committee meeting
- G. August 31, 2023 Policy Committee meeting

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to comply with the Board approved Code of Ethics and stay abreast of Committee work.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

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

RECOMMENDATION FOR BOARD ACTION

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

ATTACHMENTS

- 1. Ethics policy disclosure statements
- 2. Remaining 2023 Board and Committee calendar
- 3. August 25, 2023 Investment Committee meeting
- 4. August 31, 2023 Audit and Risk Committee meeting
- 5. August 31, 2023 Benefits and Services Committee meeting
- 6. August 31, 2023 Governance and HR Committee meeting
- 7. August 31, 2023 Policy Committee meeting



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

For the period June 30, 2023 to September 20, 2023

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

Gifts:

Meals:

Other Declarations:

Signature of Trustee or COAERS Key Staff

Date

2023 Board and Committee Calendar

Monday & Tuesday October 9-10, 2023

Full Board (Workshop)

Thursday, November 9, 2023 times tbd

Full Board (ED Evaluation)

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Legislative Committee

Policy Committee

Friday, November 17, 2023 – 10 am

Investment Committee

Tuesday, December 19, 2023 – 10 am

Full Board



Report from August 25, 2023 Investment Committee Meeting

The August 25, 2023 meeting of the Investment Committee included discussions on investment performance through second quarter 2023, investment strategy including the Investment Risk Framework, investment implementation including the Premier List for Global Equities, an updated asset/liability study following the passage of SB 1444, investment program asset allocation including an updated asset allocation study and presentations on private credit and functionally focused portfolio construction, the general investment consultant RFP process, and an evaluation of the custody bank.

1. The Committee reviewed performance data from RVK through June 30, 2023. Staff reported Fund investments gained 2.65% net of fees during the second quarter, gained 7.57% during the trailing one-year period, earned returns below the assumed rate of return over the trailing 3-, 5-, and 10-year periods. Staff reported that implementation of the Strategic Asset Allocation has delivered excess returns over the Passive Benchmark and near to the Policy Benchmark over the trailing 10-year period. RVK shared data that showed most major asset classes provided positive returns in the quarter.
2. Staff provided a review of the Investment Risk Framework including more recent Fund positioning as of the end of July 2023. Staff reported that the Fund is positioned with a heavy overweight to Cash & Equivalents and heavy underweights to Multi-Asset and Fixed Income and suggested that this positioning in the Strategic Bands remained appropriate as the outlook had not materially changed since completion of the rebalance. Staff also discussed the significant concentration building in the US Equities benchmark and noted the more diversified approach taken by the Fund as a prudent risk-management approach despite recent underperformance.
3. The Committee conducted its annual review of the Premier List for Global Equities. Staff reported on the performance, risk, and historical context for this asset class. The Committee recommended the Premier List as presented to be considered by the Board for approval.
4. The Committee reviewed the results of an updated Asset/Liability Study following the passage of SB 1444. Staff and RVK shared key takeaways, which included that the changes placed the System in a materially better position across a variety of metrics. Additionally, Staff stated that the study suggests that expected returns and risk might be improved by including incremental exposure to private markets in the Strategic Asset Allocation with careful consideration of the liquidity needs of the System.
5. The Committee reviewed concepts related to the Fund's strategic asset allocation including an asset allocation study by RVK which included a "potential target" portfolio that included a 10% allocation to private credit. Staff presented on the characteristics of private credit and ongoing due diligence efforts. Finally, Staff

evaluated the outputs from the Asset Allocation Study in a Functional Portfolio lens. The Committee referred to the Board for approval the “Potential Target” portfolio and directed Staff and Consultant to develop the associated policies and implementation plans, and education and governance reviews for the Board’s future consideration.

6. Staff provided a report on the general investment consultant RFP process indicating that more clarity is needed to draft scope language in the RFP regarding the possible direction COAERS could take in private markets. Given the expectation that the October Board Workshop would be a time the Board would review the development of a COAERS private markets program, Staff intended to bring back to the Committee in November the draft RFP.
7. The Committee reviewed the custody bank relationship. Staff reviewed scoring of service levels across a variety of categories and noted that Staff rated BNYM as “satisfactory.”



Report from August 31, 2023 Audit and Risk Committee Meeting

The August 31, 2023, Audit and Risk Committee included a report on the performance and relationship with COAERS financial statement auditor, a report on the status of four risk categories in the 2023 Enterprise Risk Management Program; a review of the second quarter unaudited financial statements; and an update on the COAERS cybersecurity program.

1. The Committee received a report on COAERS' financial statement auditor including terms of engagement and performance. The opinion of Staff was favorable. Staff noted that an engagement letter for the 12/31/23 audit will be presented to the Committee in November.
2. The Committee received a report on the COAERS Enterprise Risk Management program covering trends and activities related to governance, physical, reputational, and adaptability risks.
3. The Committee received Staff reports on the first quarter 2023 unaudited financial statements and progress related to 2023 cybersecurity initiatives.



Report from August 31, 2023 Benefits and Services Committee Meeting

The August 31, 2023, Benefits and Services Committee meeting included consideration of three disability retirement applications, a review of proposed revisions to the Benefits Administration Operating Procedures; consideration of a proposed Board Resolution; and a report on the performance and relationship with COAERS actuarial service provider.

1. The Committee reviewed draft changes to the Benefits Administration Operating Procedures. The changes reflected revisions needed to complement the new legislative provisions contained in SB1444, changes needed to implement new federal requirements from the Secure Act 2.0, and routine changes arising from the day-to-day administration of the plan. The Committee referred the changes to the Benefits Administration Operating Procedures to the Board for adoption.
2. The Committee received a report on the COAERS' actuarial consultant, GRS Retirement Consulting. Staff reviewed the performance of the actuarial consultant, terms of engagement, and changes related to the GRS team assigned to COAERS. Staff noted that Ms. Janie Shaw will be replacing Mr. Ryan Falls in a supporting role for Mr. Lewis Ward.
3. The Committee reviewed three initial disability applications and recommended all for Board approval.



Report from August 31, 2023 Governance and HR Committee Meeting

The August 31, 2023 Governance and Human Resources Committee meeting included a review of the Board Diversity Policy, the COAERS Code of Ethics, and the Emergency Succession Policy.

1. The Committee reviewed the Board Diversity Policy as required by the policy review cycle and proposed technical revisions. The Committee referred the proposed revisions to the Board for adoption.
2. The Committee reviewed proposed revisions to the COAERS Code of Ethics, including establishing the policy's review as every two years coinciding with the regular Legislative Session. Additionally, Staff proposed revisions related to training on the Waste, Fraud, and Abuse Policy and a requirement for annual Staff training on the Code of Ethics.
3. The Committee reviewed the Emergency Succession Policy as part of its annual review cycle. The proposed revision reflected a change in job title within the COAERS senior management listing. The Committee referred the proposed revision to the Board for adoption.



Report from August 31, 2023 Policy Committee Meeting

The August 31, 2023 Policy Committee meeting included a review of proposed revisions to the Communications Policy; a report on the year-to-date 2023 administrative budget; a proposed amendment to the 2023 administrative budget; and a report on upcoming priorities for the 2024 administrative budget.

1. The Committee considered proposed revisions to the Communications Policy. Staff presented minor revisions to the Communications Policy. It was noted that the social media platform Twitter had rebranded as “X”, and the Committee directed Staff to update the reference to Twitter in the Policy as “X (formerly known as Twitter)”. The Committee referred the proposed revisions to the Board for adoption.
2. The Committee received a report from Staff on the year-to-date expenditures for the 2023 administrative budget and considered a proposal to add a new IT Cybersecurity Analyst position. The Committee voted to recommend to the Board an increase in the FTE limit to 26 positions and revise the administrative budget adding \$28,948 to allow for the addition of the new IT Cybersecurity Analyst position.
3. Staff reported to the Committee on upcoming priorities for the 2024 administrative budget. The report focused on the areas of personnel, professional services, building and maintenance, information technology, continued educational development, and communications.

7. Investment Committee

A. Discuss and consider Premier List for Global Equities

B. Receive report on updated Asset/Liability study

C. Discuss and consider Asset Allocation Study

D. Discuss and consider strategic policy rebalancing and delegated authority



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 7: Investment Committee

A. Discuss and consider Premier List for Global Equities

AGENDA ITEM OBJECTIVE

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

RELEVANCE TO STRATEGIC PLAN

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

RECOMMENDATION FOR BOARD ACTION

The Investment Committee recommends that the Board approve the Premier List for Global Equities.

BACKGROUND

The Investment Implementation Policy (IIP) requires Staff to develop and maintain a Premier List of viable managers for potential inclusion within each allocation of the Fund. The IIP also requires the Premier List for each asset class to be reviewed with the Board via the Investment Committee on an annual basis. Staff will lead the required annual review of the current construction and composition of the Global Equities allocations, including the associated Premier List.

At the August Committee meeting, a manager was recommended for removal from the Premier List as they had failed to respond to requests for updated pricing. This manager's role on the Premier List was as a backup manager for a US Equity mandate. Since the August Committee meeting, that manager has provided their updated pricing (consistent with prior pricing). Staff will present two Premier List options to the Board. Option A was referred to the Board by the Committee and removes the backup manager. Option B keeps the backup manager on the Premier List at their current pricing.

ATTACHMENTS

1. Global Equities Market & Portfolio Review 2023-Q2
2. Proposed COAERS Premier List 2023-Q2 [CONFIDENTIAL]



**Board Meeting
September 21, 2023**

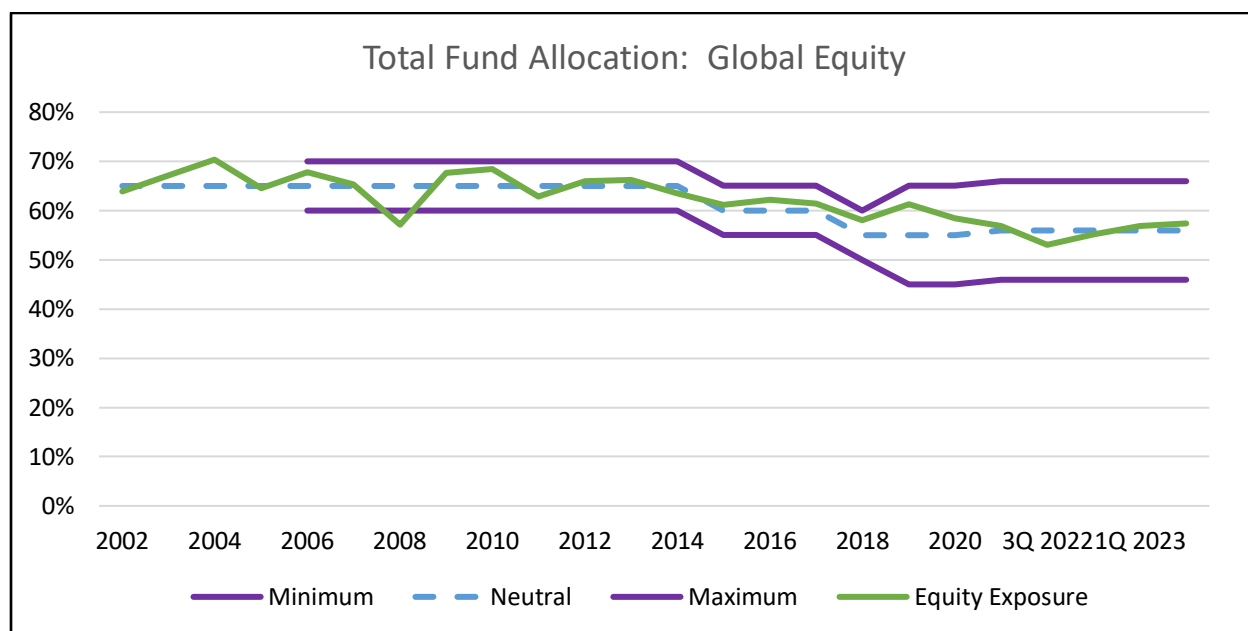
Historical Context of Global Equity

COAERS has long held exposure to the equity market over the years. While the mix of equities within the overall portfolio has changed, equities continue to serve as the main driver of long-term growth for the Fund. The current global equity portfolio is allocated across three sub-asset classes: US Equity, DM (Developed Markets) Equity, and EM (Emerging Markets) Equity.

Global Equities has changed several times, and below is a timeline that highlights some of the recent moves:

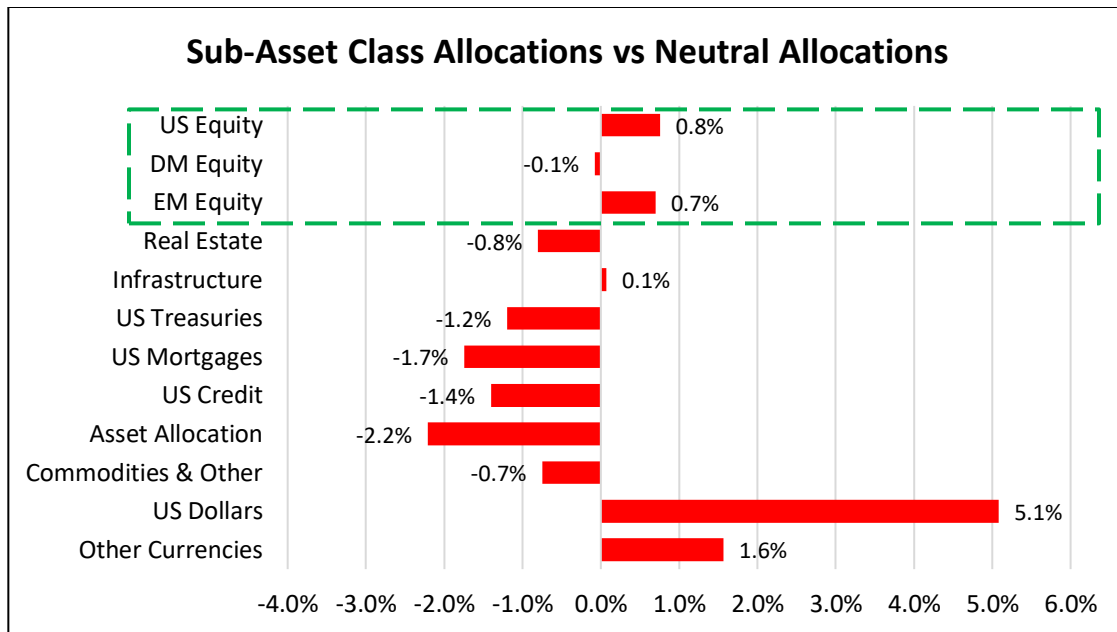
- 2018: Reduced Global Equity target allocation to fund Multi-Asset
- 2020: Equity index futures added to the portfolio
- 2020: Began adding diversifying US equity strategies

The following chart illustrates the target allocation, strategic bands, and funding position within Global Equity over time.



Global Equities Current Portfolio and Positioning

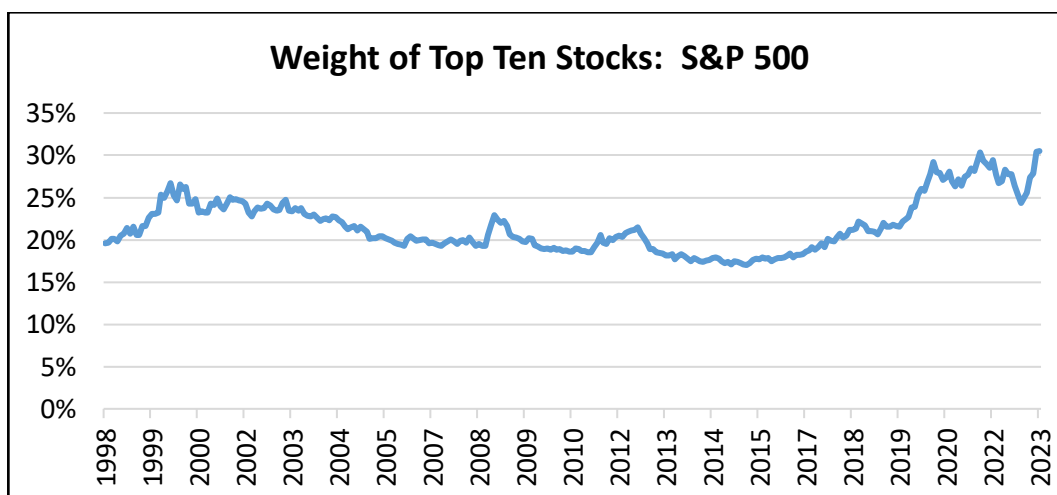
Within the Strategic Asset Allocation, the Fund has a neutral allocation to Global Equity of 56%, which includes 34% in US Equity, 16% in DM Equity, and 6% in EM Equity. As of the end of Q2 2023, Fund positioning was mostly in line with the target allocations with slight over-weights in US Equity (34.8%) and in EM Equity (6.7%).



Risk and Return Characteristics

Market Commentary: Global equities, as measured by the ACWI IMI Index, recorded a 5.9% gain in the second quarter of 2023, bringing its year-to-date gain to 13.3% for the first half of 2023. This is worth noting after the index was down 18.4% in 2022. Across the three sub-asset classes, US equities posted the largest gain for the second quarter, as the MSCI USA Index rose 8.6%. The World ex-US index, representing the remainder of developed market equities, posted a 3.0% gain, while the EM equity index increased 0.9%.

Market concentrations in the US also continued to build within the market capitalization index during the second quarter. Within the S&P 500, the average stock price rose by 5.7% during the quarter, while the average increase of the 10 largest stocks in the index was 24.7% over the same period. This implies many diversifying strategies lagged the cap-weighted indexes even though such strategies posted positive performance year-to-date.



Portfolio Returns: The Global Equity portfolio increased 4.7% during the second quarter of 2023 but lagged the Global Equity portfolio benchmark return of 5.9%. Of COAERS' three sub-asset classes, EM Equity posted the strongest relative performance, increasing by 2.5% while the MSCI EM Index rose by only 1.6%. The DM Equity portfolio was about in-line with its sub-asset class benchmark, both increasing by 3.0%. EM and DM Equities have both outperformed their respective benchmarks year-to-date.

The US Equity portfolio's second quarter performance of 6.0% lagged the benchmark's 8.6% return. The underperformance was mostly due to the underperformance of COAERS' US equity diversifying strategies, which accounted for about 50% of the weight of the US equity sub-asset class. Cap-weighted performance was significantly greater than equal-weighted and other diversifying strategy performance.

The following table provides characteristics of COAERS' equity portfolio and sub-asset classes on a longer time horizon (three years):

	Global Equity	US Equity	DM Equity	EM Equity
Benchmark (BM)	MSCI ACWI IMI	MSCI USA	MSCI World ex-US	MSCI EM
BM 3Y Return*	10.94%	13.56%	9.27%	2.22%
Portfolio 3Y Return	9.37%	12.02%	7.88%	1.57%
Portfolio Excess Return	-1.57%	-1.54%	-1.39%	-0.65%
TE Realized	149 bps	235 bps	379 bps	409 bps
TE Target	n/a	200 bps	400 bps	500 bps
TE Max	n/a	500 bps	700 bps	800 bps
Portfolio Volatility	17.0%	17.8%	17.5%	20.1%
BM Volatility	17.1%	18.2%	17.8%	17.7%
Portfolio Beta	0.99	0.97	0.96	1.12

**BM Returns include passive fee based on COAERS Premier List*

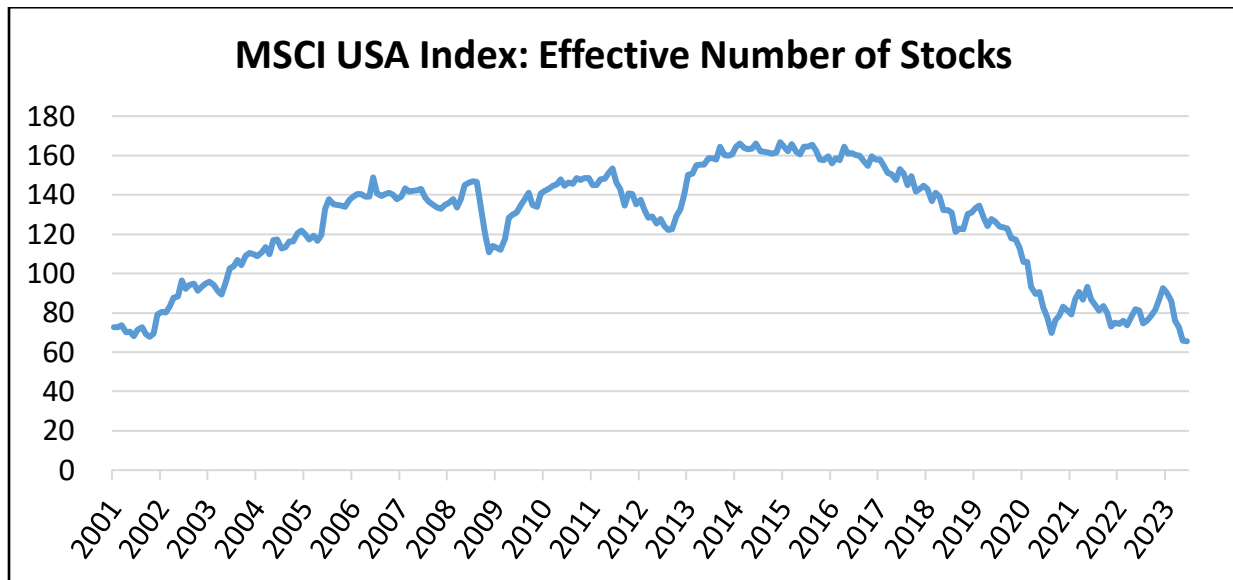
Mandate Types

Market Cap & Passive Exposure: These mandates express the respective benchmark exposures within their sub-asset classes. The exposures provide capitalization-weighted index exposure across US and developed markets, as well as emerging markets. By investing in cap-weighted indexes, the mandates larger companies receive a higher allocation than smaller ones. These mandates are expected to have low tracking error and remain cost-effective.

The equity portfolio uses equity index futures to gain a portion of this passive equity index exposure. Since their addition to the portfolio, equity index futures have increased the portfolio's rebalancing capabilities and have enhanced the liquidity profile, particularly in Emerging Markets. Furthermore, each futures position is fully collateralized.

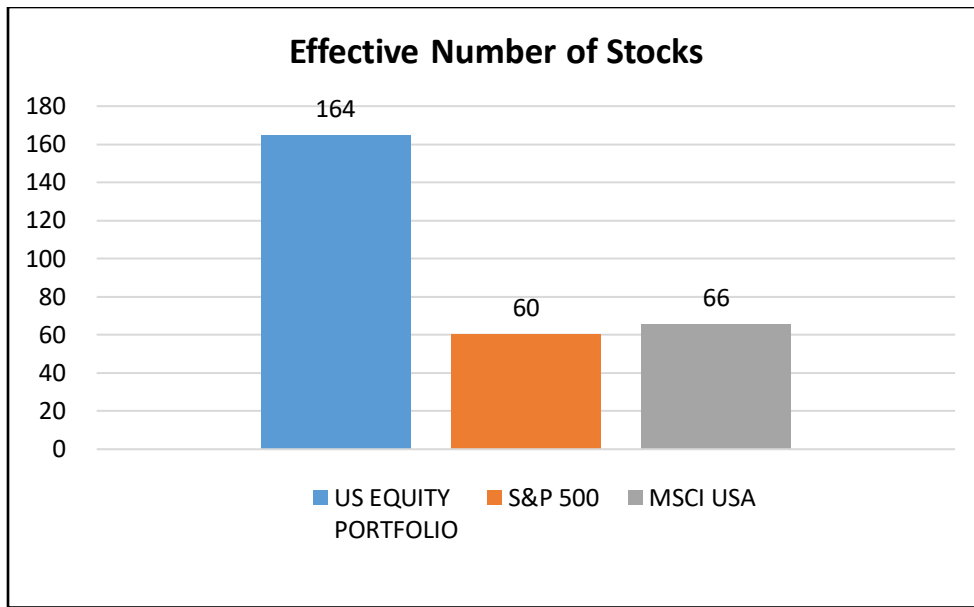
The equity portfolio also can employ leverage through equity index call options, which provide leverage while limiting downside risk. Currently, COAERS does not have an options position given the risk profile of the fund.

Diversifiers: Diversifying equity strategies are deployed within the US Equity portfolio and are meant to provide differentiated market exposures versus the cap-weighted benchmarks. For these mandates, the universe of available securities remains the respective benchmarks. In the past several years, stock concentration within US equity indexes such as the MSCI USA has reduced some of its diversification characteristics. This concentration can be measured by the index's effective number of stocks. As this number decreases, diversification decreases because fewer stocks are needed to replicate the index.

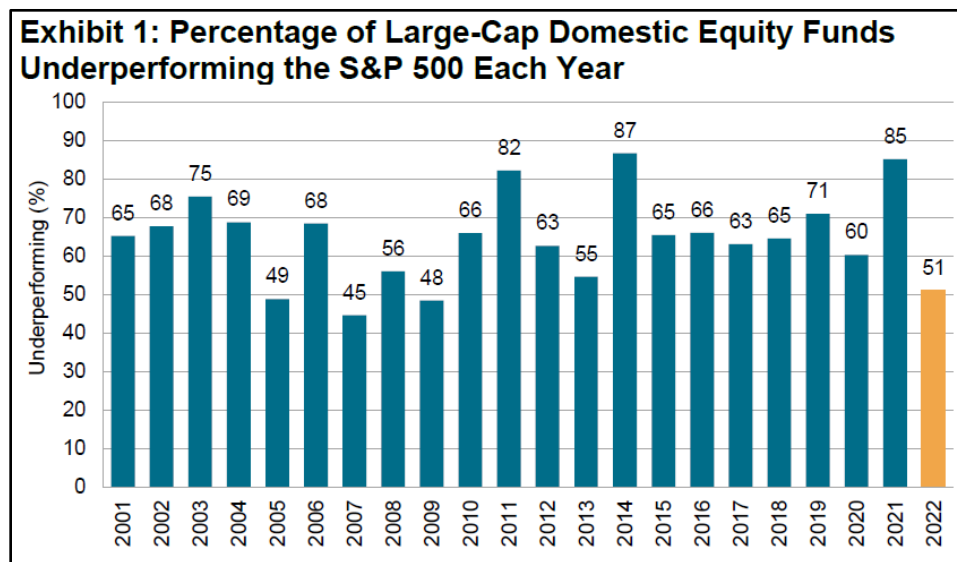


However, portfolio construction for diversifying strategies moves beyond security size, which is the main driver in the market cap strategies. COAERS has increased its allocation to diversifying strategies from 37% to 41% of US Equity as stock concentration within the cap-weighted indexes has increased.

COAERS' US Equity diversifying strategies have increased the number of effective stocks, and thus increased overall diversification within the portfolio.

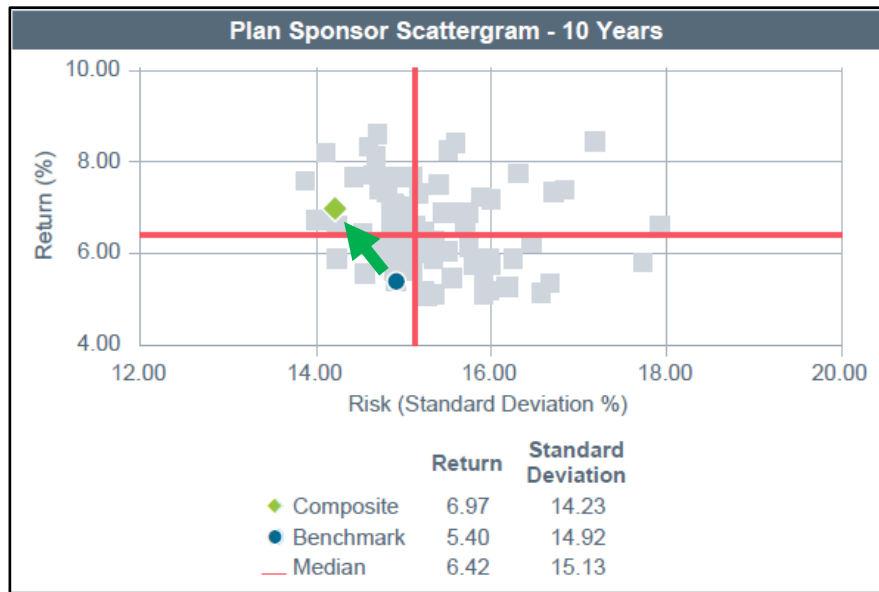


Active Management: COAERS employs active equity mandates across each of the three sub-asset classes, and the decision of whether to employ active management is guided by the opportunity set within each asset class. Opportunity for active management to outperform within the US is limited versus other markets. There is only one active strategy within US Equities, and it is unique in that it does not pick individual stocks.



Source: SPIVA Institutional Scorecard 2022

Within the DM and EM Equity portfolios, traditional active management is used by most of the mandates within each sub-asset class. Within DM Equity, active management as a percentage of net assets makes up 75% of the total sub-asset class. Over time horizons of ten years and longer, this decision has been accretive to the fund on a net of fees basis.



Source: RVK June 2Q23 Quarterly Report, annotated by Staff

EM Equity has only three mandates, which is fewer than the other equity sub-assets classes. Currently, the largest allocation (60%) is an actively managed mandate. The results of active management within EM Equity have been mixed over the years. The recent ten-year performance results show the portfolio underperforming the index by 31 basis points over ten years on a net-of-fees basis.

Implementation

Collective Investment Trusts (CITs): CITs have historically been used to gain access to large parts of the equity universe with a single investment. These vehicles provided cost-effective exposure to the market while maintaining daily liquidity. Currently, COAERS utilizes CITs to gain passive, equity index exposure within the US and the Emerging Markets sub-asset classes.

Futures: COAERS began investing in equity index futures in 2020, and since then, has used futures across all three equity sub-asset classes. While equity index futures provide the ability to assume leverage, COAERS does not currently use these instruments to add leverage and maintains fully collateralized futures positions. Equity index futures provide cost effective market exposure while reducing transaction costs when compared to holding individual securities or investing in a fund. This is especially true of emerging market equity index futures. As of the end of Q1, the Fund received approximately 4.8% of its total equity exposure using equity futures mandates and the remaining exposure through CITs and securities held in SMAs.

Securities: All three equity sub-asset classes hold individual securities through separately managed accounts except for Emerging Markets. The liquidity profile of many of the emerging market countries, in addition to operational complexities, make commingled vehicles the preferred vehicle choice and more cost effective.

Benchmarking

COAERS' Global Equity benchmark is the MSCI All Country World Index Investable Market Index (ACWI IMI), a global equity index comprised of small, medium, and large capitalization companies from developed and emerging markets. MSCI ACWI IMI includes over 9,000 constituents and represents most of the investable public market opportunity set.

At the sub-asset class level, the Investment Policy Statement (IPS) implements the following benchmarks:

- US Equity's benchmark is the MSCI USA Index, which is a market capitalization weighted benchmark of US public equities.
- DM Equity's benchmark is the MSCI World ex-US Index, which is a market capitalization weighted benchmark of developed market public equities; and
- EM Equity's benchmark is the MSCI EM Index, which is a market capitalization weighted benchmark of emerging market public equities.

The equity sub-asset class structuring reflects the makeup of Global Equity's benchmark, ACWI IMI. The largest component of the index and the portfolio is comprised of US Equities, followed by the rest of developed market equities, and then emerging market equities.

Within US Equities, COAERS employs several diversifying strategies as noted previously. While these strategies play a key role in reducing concentration risk within the indexes, they also incur tracking error when compared to the cap-weighted benchmark, the MSCI USA Index. Staff will review with the Board the current benchmark as well as other alternatives for US Equities at the next discussion of Global Equity benchmarks.

Summary

Global equity markets performed well in the first quarter of 2023 on an absolute basis, after experiencing negative performance during 2022. COAERS' Global Equity portfolio posted its second consecutive positive quarter for the year, and all equity mandates posted positive absolute returns over the same period. Overall, cap-weighted equity indexes continued their concentration around the largest names, which caused COAERS diversifying strategies to be a drag on performance. As the main growth engine within COAERS' overall portfolio, the current balance of equity mandates continues to provide a balanced mix of broad market exposure and active strategies. The current results, combined with the growing concentration of public equity indices, make the case to continue to seek out diversifying assets, especially growth assets as defined within a functional portfolio.

Glossary

- Collective investment trust (CIT): COAERS owns shares in a pooled fund that is sponsored by a bank or trust company and is open only to institutional investors. As such, it is not considered a security under US law and is governed instead by federal and/or state banking laws.
- Exchange Traded Fund (ETF): COAERS owns shares in a pooled fund that is sponsored by a bank or trust company. ETFs are traded on an exchange, and as such they offer intraday liquidity since they can be bought and sold intraday through a brokerage firm.
- Futures: COAERS owns futures on stock indices and bonds. Ownership of a future represents a contractual obligation to take delivery of the underlying stock index, bond, gold warrant, etc., at an agreed upon price and at a future date.
- Limited partnership (LP): COAERS is a limited partner in a legal entity that invests according to a pre-determined strategy and is managed by a general partner.
- Mutual fund (MF): COAERS owns shares in a pooled fund of both institutional and retail investors that is managed by a registered investment advisor according to US securities laws.
- Separately managed account (SMA): the underlying shares are owned directly by COAERS, and the manager has authorization to trade that account.
- Warrant: COAERS owns warrants on gold bars. The warrants are registered with the Commodity Exchange Inc. (COMEX) and are claims on individual gold bars stored in vaults throughout the United States.

Appendix

Global Equity: US Equities (Strategic Benchmark: MSCI USA Net Index)

- **Newton Capital Dynamic US Equity (DUSE):** this strategy seeks to outperform the broad US equity market while taking comparable amounts of risk by dynamically allocating between stocks, bonds, and cash. The strategy invests primarily in cash instruments and may also use modest amounts of borrowing using futures and options to control risk. The strategy is managed by Newton Investment Management in a separately managed account. The manager's performance benchmark is the S&P 500, a market cap weighted US large cap index.
- **Mellon Capital Scientific Beta Maximum Decorrelation:** this strategy seeks to outperform the broad US equity market while minimizing the volatility of the portfolio. Utilizing US large cap stocks, the portfolio weights are optimized by focusing on the pairwise correlation contributions to the portfolio. The strategy is managed by Mellon Capital and is held as shares of a collective investment trust (CIT) in which securities lending is not permitted. The manager's performance benchmark is the S&P 500, a market cap weighted US large cap index.
- **Mellon Scientific Beta Inflation Plus:** this strategy seeks to construct an equity portfolio that reacts positively to inflation surprises while maintaining the broad market exposure. The portfolio utilizes the constituents of the S&P 500 large cap stock index and weights the stocks based on their inflation sensitivities. The manager's performance benchmark is the Scientific Beta US Inflation Plus Index, a US large cap equity index weighted according to inflation sensitivities. The investment is managed by Legal & General Investment Management Americas (LGIMA), which is based in Chicago, Illinois and has a UK parent. It is managed in a separately managed account.
- **NISA S&P 500 Index Futures:** this strategy seeks to track the total return of the S&P 500 large cap stock index through the purchase of S&P 500 futures. The account is fully collateralized with Treasury bills and as a result no leverage is incurred. The mandate is managed through a separately managed account and benchmarked to the S&P 500. The investment manager is NISA Investment Advisors, which is based in St. Louis, Missouri.
- **NISA S&P 500 Index Options:** this strategy seeks to add leveraged equity exposure by buying S&P 500 Index options that are 10% in-the-money with an expiration of approximately three months. The purchase of the options is fully funded, and the leverage is provided through the option contract. The mandate is managed through a separately managed account and benchmarked to the S&P 500. The investment manager is NISA Investment Advisors, which is based in St. Louis, Missouri.
- **LGIMA MSCI USA Index Fund:** this fund seeks to track the total return of the MSCI USA index. The performance benchmark is the MSCI USA, a market cap weighted US large cap and mid cap equity index. The investment is managed by Legal & General Investment Management Americas (LGIMA), which is based in Chicago, Illinois and has

a UK parent. It is held as shares of a collective investment trust (CIT) in a share class where securities lending is not permitted.

- **TOBAM Maximum Diversification USA:** this strategy seeks to outperform the MSCI USA Index on a risk-adjusted basis by constructing a more diversified portfolio. Maximum Diversification USA utilizes TOBAM's patented Diversification Ratio to quantify portfolio diversification and then to maximize the ratio. By maximizing the diversification of a portfolio, risk-adjusted returns are improved as the portfolio is better compensated for each unit of risk. TOBAM is based in Paris, France, but is also registered with the SEC in the US. TOBAM manages the strategy in a separately managed account.
- **State Street MSCI USA Equal Weight Index:** this strategy seeks to track the total return of the MSCI USA Large Cap Equal Weighted Index. The manager's performance benchmark is the MSCI USA Equal Weighted Index, an equally weighted US large cap equity index. The investment is managed by State Street Global Advisors (SSGA), which is based in Boston, MA. The strategy is executed in a separately managed account.
- **State Street MSCI USA Small Cap Index Fund:** this fund seeks to track the total return of the MSCI USA Small Cap index. The performance benchmark is the MSCI USA Small Cap Index, a market cap weighted US small cap equity index. The investment is managed by State Street Global Advisors (SSGA), which is based in Boston, MA. It is held as shares of a collective investment trust (CIT) in a share class where securities lending is not permitted.

Global Equity: Developed Market Equities (Strategic Benchmark: MSCI World ex-USA Net USD Index)

- **1607 Capital Partners International Equities:** this strategy invests in shares of closed end mutual funds that trade at a discount to their net asset value. The manager's performance benchmark is a 90%/10% blend of the MSCI EAFE Net Index and the MSCI EM Net Index, respectively. The account is managed by 1607 Capital Partners of Richmond, Virginia and structured as a separately managed account (SMA) in which securities lending is not permitted.
- **Newton Capital Dynamic ex-US Equity (DEXUS) Fund:** this fund seeks to outperform the broad global ex-US equity market while taking comparable amounts of risk by dynamically allocating between stocks, bonds, and cash. The fund invests primarily in cash instruments and may also use modest amounts of borrowing using futures and options to control risk. The strategy is managed by Newton Investment Management and is held as shares of a collective investment trust (CIT) in which securities lending is not permitted. The manager's performance benchmark is the MSCI All Country World Index ex-USA, a market cap weighted index of global large cap stocks domiciled outside the US.
- **NISA EAFE Equity Futures:** this strategy seeks to track the total return of the MSCI EAFE equity index through the purchase of EAFE equity futures. The account is fully

collateralized with Treasury bills and as a result no leverage is incurred. The mandate is managed through a separately managed account and benchmarked to the MSCI EAFE Equity Index. The MSCI EAFE Equity Index includes large and mid-cap stocks from 21 developed nations around the world, excluding the United States and Canada. The investment manager is NISA Investment Advisors, which is based in St. Louis, Missouri.

- **NISA Hedged EAFE Equity Futures:** this strategy seeks to track the total return of the MSCI EAFE equity hedged to USD index through the purchase of EAFE equity futures and the sale of foreign currency futures. The account is fully collateralized with Treasury bills and as a result no leverage is incurred. The mandate is managed through a separately managed account and benchmarked to the MSCI EAFE Hedged to USD Equity Index. The MSCI EAFE Equity Hedged to USD Index includes large and mid-cap stocks from 21 developed nations around the world, excluding the United States and Canada. The investment manager is NISA Investment Advisors, which is based in St. Louis, Missouri.
- **NTAM Developed International Small Cap (DISC) Fund:** this fund seeks to track the returns of the MSCI World ex-US Small Cap Index, a market cap weighted index representing small cap equities in all 23 Developed Markets (DM) countries except the US. The investment is made via shares in a mutual fund managed by Northern Trust Asset Management, which is based in Chicago, Illinois. The manager's performance benchmark is the MSCI World ex US Small Cap Index.
- **Walter Scott EAFE Equities:** this strategy holds 40-50 high quality large cap international (90-100% in developed markets and up to 10% in emerging markets) stocks with good long-term fundamentals and reasonable valuation. The investment is structured as a separately managed account (SMA) managed by Walter Scott & Co., a firm based in Edinburgh, Scotland. The manager's performance benchmark is the MSCI EAFE Net Index.

Global Equity: Emerging Market Equities (Strategic Benchmark: MSCI EM Net USD Index)

- **Baillie Gifford Emerging Market Equities Fund:** this fund holds 60-70 high quality emerging market stocks with strong long-term growth prospects and attractive valuation. The investment is held as shares of a mutual fund managed by Baillie Gifford & Co., a firm based in Edinburgh, Scotland. The manager's performance benchmark is the MSCI Emerging Markets Net index.
- **NISA EM Equity Futures:** this strategy seeks to track the total return of the MSCI EM stock index through the purchase of EM equity futures. The account is fully collateralized with Treasury bills and as a result no leverage is incurred. The mandate is managed through a separately managed account and benchmarked to the MSCI EM Equity Index. The MSCI EM Equity Index includes large and mid-cap stocks from 26 emerging market countries. The investment manager is NISA Investment Advisors, which is based in St. Louis, Missouri.

- **LGIMA MSCI EM Index Fund:** this fund seeks to track the total return of the MSCI Emerging Markets (EM) Index. The manager's performance benchmark is the MSCI EM, a market cap weighted index comprised of 26 emerging economies' large cap and mid cap companies. The investment is managed by Legal & General Investment Management Americas (LGIMA), which is based in Chicago, Illinois and has a UK parent. It is held as shares of a collective investment trust (CIT) in a share class where securities lending is not permitted.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 7: Investment Committee

B. Receive report on updated Asset/Liability Study

AGENDA ITEM OBJECTIVE

The Board will receive a presentation on the updated Asset/Liability study.

RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.** The Asset/Liability study is an action item included in this goal under the investment program strategic objectives.

RECOMMENDATION FOR BOARD ACTION

At the Board's discretion.

BACKGROUND

The Investment Policy Statement requires the Board to conduct an Asset/Liability Study at least every five years or in the event of a significant change in the System's contribution policy or liabilities. Given the passage of legislation changing the System's contribution policy, RVK has updated the Asset/Liability Study presented at the February IC meeting.

The study covers a twenty-year period and has been prepared by RVK specifically for COAERS to:

- Present projected valuation results with respect to the funded status of the Plan.
- Present projected benefit payments of the Plan.
- Investigate asset mixes to determine those that best serve to protect and increase funding levels while providing adequate liquidity for benefit payments.

Staff will review key takeaways from the updated Asset/Liability Study with the Board.

ATTACHMENTS

1. Staff Presentation on Asset/Liability Study Before and After SB 1444
2. Staff Asset/Liability Study Memo
3. RVK 2023 Asset/Liability Study Executive Summary

SUPPLEMENTAL INFORMATION PROVIDED VIA CONVENE APP

1. RVK 2023 Asset/Liability Study



Asset Liability Study Comparisons: Before and After SB 1444

Christopher Hanson
Executive Director
September 21, 2023

KEY TAKEAWAYS

- System funded ratio improves across all scenarios with the passage of SB 1444
- The System's unfunded actuarial accrued liabilities (UAAL) trend significantly lower with the passage of SB 1444 at the end of the projection period
- Future net cash flows are significantly better after passage of SB 1444
- Should long-term investment performance results tend closer to RVK's assumptions, additional policy steps would be prudent
- Additional portfolio diversification could provide better risk-adjusted returns

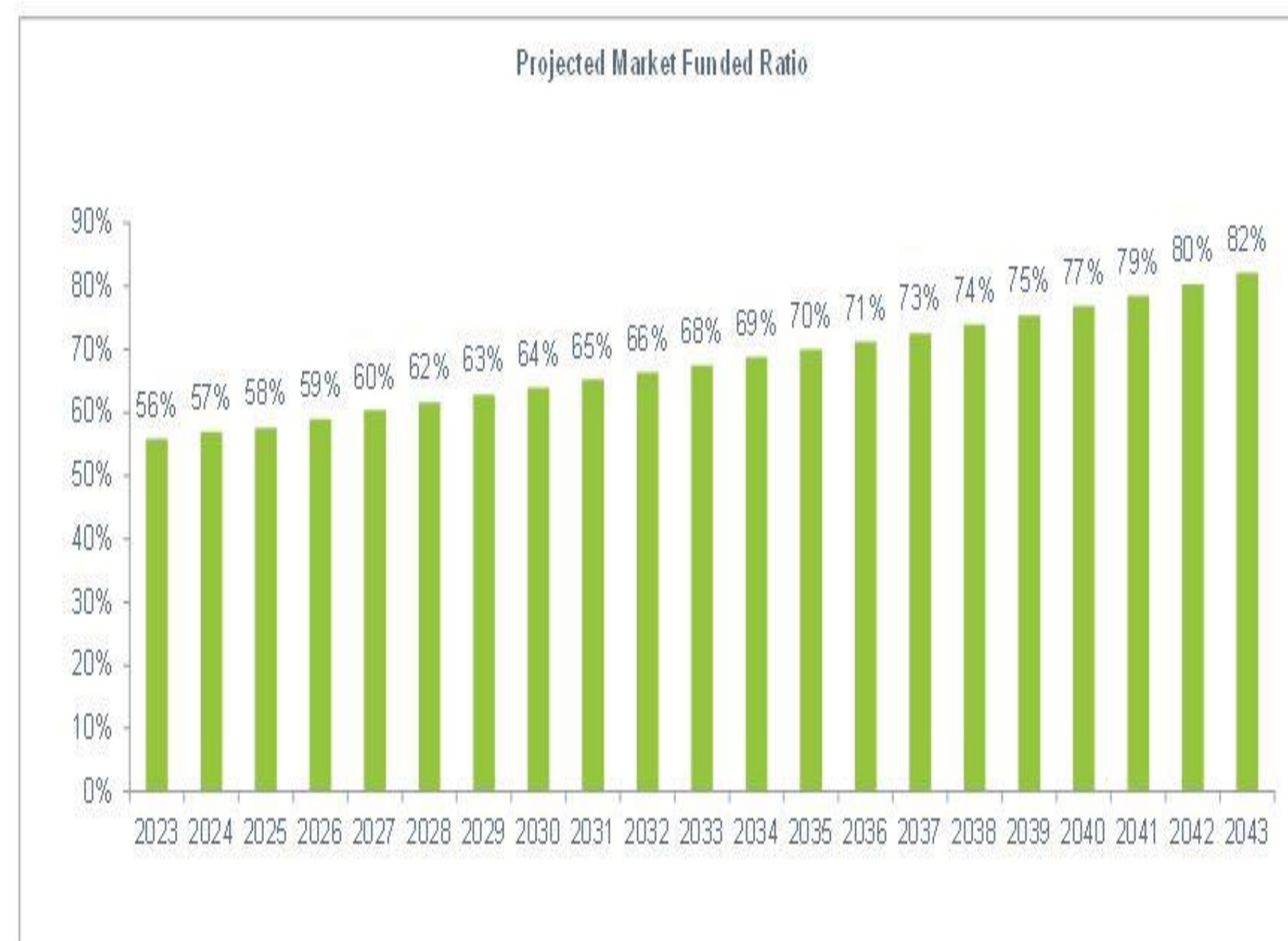


System Funding – Deterministic Assumed Rate of Return

BEFORE



AFTER



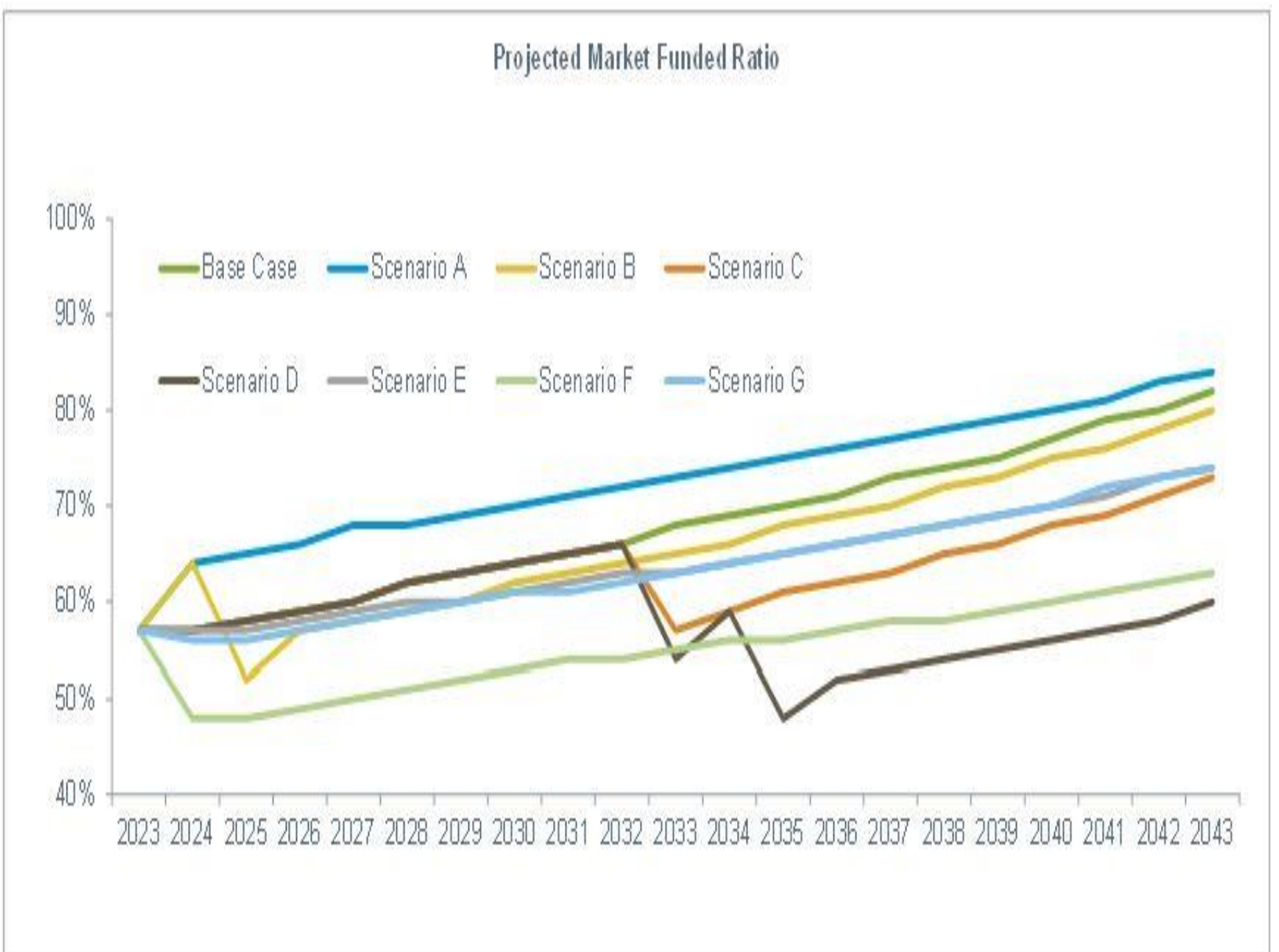
(see page 15 of RVK Asset Liability Study)

System Funding – Sensitivity Analysis

BEFORE



AFTER



(see pages 17-18 of RVK Asset Liability Study)

System Funding – Stochastic Modeling

BEFORE

10 Years	Market Funded Ratio in Year 10		
	50th	5th	95th
100% Fixed Income	41%	30%	55%
60/40	48%	26%	85%
Current Target	50%	24%	97%
W/PC & PE	52%	24%	102%
100% Equity	53%	19%	133%

20 Years	Market Funded Ratio in Year 20		
	50th	5th	95th
100% Fixed Income	21%	5%	41%
60/40	35%	2%	102%
Current Target	39%	1%	127%
W/PC & PE	43%	1%	141%
100% Equity	48%	0%	223%

AFTER

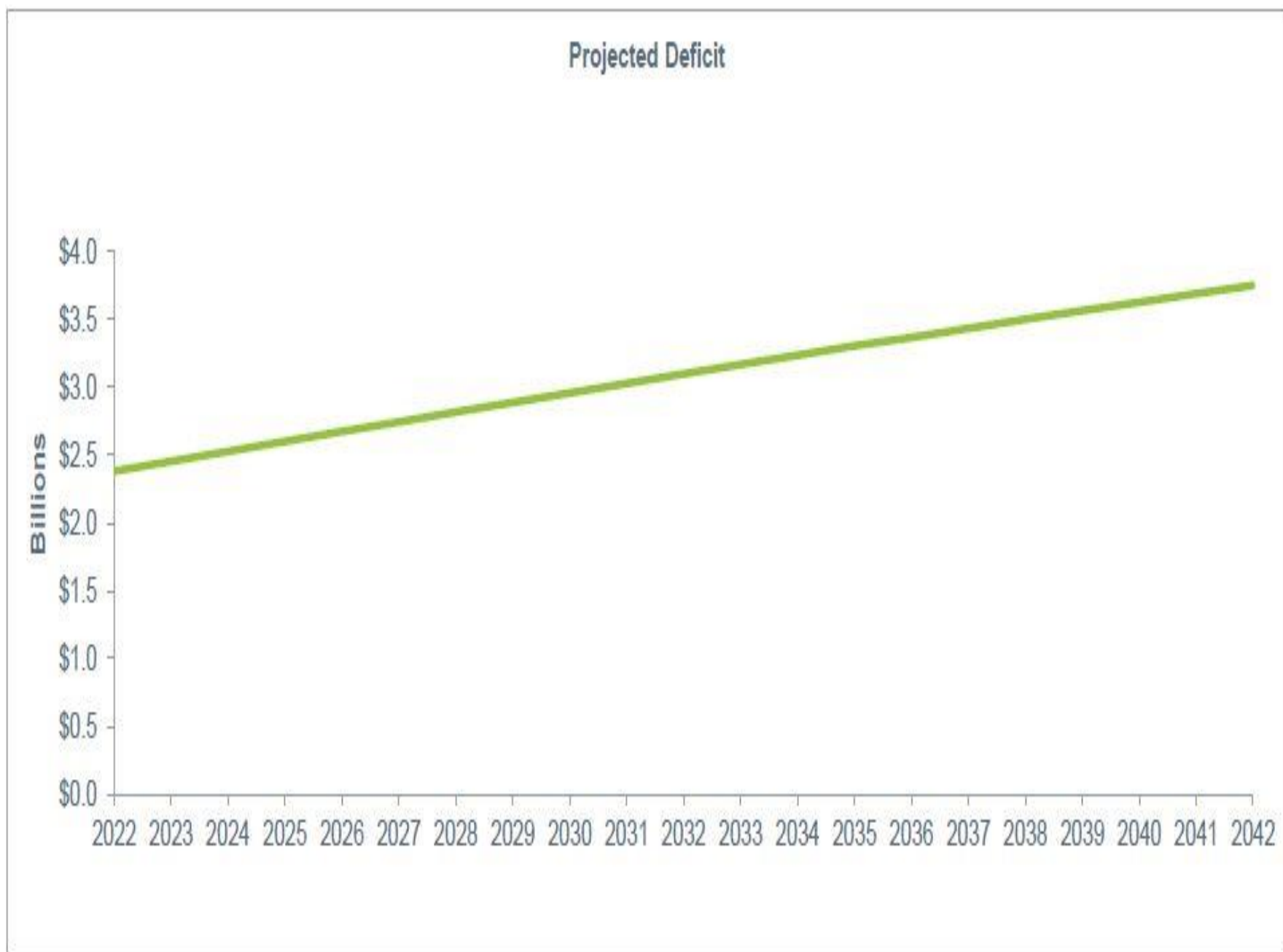
10 Years	Market Funded Ratio in Year 10		
	50th	5th	95th
100% Fixed Income	52%	41%	65%
60/40	60%	37%	98%
Current Target	62%	35%	109%
Potential Target	62%	36%	108%
W/PC & PE	63%	36%	111%
100% Equity	66%	30%	145%

20 Years	Market Funded Ratio in Year 20		
	50th	5th	95th
100% Fixed Income	46%	29%	68%
60/40	65%	27%	125%
Current Target	69%	25%	151%
Potential Target	70%	26%	150%
W/PC & PE	72%	26%	160%
100% Equity	79%	19%	250%

(see page 27 of RVK Asset Liability Study)

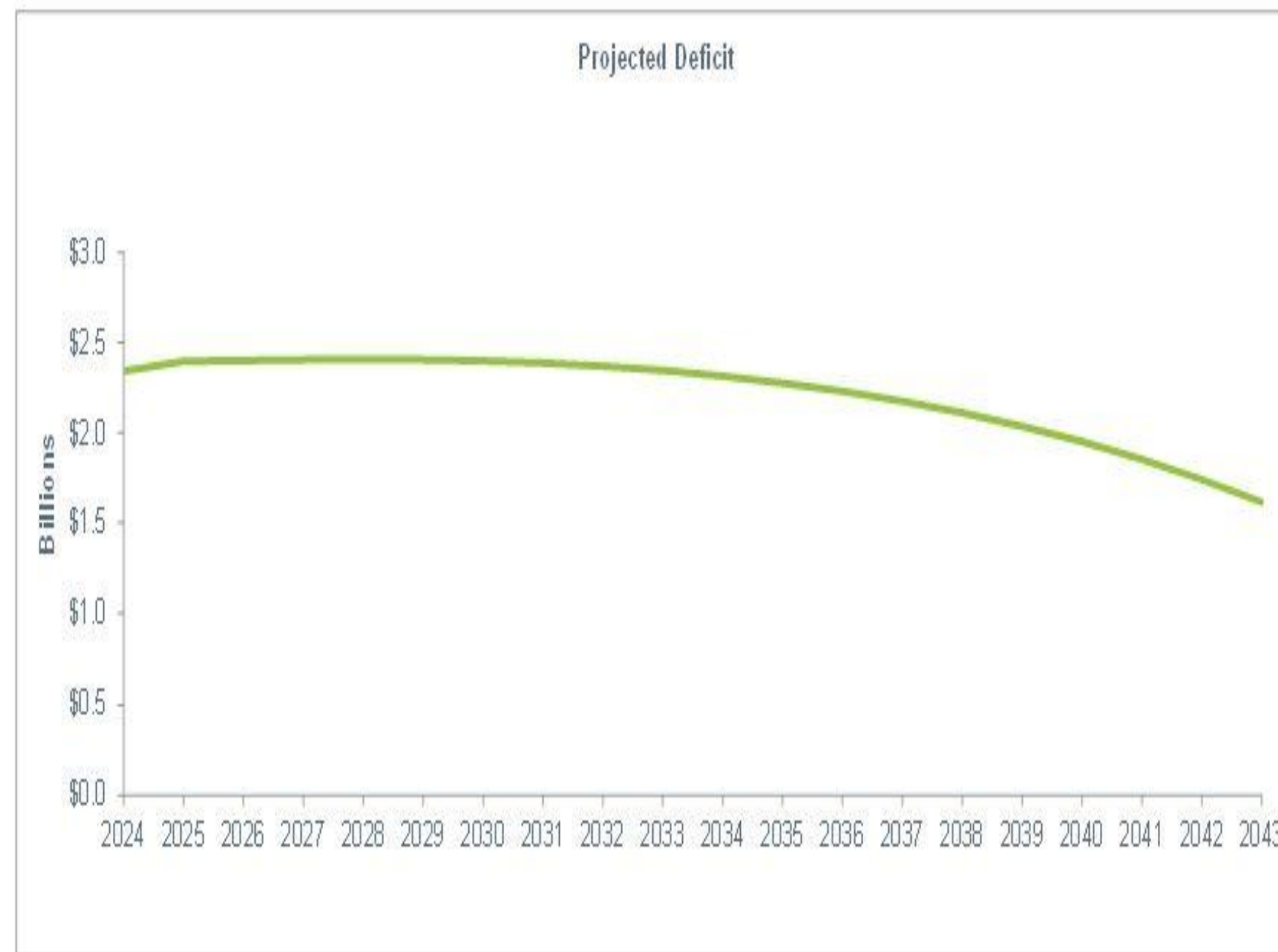
System Funding – UAAL

BEFORE



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Deficit	\$2.4	\$2.5	\$2.5	\$2.6	\$2.7	\$2.7	\$2.8	\$2.9	\$3.0	\$3.0	\$3.1	\$3.2	\$3.2	\$3.3	\$3.4	\$3.4	\$3.5	\$3.6	\$3.6	\$3.7	\$3.8

AFTER



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Deficit	\$2.3	\$2.3	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.4	\$2.3	\$2.3	\$2.3	\$2.2	\$2.2	\$2.1	\$2.0	\$2.0	\$1.9	\$1.7	\$1.6

(see page 14 of RVK Asset Liability Study)

System Cash Flows

BEFORE

As % of Market Value

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Net Cash Flow	2.1%	2.3%	2.6%	2.8%	3.0%	3.2%	3.4%	3.6%	3.8%	3.9%	4.1%	4.2%	4.2%	4.2%	4.1%	4.1%	3.9%	3.8%	3.6%	3.5%	3.3%

AFTER

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%

(see page 12 of RVK Asset Liability Study)



Long-Term Investment Performance

RVK’s capital market assumptions are lower than the System’s assumed rate of return and investment performance that is closer to RVK’s assumptions would likely require additional policy considerations

Memorandum

To	City of Austin Employees’ Retirement System
From	RVK, Inc.
Subject	Asset/Liability Study – Executive Summary
Date	July 6, 2023

Introduction

The purpose of this memorandum is to summarize the key inferences we draw from the Asset/Liability (“AL”) study of the City of Austin Employees’ Retirement System (“COAERS” or the “System”). While this memorandum refers directly to points raised within the study, we emphasize that a full understanding of the AL study and its implications requires a close review of the study in its entirety.

Background and Key Conclusions

As of the fiscal year ending December 31, 2021, the date of the most recent actuarial valuation and the start date of the projections in this study, the System was approximately 71% funded (on a market value basis). **This study assumes a 15.6% loss on the COAERS portfolio for calendar year 2022.** Assuming a 2022 return of -15.6%, we estimate the funded ratio has fallen to 56%. This equates to a funding shortfall of approximately \$2.3 billion.

This updated study reflects changes to the contribution policy recently enacted by legislation. The proposed contribution policy is a material improvement over the existing policy, with projected stochastic modeling showing funded status moving up from 39% to 69% for the current Target Allocation. While the 20-year stochastic projections still do show a notable underfunded status, it is important to note that these projections assume a 6.1% average return over the period (compared to the actuarial assumed rate of 6.75%) and no further changes to investment or contribution policy.

Strategic Asset Allocation

Taking the next step from the Asset/Liability (AL) Study, the Committee and Board will consider the Strategic Asset Allocation. Important considerations resulting from the AL Study and passage of SB 1444 for this process include:

1. The new contribution policy improves future net cash flows and would allow the System to consider a reasonable reduction in total fund liquidity
2. Additional private markets allocation could improve the risk-return profile of the Fund
3. The Fund could take slightly more risk through a portfolio which could include private credit and private equity

(see page 23 of RVK Asset Liability Study)



	100% FI	60/40	Current Target	Potential Target	W/PC & PE	100% Eq
Global Equity	0	60	56	53	47	100
US Agg Fixed Income	100	40	0	0	0	0
COAERS Fixed Income	0	0	21	21	19	0
COAERS Real Assets	0	0	15	15	15	0
COAERS Multi-Asset	0	0	7	0	0	0
Private Credit	0	0	0	10	10	0
Private Equity	0	0	0	0	8	0
Cash Equivalents	0	0	1	1	1	0
Total	100	100	100	100	100	100
Capital Appreciation	0	60	60	63	65	100
Capital Preservation	100	40	24	22	20	0
Alpha	0	0	0	0	0	0
Inflation	0	0	16	15	15	0
Expected Arithmetic Return	4.0	6.3	6.8	6.9	7.1	7.8
Expected Risk (Standard Deviation)	5.0	10.3	12.0	11.7	12.2	16.4
Expected Compound Return	3.9	5.8	6.1	6.3	6.4	6.6
Expected Sharpe Ratio	0.30	0.37	0.36	0.38	0.38	0.32
RVK Expected Eq Beta (LCUS Eq = 1)	0.07	0.61	0.71	0.69	0.71	0.97
RVK Liquidity Metric (T-Bills = 100)	85	88	85	77	70	90



Investment Staff Memo on RVK Asset/Liability Study

In reviewing the Asset/Liability Study as presented by RVK, Staff notes to the Committee the following key takeaways:

Contribution Policy – As discussed previously, the actuarially determined employer contribution (ADEC) rate policy is significantly better than a fixed rate contribution policy. This can be seen through an increasing market value funding ratio throughout the deterministic projection period (p. 15). Importantly, the ADEC increases contributions during periods of poor market experience that significantly improve outcomes in the stochastic modelling process where even in 5th percentile scenarios the System does not fully deplete its assets (p. 25, 26).

Expected Returns – Staff notes that the efficient frontier of investable portfolios, including those that include private markets strategies, in the stochastic analysis all have estimated compound returns that are below the System's assumed rate of return (p. 24). The effects of these lower assumptions can be seen in the deterministic scenario analysis (p. 17) and stochastic analysis (p. 25). Staff notes that these lower return assumptions are based on capital market assumptions, which tend to have a high degree of uncertainty and should be viewed as a general guidepost for assessing the risk and return profile of the Fund. Additionally, Staff notes that the ADEC policy still leads to improved market value funded ratios over the projection period in the median stochastic scenario for all portfolios except for 100% fixed income (p. 27).

Risk – The stochastic analysis shows the deleterious effects of pursuing too much or not enough risk in the investment program. Too little risk is likely to lead to lower returns over time while too much risk is likely to lead to larger maximum losses for the Fund. The range of diversified portfolios included in the stochastic analysis range from 9-13% expected volatility and suggest that the Fund may be able to bear marginally more risk through a differentiated portfolio of growth investments, which could include private credit and private equity (p. 24).

Asset Allocation – The study suggests, based on RVK capital market assumptions, that additional private markets exposure could help improve the risk and return profile of the Fund. This can be seen through the improved convexity shown in the stochastic analysis with marginally better upside and downside outcomes (p. 26, 27). Staff notes that appropriate sizing of any such allocations should carefully consider the liquidity needs of the System, which have improved with the new contribution policy, among other important factors.

Liquidity – The study suggests that the System can take on significant amounts of illiquidity in its investments under the deterministic analysis (p. 13). When incorporating portfolio volatility, payout ratios also decrease in the median scenarios, but increase significantly in the 5th percentile scenarios to levels which would imply a need for a measured approach to investing in less liquid strategies (p. 28-30).



Memorandum

To	City of Austin Employees' Retirement System
From	RVK, Inc.
Subject	Asset/Liability Study – Executive Summary
Date	August 25, 2023

Introduction

The purpose of this memorandum is to summarize the key inferences we draw from the Asset/Liability (“A/L”) study of the City of Austin Employees’ Retirement System (“COAERS” or the “System”). While this memorandum refers directly to points raised within the study, we emphasize that a full understanding of the A/L study and its implications requires a close review of the study in its entirety.

Background and Key Conclusions

As of the fiscal year ending December 31, 2021, the date of the most recent actuarial valuation and the start date of the projections in this study, the System was approximately 71% funded (on a market value basis). **This study assumes a 15.6% loss on the COAERS portfolio for calendar year 2022.** Assuming a 2022 return of -15.6%, we estimate the funded ratio has fallen to 56%. This equates to a funding shortfall of approximately \$2.3 billion.

This updated study reflects changes to the contribution policy recently enacted by legislation. The proposed contribution policy is a material improvement over the existing policy, with projected stochastic modeling showing funded status moving up from 39% to 69% for the current Target Allocation. While the 20-year stochastic projections still do show a notable underfunded status, it is important to note that these projections assume a 6.1% average return over the period (compared to the actuarial assumed rate of 6.75%) and no further changes to investment or contribution policy.

As highlighted below, this study suggests that continued diversification in the investment of the System’s assets is desirable. The study, however, suggests caution in assuming that increased pursuit of higher expected returns, through even more aggressive (and hence even more volatile) asset allocations, is always beneficial. High expected return and high expected risk approaches also bring increased risk of large declines in the value of the System’s assets and increased volatility in required contributions, with potential strains on System liquidity.

The Purpose of an Asset/Liability Study

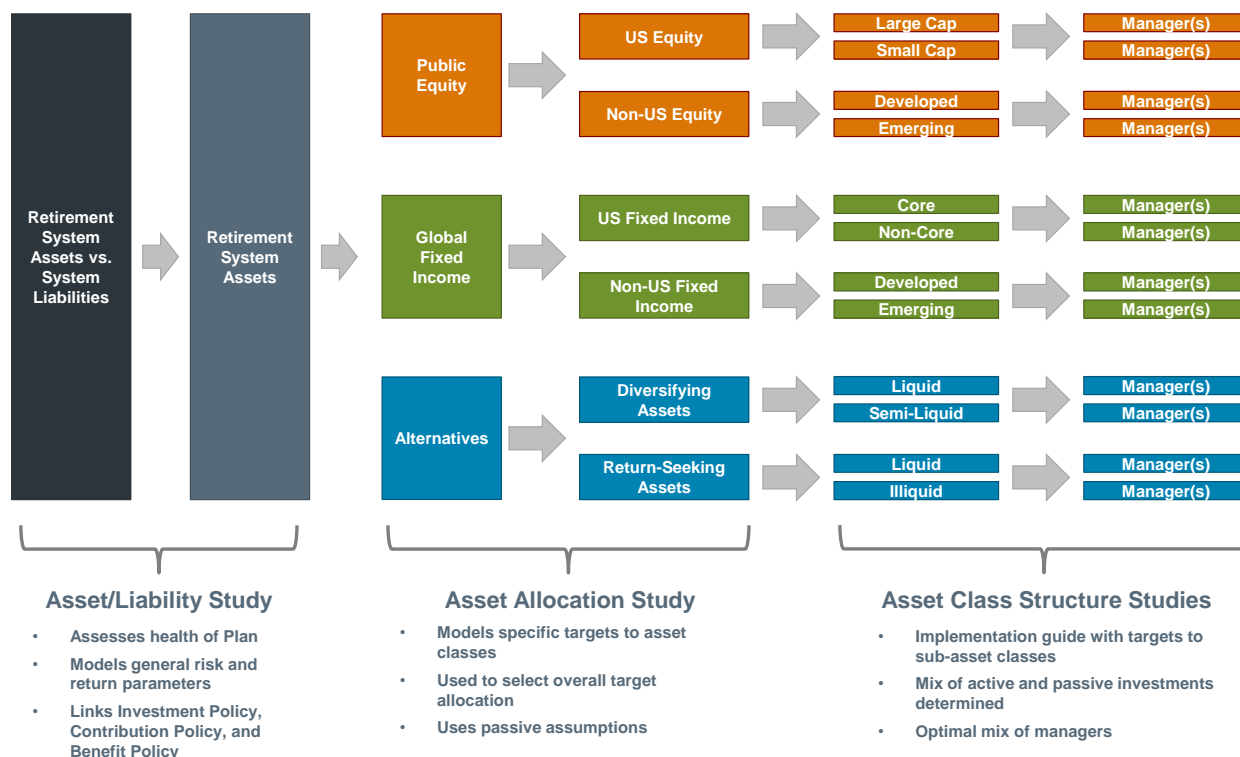
The central purpose of an A/L study is to examine the probable future consequences, over extended periods of time, of applying alternative asset allocation strategies to the System’s investment assets in order to fund the liabilities created by the benefit provisions of the System. A/L studies are unique in their ability to combine in a single analysis the three critical factors that drive the financial health of the System—benefit policy (liabilities), contribution policy, and



investment strategy (asset allocation). Certainly, this type of forward-looking study cannot indicate with any reliability what will happen in any given year over this extended period of time, and its insights are dependent on the assumptions used. However, we have high conviction that the results of the study paint a highly reliable view of the core long-term trends in the System’s financial health.

Best practice, in our judgment, is to take the general direction suggested as most appropriate by this study with its unique consideration of liabilities, contribution policy and trending liquidity needs and refine it in an asset allocation study where implementing the System’s structure can reflect the pragmatic considerations of investing in the capital markets present at any given point in time.

While this study does not suggest modifying the risk profile of the current asset allocation strategy, refinements to asset allocation and asset class structure will be evaluated as the Board moves through the activities and decision points from left to right in the below investment decision framework.



Deterministic versus Stochastic

In this study, we examined a series of related questions associated with this central purpose, projecting future outcomes under two distinctly different methodologies:



1. a **deterministic** basis (all underlying assumptions, liabilities, contributions and most critically investment returns, are achieved precisely and without variance in each and every year); and
2. a **stochastic** basis (outcomes for investment returns vary each year according to estimated volatility with contribution *requirements* following suit while *actual* contribution policy and liabilities remains in their current form).

Key Results

Below you will find a series of important findings, forecasts, and conclusions drawn from the body of the study. While the remarks are presented here to allow a quick assessment of some of the key findings, they represent only a sampling of the fundamental elements of the study. We emphasize that a solid understanding of each element requires that they be reviewed as they are presented in the study itself within their surrounding context (please note the frequent page references to the full study). This is especially important to understanding the findings which represent *probable, but not certain*, outcomes as analyzed in the stochastic section of the study.

At the Outset:

- As of December 31, 2021 (the date of the actuarial valuation used to model liabilities), the System's market value funded ratio (available assets to fund benefit obligations) was 71% (page 6). We project this has fallen to approximately 56% as of December 31, 2022 based on a -15.6% return for the year.
- The number of active members currently exceeds the number of benefit receiving inactive members by approximately 42%. Over time, the inactive population is projected to grow relative to the active member population ending the projection period with active members exceeding the inactive members by less than 5% in 2042 (page 8). The study assumes a level active population over the projection period. The maturing demographics of the System is an important factor when considering the findings on System risk/return options and the projected status of System liquidity below.

Deterministic Analysis: A deterministic analysis assumes full certainty about the future, in particular, certainty of investment returns. Its virtues are that it is simple and that the findings reflect what will happen if the future turns out to be precisely as forecasted—no better, but also no worse.

- As a result of an increasing number of beneficiaries and inflation, benefit payments to System participants are expected to increase by 114% over the next 20 years (page 9). Annual increases are projected to average approximately 4%.
- Total annual dollar contributions (employer and employee) are expected to increase through the projection period by approximately 101% (page 10). Please note however, that precise actuarially required rates as they unfold are the purview of the System's



actuary and are affected by factors other than investment returns and resulting asset values of the System.

- Aggregate benefit payments are expected to increase by about 114% over the next 20 years and remain roughly constant as a percentage of System assets before beginning to decline again near the end of the projection period (pages 9 and 13). While increasing payout ratios can be a concern, they remain relatively healthy and sustainable on an absolute basis during this period. This is an important and positive indication, because increased payout ratios, if they rise sufficiently high, can potentially impose liquidity constraints on the management of the portfolio (inhibiting the ability of the System to invest with a long-term horizon), therefore limiting the opportunity to invest in less liquid asset classes regardless of the return or risk reducing diversification benefits they offer.
- As assets grow each and every year without exception at the assumed rate of return (6.75%), the funding ratio on a market value basis is expected to gradually increase to approximately 82% by 2042 from the current value of 56% (page 15).
- The System would need to experience annual returns in excess of 11.2% over the next 10 years or 8.2% over the next 20 years without exception in each and every year in order to reach full funding (page 16). Achieving such lofty returns on such a sustained basis is extremely unlikely in our judgment and underscores our conclusion that investment returns alone cannot move the System to full funding.
- Investment strategies that introduce increasing volatility in the System's returns over the next 20 years result in lower funded ratios in 20 years. Scenarios C (-10% in 2032 and +10% in 2033) and D (beginning in 2032 and assumes a return pattern of -15%, +15%, -15%, +15%) shown on page 17 of the full study illustrate this point. These scenarios show decreases in ending projected funded ratios at 73% and 60%, respectively. The key conclusion from this part of the study is that volatility – specifically declines and subsequent recoveries in the Plan's assets – and *when* they occur can have a significant effect on cumulative plan contributions.
- Experiencing a return of 75 basis points below the System's current assumed rate of return of 6.75% (i.e., 6.00%) each year for the 20 year projection period (Scenario E) would result in a decline in the projected market funding ratio to 74% in year 20 versus 82% at the current assumed rate of return (page 17). Given the widely shared concerns about the prospects for a low return environment in the capital markets over the foreseeable future, this is a conclusion that should be thoroughly understood and appreciated. In the event that capital markets do not support returns commensurate with the assumed rate of return, reliance on contributions to complete the payout of the System's liabilities effectively increases, especially in later years.
- Finally, Scenario G assumes returns of 6.75% per year, just as the base case. However, in this scenario, the expected return is met but achieved in an environment where wage inflation is projected to be 5.00% per year rather than the base projection of 2.50%. This



scenario, particularly relevant currently, generates a significantly higher projected actuarial accrued liability, approximately 35% higher than the base case. This requires substantially higher contributions during the projection period, \$1.3 billion more during the period. As observed in the previous scenarios, the return pattern matters. This scenario shows that inflation also plays a material role in the outcome of the System going forward. Stated more directly, persistently high inflation (1) increases Plan liabilities, (2) raises employer contribution costs, and (3) weakens the financial health of the System.

Stochastic Analysis: Unlike a deterministic analysis, a stochastic analysis does not assume an unvarying stream of expected investment returns year after year. Instead, it reflects the realistic view that pension plan investment returns are—like the investment markets themselves—volatile and always uncertain. This means that there are a range of possible outcomes for the System; some are more likely, others less likely, but still possible.

The deterministic approach is useful for gauging the general direction of change and associated consequences, but adding the element of uncertainty—more specifically year to year variability in the performance of the capital markets and the value of the System’s assets over time—can offer additional insights, albeit along with considerable complexity.

Uncertainty in future investment returns is taken into account via a stochastic analysis of six different investment approaches (in the table below and on page 23) ranging from highly conservative (low risk, asset protective) to highly aggressive (high return-seeking with substantial associated risk), including the Target Allocation of the System. The reason for testing such a broad range of approaches is that at the heart of the System’s situation is a simple question that is difficult to answer: whether the System is better off following a strategy that:

- (A) Falls in the general category of higher prospective return with greater risk (i.e. potential for more widely varying outcomes – good or bad), or
- (B) Falls in the general category of lower prospective return with concomitantly lower risk (i.e. a tighter band of likely outcomes).



	100% FI	60/40	Current Target	Potential Target	W/PC & PE	100% Eq
Global Equity	0	60	56	53	47	100
US Agg Fixed Income	100	40	0	0	0	0
COAERS Fixed Income	0	0	21	21	19	0
COAERS Real Assets	0	0	15	15	15	0
COAERS Multi-Asset	0	0	7	0	0	0
Private Credit	0	0	0	10	10	0
Private Equity	0	0	0	0	8	0
Cash Equivalents	0	0	1	1	1	0
Total	100	100	100	100	100	100
Capital Appreciation	0	60	60	63	65	100
Capital Preservation	100	40	24	22	20	0
Alpha	0	0	0	0	0	0
Inflation	0	0	16	15	15	0
Expected Arithmetic Return	4.0	6.3	6.8	6.9	7.1	7.8
Expected Risk (Standard Deviation)	5.0	10.3	12.0	11.7	12.2	16.4
Expected Compound Return	3.9	5.8	6.1	6.3	6.4	6.6
Expected Sharpe Ratio	0.30	0.37	0.36	0.38	0.38	0.32
RVK Expected Eq Beta (LCUS Eq = 1)	0.07	0.61	0.71	0.69	0.71	0.97
RVK Liquidity Metric (T-Bills = 100)	85	88	85	77	70	90

Essential to answering this question is to ask precisely how the System and its broader constituencies define what “better off” means. The metrics we use for each to determine whether the System is “better off” under one approach versus another are as follows:

- (1) The effect on funding ratio (and thus on contribution rates which decline with higher funding ratios).
- (2) The effect on System liquidity (i.e. the System’s ability to pay annual benefits without major disruption of its strategic asset allocation, the driver of its investment strategy).
- (3) The effect on the trend line and stability of annual contributions.
- (4) The risk of large, sudden, and highly disruptive short-term declines in the System’s assets over the course of time and the associated effects on contributions and potentially investment decisions as well.

The results of this analysis are displayed on pages 25 through 31 of the accompanying A/L study. For purposes of this summary, the consequences of choosing A versus B, as described on the prior page, is summarized most clearly in the tables on pages 26 and 27 of the study (copied below followed by explanatory comments).



20 Years	Probability of Full Funding	Probability of < 56% (Current) Funding	Probability of < 40% Funding	Probability of Asset Depletion	Maximum 1 Year Investment Loss
100% Fixed Income	0%	76%	26%	0%	-15%
60/40	13%	37%	17%	0%	-30%
Current Target	21%	34%	17%	0%	-32%
Potential Target	22%	32%	16%	0%	-31%
W/PC & PE	24%	31%	16%	0%	-32%
100% Equity	37%	31%	19%	0%	-42%

20 Years	Market Funded Ratio in Year 20			Cumulative Employer Contributions Year 20 (Billions)			Payout Ratios		
	50th	5th	95th	50th	5th	95th	Year 20	Years 1 to 20	
							Median	Peak	Trough
100% Fixed Income	46%	29%	68%	\$5.6	\$6.0	\$5.2	14%	22%	9%
60/40	65%	27%	125%	\$5.3	\$5.9	\$3.8	10%	24%	5%
Current Target	69%	25%	151%	\$5.2	\$5.8	\$3.6	9%	26%	4%
Potential Target	70%	26%	150%	\$5.2	\$5.8	\$3.6	9%	25%	4%
W/PC & PE	72%	26%	160%	\$5.1	\$5.8	\$3.5	9%	25%	4%
100% Equity	79%	19%	250%	\$4.9	\$5.8	\$3.4	8%	33%	3%

The results of the stochastic analysis assume the new contribution policy and no changes are made to the benefit or investment policies throughout the projection period.

- The diversified and 100% equity portfolios result in median expected funding ratios at the end of the 20 year study period that are higher than current funding level (79%) (pages 26 and 27). The 100% Fixed Income portfolio results in a median projected funded ratio well below current levels at 46%.
- None of the portfolios show a likely probability of full funding in 20 years (page 26). The 100% Fixed Income portfolio shows no probability of full funding in 20 years with a value of 0%. The other portfolios show probabilities ranging from 13% to 37%.
- The 100% Fixed Income portfolio shows a median payout ratio of 14%, this is not sustainable (page 29). None of the other portfolios show a significant probability of extreme median payout ratios over the next 20 years (pages 28 and 29). However, each of the portfolios do indicate liquidity may be a concern at some point in the future following a market decline. Each of the portfolios has about a 25% probability of payout ratios exceeding 15% at some point during the projection period. High payout ratios severely limit the System's ability to invest in illiquid strategies and may inhibit the System's ability to invest with a long-term focus reducing the potential return opportunities. In short, a heavy reliance on illiquid investments risks could turn even normal asset value declines into disruptive events.
- The cumulative cost of providing the System's benefits is met through a combination of contributions and the investment returns on those contributions. The 100% Fixed Income portfolio will require the largest future increase in contributions (i.e., the direct funding of benefits) (pages 30 and 31).
- The 100% Equity portfolio does appear to have the highest *probability* of producing full funding by 2042 at 37% (page 26). *However*, it also has a maximum theoretical one-year portfolio decline of 42%—a loss of almost one half of the System's assets, significant we



believe by any standard. This likelihood of notably larger one year declines within the study period gives pause to the desirability of a far more aggressive approach simply from a quantitative viewpoint. It also suggests it may be a strategy that is extremely difficult for decision makers to sustain over a long period of time. Declines in the total fund market value of this magnitude are a disruptive event from all aspects of System management. Yet, the benefit of such an aggressive approach that makes it superficially attractive can only be realized with any probability if the aggressive and highly volatile approach is maintained for several decades through good times, bad times, and unnerving times. Furthermore, this type of strategy could prove difficult to maintain in future years should demographic (early retirement incentives for example) or financial events create higher liquidity demands on the System. For all these reasons, it is not an approach that should be seriously considered without full recognition of the significant risks.

- In aggregate, the above comments support the continued utilization of a diversified investment approach.
- Once again, we state for emphasis, the proposed contribution policy leads to far superior (although not ideal) outcomes compared to the existing policy. The median projected funded ratio for the Current Target assuming the proposed policy is 69%.

Final Comments

This A/L study shows that the System is currently underfunded. The System can best strive to meet its objectives through the continued use of an efficiently diversified investment portfolio that is compensated for the risks taken and focuses on maintaining reasonable liquidity. **However, outcomes achieving full funding in the projection period are limited due to the contribution policy.** The study is not supportive of a long-term, ultra-conservative approach. The increasing potential for large one-year declines suggests that there is likely a limit to the net benefits of adding increased risk in pursuit of additional return.

Progress should be monitored periodically through studies such as these, particularly if the System encounters a sustained period of lower returns in the capital markets (and thus for the System's assets) as well as material changes in contribution policy or benefit levels. Additionally, given the System's vulnerability to severe market drawdowns, a robust risk management framework should be considered.

Additionally, this study assumes no further changes are made to the benefit policy at any point during the 20 year projection period. Such changes would fall outside the reach of an Asset/Liability study. However, we do note that even small changes to the benefit policy can have a meaningful long-term impact on the likely future outcomes of the System. While difficult to predict, it is somewhat likely that changes to the contribution, benefit, and investment policy would be examined should the System's actual experience skew too far in any direction – positive or negative.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 7: Investment Committee

C. Discuss and consider Asset Allocation Study

AGENDA ITEM OBJECTIVE

The Board will review the most recent Asset Allocation Study and consider the recommendation of the Investment Committee.

RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.** Asset allocation studies help determine the appropriate structuring of the Fund's investments, which is the most important decision in determining long-term returns. This item is also an action item under the investment program strategic objectives.

RECOMMENDATION FOR BOARD ACTION

The Investment Committee recommends that the Board approve the "Potential Target" portfolio and direct Staff and Consultant to develop the associated policies, implementation plans, education and governance reviews for the Board's future consideration.

BACKGROUND

Staff and RVK will present on concepts related to an updated Asset Allocation Study. These presentations will thematically discuss the impact of broadening the opportunity set of investments included in the Strategic Asset Allocation. Additionally, Staff will present a "Potential Target" portfolio which includes an allocation to Private Credit for discussion and consideration by the Board.

ATTACHMENT

1. Staff Asset Allocation Study Memo
2. RVK Asset Allocation Study Memo
3. RVK Presentation: Asset Allocation Study 2023-08



Staff Memo on RVK Asset Allocation Study

Investment Committee Review of Strategic Asset Allocation

The Investment Committee reviewed an updated Asset Allocation Study at its August meeting which considered a new “Potential Target” asset allocation. Notably, this “Potential Target” included a new 10% allocation to Private Credit, removed the 7% allocation to Multi-Asset, and reduced Global Equities by 3%. Given the importance of the Strategic Asset Allocation in determining long term risk and return of the Fund, Staff and RVK presented on the appropriateness of these recommendations, including considerations for Private Credit, through multiple lenses to reduce reliance on a single methodology.

Functional Portfolio Construction:

Staff led a review of outputs from the Asset Allocation Study and the “Potential Target” portfolio using a functionally focused lens. This approach works alongside the statistical outputs from the Asset Allocation Study and considers investments in light of their role in the total portfolio context. This analysis broadly categorized investments into either Growth, Diversifying, or Liquidity portfolio roles. Some of the key takeaways from this presentation included the below:

- The liquidity profile of the Fund has materially improved as net cash outflows have decreased to levels below the current and proposed yield on the total Fund. All else equal, this is supportive of the Fund’s ability to invest in less liquid strategies. Additionally, the “Potential Target” portfolio increases exposure to these investments to 17.5% which is below peer averages and reasonable in stressed scenarios.
- The Asset/Liability Study suggested that a modest increase in the total exposure to Growth assets was likely to lead to improvement in expected outcomes for the System. As such, the “Potential Target” portfolio modestly increases exposure to a more diversified set of growth assets.
- Considering the mix of Growth assets, Private Credit was noted as providing a differentiated set of characteristics to existing allocations and hitting above its weight in contributing returns to the total Fund.
- The “Potential Target” portfolio also removed Multi-Asset given historical challenges in implementing these mandates and the limited diversification benefits. In 2022, two of the most significant risks born by the Fund (equity beta and fixed income rate duration) became highly correlated and showed the shortfall of these mandates.

RVK Asset Allocation Study:

RVK led a review of the Asset Allocation Study which provided the Committee with statistical modelling through a mean-variance optimization framework. In reviewing the Asset Allocation Study as presented by RVK, Staff notes to the Board the following key takeaways:

- The inclusion of Private Credit as shown in “Frontier 2” shifts the efficient frontier up and to the left, suggesting better risk adjusted returns than portfolios that do not include private credit. Staff believes that the inclusion of Private Credit in the Strategic Asset Allocation could be a nearer-term consideration for the Board.
- The additional inclusion of Private Equity as shown in “Frontier 3” allows for higher returns with similar risk to be earned in portfolios with greater than 10% volatility. Given the more significant governance, implementation timelines and resource requirements, Staff believes that the inclusion of Private Equity in the Strategic Asset Allocation could be a longer-term consideration for the Board.
- The “Potential Target” portfolio has a variety of attractive attributes when compared to the “Current Target” as adopted in the Investment Policy Statement:
 - Expected compound annual returns are higher alongside lower expected risk;
 - Higher portfolio diversification with more distinct sources of returns and risk, including less reliance on public equities which currently are the primary driver of both risk and return for the Fund;
 - Elimination of Multi-Asset which has been difficult to effectively implement and has provided limited diversification;
 - Slightly better outcomes for the total Fund through Monte Carlo and stochastic modeling.

Investment Committee Recommendation:

The Investment Committee recommended that the Board approve the “Potential Target” portfolio and direct Staff and the Investment Consultant to develop the associated policies, implementation plans, educational training, and governance reviews for the Board’s future consideration.



Memorandum

To	City of Austin Employees' Retirement System Investment Committee
From	RVK, Inc.
Subject	Asset Allocation Study
Date	August 25, 2023

Executive Summary

This memorandum outlines the asset allocation study to be presented at the City of Austin Employees' Retirement System Investment Committee meeting on August 25, 2023. The study analyzes varying asset class mixes utilizing RVK's 2023 capital markets assumptions through numerous lenses. Forward-looking estimates are provided for efficient portfolios established using a mean-variance optimization framework under the assumption of high-level portfolio constraints in addition to the Current Target and a Potential Target.

The goal of this study is to allow the Investment Committee to gauge the tradeoffs across a number of asset class mixes and evaluate the introduction of select private asset classes in pursuit of a long-term strategic allocation that can improve System funding health.

RVK is supportive of moving the System's long-term strategic allocation to the "Potential Target" portfolio outlined in the asset allocation study. We acknowledge that additional details associated with governance and policy updates, specific implementation plans, and general education on specific private credit strategies would be forthcoming and preempt rebalancing to this new target, should it be approved by the Board.

Asset Allocation Study Outline

The study includes an overview of the inputs into the mean-variance optimization modeling process. These include forward-looking capital markets assumptions for all asset classes utilized within the study and their estimated correlations with one another. These are long-term forward-looking estimates evaluated over a 10 to 20-year horizon. Additionally, monte carlo simulations are provided for all efficient frontiers and associated portfolios. The study is outlined below:

- Frontier 1 outlines the current asset classes utilized by the System in addition to plotting the Current Target.
- Frontier 2 introduces private credit as a potential asset class. It plots the Current Target in addition to a Potential Target, which includes an allocation of 10% to private credit. RVK and Staff note this is an aspirational allocation to private credit, and not something that is likely to be achieved in full in short order but believe is a realistic landing point if pursued.
- Frontier 3 introduces private equity as a potential asset class. While in the short-term this is not an asset class being considered for adoption, its potential benefits are worth highlighting for future discussions.



August 25, 2023

Asset Allocation Study

City of Austin Employees' Retirement System



RVK 2023 Capital Markets Assumptions

Asset Class	Arithmetic Return Assumption	Geometric Return Assumption	Standard Deviation Assumption
Global Equity	7.85%	6.62%	16.40%
COAERS Fixed Income	4.00%	3.81%	6.29%
COAERS Real Assets	7.08%	6.11%	14.53%
COAERS Multi-Asset	6.87%	6.17%	12.32%
Private Credit	8.00%	7.23%	13.00%
Private Equity	10.00%	7.86%	22.00%
Cash Equivalents	2.50%	2.48%	2.00%

Table 1 - Correlation Matrix

	Global Equity	COAERS Fixed Income	COAERS Real Assets	COAERS Multi-Asset	Private Credit	Private Equity	Cash Equivalents
Global Equity	1.00	-0.01	0.84	0.97	0.80	0.81	-0.08
COAERS Fixed Income	-0.01	1.00	-0.17	0.10	-0.29	-0.18	0.17
COAERS Real Assets	0.84	-0.17	1.00	0.90	0.82	0.73	-0.08
COAERS Multi-Asset	0.97	0.10	0.90	1.00	0.84	0.80	-0.08
Private Credit	0.80	-0.29	0.82	0.84	1.00	0.84	-0.12
Private Equity	0.81	-0.18	0.73	0.80	0.84	1.00	-0.21
Cash Equivalents	-0.08	0.17	-0.08	-0.08	-0.12	-0.21	1.00

COAERS Fixed Income = 75% US Agg Fixed Income, 25% US Long Duration Government Fixed Income.

COAERS Real Assets = 33% each Core Real Estate, US REITs, and listed Infrastructure.

COAERS Multi-Asset = 56% Global Equity, 21% US Agg Fixed Income, 10% US REITs, 5% listed Infrastructure, 7% GTAA (Global 60/40), and 1% Cash.

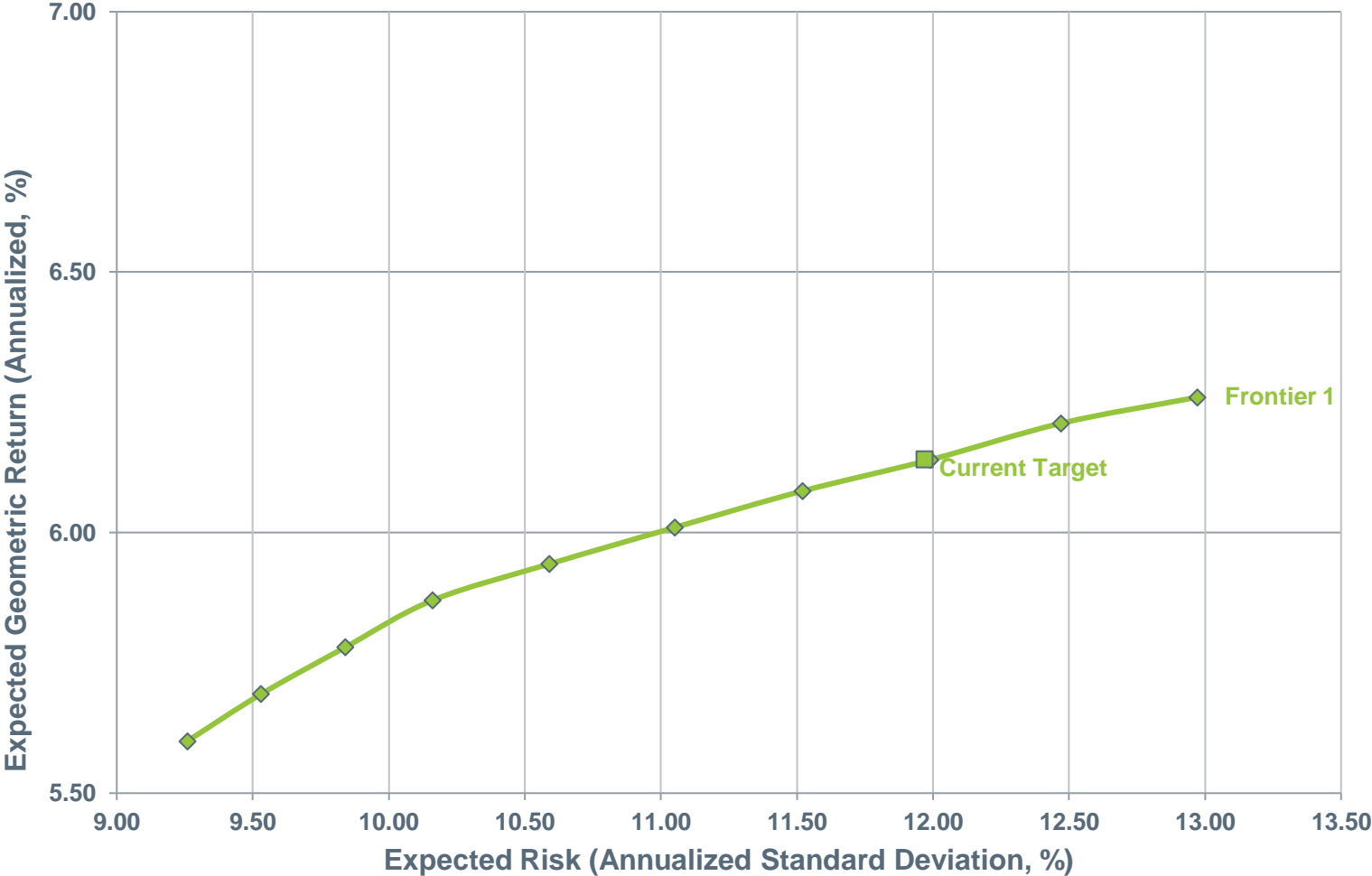
Efficient Frontier 1

- **Frontier 1** evaluates the current targeted asset class exposures

Frontier 1													Current Target
	Min	Max	1	2	3	4	5	6	7	8	9	10	
Global Equity	46	66	46	46	46	46	47	50	53	56	59	66	56
COAERS Fixed Income	16	33	32	33	33	33	30	27	24	21	18	16	21
COAERS Real Assets	10	20	10	12	15	17	20	20	20	20	20	15	15
COAERS Multi-Asset	2.5	10	3	3	3	3	3	3	3	3	3	3	7
Private Credit	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Equivalents	1	10	10	6	4	1	1	1	1	1	1	1	1
Total			100	100	100	100	100	100	100	100	100	100	100
Capital Appreciation			48	48	48	48	48	51	54	57	60	68	60
Capital Preservation			42	40	38	35	32	29	26	23	20	18	24
Alpha			0	0	0	0	0	0	0	0	0	0	0
Inflation			10	12	15	17	20	20	20	20	20	15	16
Expected Arithmetic Return			6.00	6.12	6.23	6.35	6.46	6.58	6.70	6.81	6.93	7.04	6.80
Expected Risk (Standard Deviation)			9.26	9.53	9.84	10.16	10.59	11.05	11.52	11.99	12.47	12.97	11.97
Expected Compound Return			5.60	5.69	5.78	5.87	5.94	6.01	6.08	6.14	6.21	6.26	6.14
Expected Sharpe Ratio			0.38	0.38	0.38	0.38	0.37	0.37	0.36	0.36	0.36	0.35	0.36
RVK Expected Eq Beta (LCUS Eq = 1)			0.54	0.56	0.57	0.59	0.61	0.64	0.67	0.70	0.73	0.76	0.70
RVK Liquidity Metric (T-Bills = 100)			87	86	85	84	84	84	84	84	84	86	85

Efficient Frontier Graph – Frontier 1

- Frontier 1 evaluates the current targeted asset class exposures



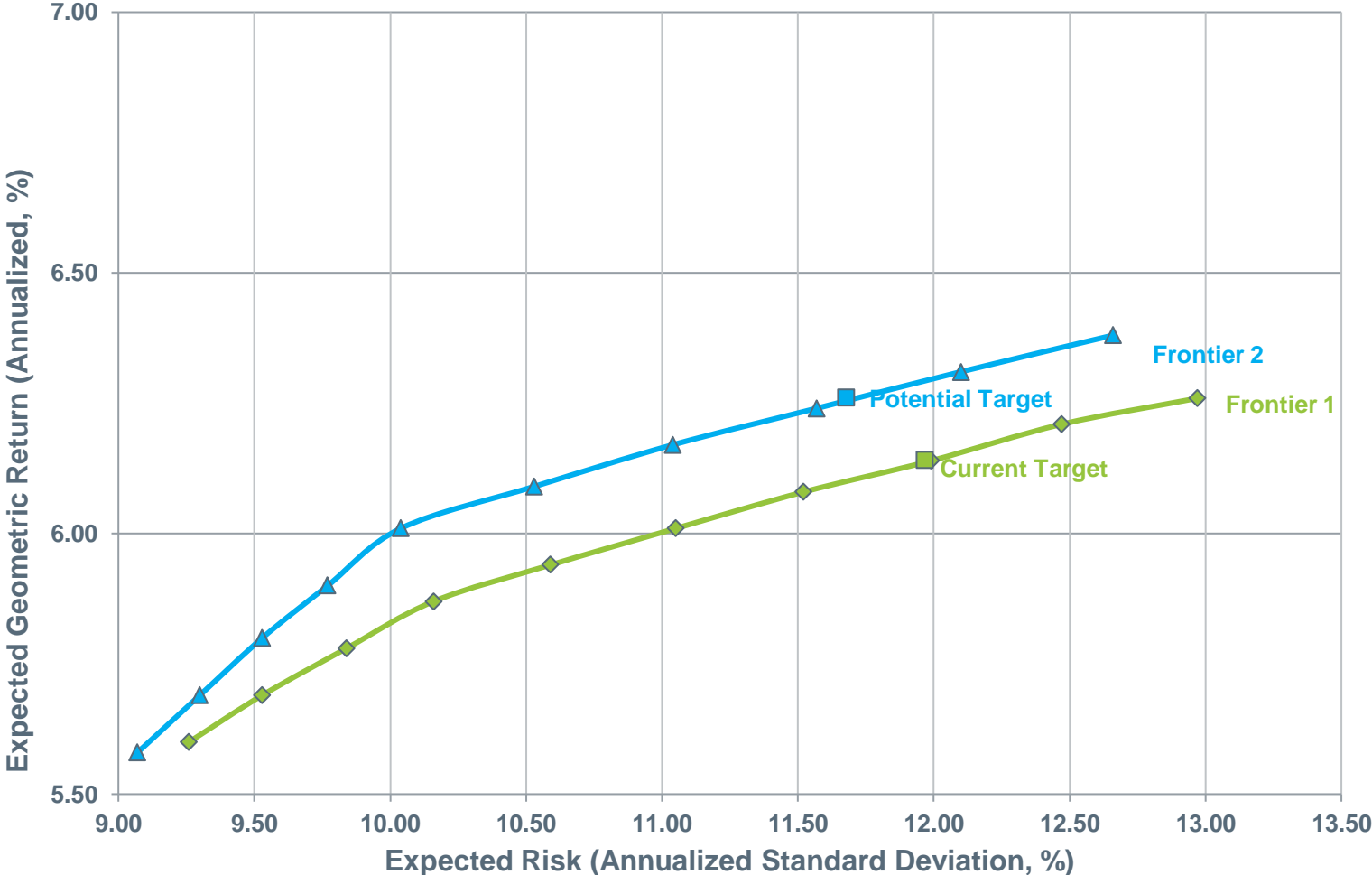
Efficient Frontier 2

- **Frontier 2** evaluates the current targeted asset class exposures, removes Multi-Asset and introduces Private Credit.

Frontier 2														
	Min	Max	1	2	3	4	5	6	7	8	9	10	Current Target	Potential Target
Global Equity	46	66	46	46	46	46	46	46	46	50	53	63	56	53
COAERS Fixed Income	16	33	33	33	33	33	32	28	24	21	18	16	21	21
COAERS Real Assets	10	20	10	10	10	10	11	15	19	18	18	10	15	15
COAERS Multi-Asset	0	0	0	0	0	0	0	0	0	0	0	0	7	0
Private Credit	0	10	1	3	6	8	10	10	10	10	10	10	0	10
Cash Equivalents	1	10	10	8	5	3	1	1	1	1	1	1	1	1
Total			100	100	100	100	100	100	100	100	100	100	100	100
Capital Appreciation			47	49	52	54	56	56	56	60	63	73	60	63
Capital Preservation			43	41	38	36	33	29	25	22	19	17	24	22
Alpha			0	0	0	0	0	0	0	0	0	0	0	0
Inflation			10	10	10	10	11	15	19	18	18	10	16	15
Expected Arithmetic Return			5.97	6.10	6.22	6.35	6.48	6.61	6.74	6.86	6.99	7.12	6.80	6.89
Expected Risk (Standard Deviation)			9.07	9.30	9.53	9.77	10.04	10.53	11.04	11.57	12.10	12.66	11.97	11.68
Expected Compound Return			5.58	5.69	5.80	5.90	6.01	6.09	6.17	6.24	6.31	6.38	6.14	6.26
Expected Sharpe Ratio			0.38	0.39	0.39	0.39	0.40	0.39	0.38	0.38	0.37	0.36	0.36	0.38
RVK Expected Eq Beta (LCUS Eq = 1)			0.53	0.54	0.56	0.57	0.58	0.61	0.64	0.67	0.70	0.74	0.70	0.68
RVK Liquidity Metric (T-Bills = 100)			86	84	82	80	78	77	76	76	76	78	85	77

Efficient Frontier 2

- **Frontier 2** evaluates the current targeted asset class exposures, removes Multi-Asset and introduces Private Credit.



Risk-Free Rate used in Sharpe Ratio calculation is 2.50%.



Efficient Frontier 3

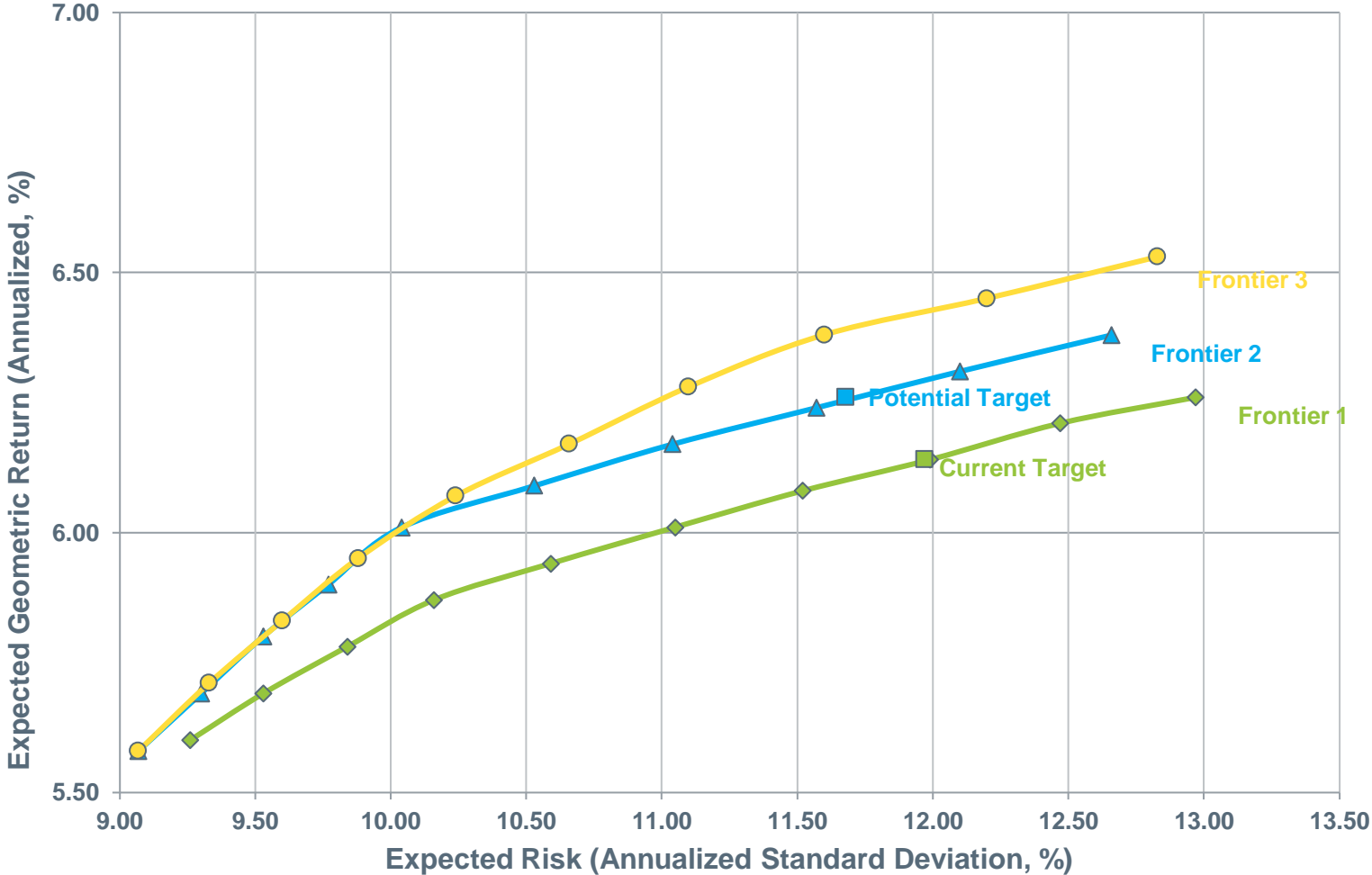
- **Frontier 3** evaluates the current targeted asset class exposures, removes Multi-Asset, introduces Private Credit & Private Equity.

Frontier 3

	Min	Max	1	2	3	4	5	6	7	8	9	10	Current Target	Potential Target
Global Equity	46	66	46	46	46	46	46	46	46	46	46	55	56	53
COAERS Fixed Income	16	33	33	33	33	33	31	29	27	23	19	16	21	21
COAERS Real Assets	10	20	10	10	10	10	10	10	10	12	16	10	15	15
COAERS Multi-Asset	0	0	0	0	0	0	0	0	0	0	0	0	7	0
Private Credit	0	10	1	4	6	9	10	10	10	10	10	10	0	10
Private Equity	0	8	0	0	0	0	2	4	6	8	8	8	0	0
Cash Equivalents	1	10	10	7	5	2	1	1	1	1	1	1	1	1
Total			100	100	100	100	100	100	100	100	100	100	100	100
Capital Appreciation			47	50	52	55	58	60	62	64	64	73	60	63
Capital Preservation			43	40	38	35	32	30	28	24	20	17	24	22
Alpha			0	0	0	0	0	0	0	0	0	0	0	0
Inflation			10	10	10	10	10	10	10	12	16	10	16	15
Expected Arithmetic Return			5.97	6.12	6.26	6.41	6.56	6.70	6.85	7.00	7.14	7.29	6.80	6.89
Expected Risk (Standard Deviation)			9.07	9.33	9.60	9.88	10.24	10.66	11.10	11.60	12.20	12.83	11.97	11.68
Expected Compound Return			5.58	5.71	5.83	5.95	6.07	6.17	6.28	6.38	6.45	6.53	6.14	6.26
Expected Sharpe Ratio			0.38	0.39	0.39	0.40	0.40	0.40	0.39	0.39	0.38	0.37	0.36	0.38
RVK Expected Eq Beta (LCUS Eq = 1)			0.53	0.55	0.56	0.57	0.60	0.62	0.65	0.67	0.70	0.74	0.70	0.68
RVK Liquidity Metric (T-Bills = 100)			86	84	81	79	77	75	73	71	70	72	85	77

Efficient Frontier 3

- **Frontier 3** evaluates the current targeted asset class exposures, removes Multi-Asset, introduces Private Credit & Private Equity.



Monte Carlo Simulation – Frontier 1

The table below shows the expected return by percentile for each portfolio on Frontier 1 for the 1, 3, 5, and 10 year periods.

1 Year	1	2	3	4	5	6	7	8	9	10	Current Target	Potential Target
1st Percentile	-19.45	-19.71	-20.24	-20.76	-21.25	-22.49	-23.72	-25.03	-26.57	-29.22	-25.34	-22.94
5th Percentile	-9.79	-10.02	-10.31	-10.54	-11.10	-11.76	-12.49	-13.16	-13.95	-15.02	-13.35	-11.44
25th Percentile	-0.71	-0.79	-0.92	-1.01	-1.21	-1.49	-1.73	-1.95	-2.16	-2.42	-2.01	-1.11
50th Percentile	5.63	5.72	5.82	5.85	5.91	6.03	6.12	6.17	6.25	6.45	6.20	6.27
75th Percentile	12.31	12.56	12.83	13.13	13.48	13.89	14.43	14.85	15.24	15.87	14.88	14.09
95th Percentile	22.57	23.09	23.66	24.37	25.08	26.13	27.09	28.11	29.12	30.50	28.18	26.11
99th Percentile	30.77	31.55	32.33	33.17	34.08	35.49	36.98	38.46	39.83	42.07	38.81	35.45
3 Years												
1st Percentile	-8.99	-9.15	-9.33	-9.50	-9.88	-10.74	-11.51	-12.39	-13.20	-14.72	-12.46	-10.70
5th Percentile	-3.86	-3.96	-4.12	-4.26	-4.43	-4.89	-5.33	-5.80	-6.26	-7.07	-5.90	-4.62
25th Percentile	1.85	1.86	1.85	1.81	1.74	1.64	1.52	1.44	1.30	1.09	1.38	1.97
50th Percentile	5.64	5.75	5.82	5.89	5.94	6.04	6.11	6.18	6.26	6.37	6.21	6.33
75th Percentile	9.36	9.52	9.69	9.85	10.09	10.35	10.65	10.91	11.21	11.62	10.96	10.60
95th Percentile	15.09	15.43	15.81	16.17	16.58	17.16	17.72	18.27	18.85	19.60	18.36	17.24
99th Percentile	19.04	19.44	19.83	20.35	20.98	21.82	22.50	23.23	24.14	25.19	23.47	21.78
5 Years												
1st Percentile	-5.69	-5.79	-5.91	-6.10	-6.28	-6.96	-7.48	-8.03	-8.79	-10.32	-8.27	-6.77
5th Percentile	-1.85	-1.91	-2.00	-2.09	-2.26	-2.63	-2.99	-3.39	-3.75	-4.49	-3.46	-2.46
25th Percentile	2.54	2.58	2.57	2.57	2.54	2.48	2.38	2.29	2.18	1.98	2.23	2.74
50th Percentile	5.55	5.65	5.73	5.82	5.90	5.98	6.05	6.12	6.18	6.29	6.11	6.24
75th Percentile	8.55	8.72	8.88	9.04	9.20	9.43	9.67	9.90	10.13	10.45	9.95	9.69
95th Percentile	12.84	13.12	13.43	13.70	14.08	14.52	14.95	15.40	15.86	16.48	15.51	14.67
99th Percentile	16.48	16.84	17.21	17.58	18.02	18.74	19.37	19.96	20.65	21.54	20.15	18.86
10 Years												
1st Percentile	-2.03	-2.10	-2.15	-2.25	-2.42	-2.77	-3.17	-3.57	-4.05	-4.98	-3.62	-2.56
5th Percentile	0.28	0.27	0.24	0.20	0.11	-0.14	-0.35	-0.61	-0.88	-1.39	-0.68	0.09
25th Percentile	3.47	3.51	3.55	3.59	3.57	3.51	3.46	3.41	3.34	3.22	3.38	3.77
50th Percentile	5.56	5.64	5.72	5.80	5.87	5.94	6.01	6.07	6.15	6.22	6.09	6.21
75th Percentile	7.72	7.86	7.99	8.12	8.27	8.44	8.62	8.79	8.96	9.21	8.84	8.69
95th Percentile	10.81	11.03	11.28	11.49	11.74	12.09	12.44	12.76	13.10	13.56	12.82	12.28
99th Percentile	13.08	13.32	13.56	13.84	14.18	14.62	15.11	15.60	16.03	16.72	15.69	14.84

Please see the Monte Carlo introduction for more information about assumed distribution.

Monte Carlo Simulation – Frontier 1

The table below shows the **percentage** chance of achieving or exceeding the given return for each portfolio on Frontier 1 for the 1, 3, 5, and 10 year periods.

1 Year	1	2	3	4	5	6	7	8	9	10	Current Target	Potential Target
Target 0%	73	72	72	72	71	71	71	70	70	69	70	72
Target 2%	65	65	65	65	65	65	64	64	64	63	64	66
Target 4%	57	57	57	57	57	57	57	57	58	58	57	59
Target 6.5%	46	47	47	47	48	48	49	49	49	50	49	49
Target 6.75%	45	46	46	47	47	47	48	48	48	49	48	48
Target 7%	44	45	45	46	46	46	47	47	48	48	47	47
3 Years												
Target 0%	84	84	84	83	83	82	82	81	80	79	81	83
Target 2%	74	74	74	74	74	73	73	72	72	71	72	75
Target 4%	61	62	62	62	62	62	62	62	62	62	62	64
Target 6.5%	44	45	45	46	46	47	48	48	49	49	48	49
Target 6.75%	42	43	44	44	45	45	46	47	47	48	47	47
Target 7%	40	41	42	43	43	44	45	45	46	47	46	46
5 Years												
Target 0%	89	89	89	89	88	87	87	86	85	84	86	88
Target 2%	79	79	79	79	78	77	77	76	76	75	76	79
Target 4%	64	64	64	65	65	65	64	64	64	64	64	67
Target 6.5%	42	43	44	45	45	46	47	47	48	49	47	48
Target 6.75%	40	41	42	42	43	44	45	46	46	47	46	46
Target 7%	38	39	40	41	41	42	43	44	45	45	44	44
10 Years												
Target 0%	96	96	96	96	95	95	94	93	93	91	93	95
Target 2%	87	87	87	87	87	86	85	84	84	82	84	87
Target 4%	69	70	70	71	71	70	70	70	70	69	70	73
Target 6.5%	38	39	41	42	42	44	45	46	47	47	46	47
Target 6.75%	35	37	38	39	40	41	42	43	44	45	43	44
Target 7%	33	34	35	36	37	39	40	41	42	43	41	41

Monte Carlo Simulation – Frontier 2

The table below shows the expected return by percentile for each portfolio on Frontier 2 for the 1, 3, 5, and 10 year periods.

1 Year	1	2	3	4	5	6	7	8	9	10	Potential Target
1st Percentile	-18.32	-18.26	-18.23	-18.19	-18.20	-18.89	-19.19	-20.87	-22.56	-26.14	-22.94
5th Percentile	-9.14	-9.10	-9.07	-9.04	-9.06	-9.44	-9.91	-10.68	-11.42	-12.74	-11.44
25th Percentile	-0.24	-0.15	-0.07	0.01	0.07	-0.12	-0.37	-0.62	-0.88	-1.13	-1.11
50th Percentile	5.93	6.04	6.15	6.25	6.37	6.39	6.44	6.59	6.73	6.96	6.27
75th Percentile	12.30	12.43	12.56	12.70	12.88	13.27	13.62	14.18	14.69	15.49	14.09
95th Percentile	22.47	22.63	22.79	22.96	23.27	24.06	25.02	26.20	27.39	29.00	26.11
99th Percentile	30.94	31.15	31.36	31.54	31.80	32.89	34.24	36.00	37.59	40.30	35.45
3 Years											
1st Percentile	-8.61	-8.57	-8.52	-8.46	-8.41	-8.67	-8.91	-9.75	-10.85	-13.20	-10.70
5th Percentile	-3.45	-3.36	-3.28	-3.22	-3.19	-3.43	-3.74	-4.26	-4.79	-5.65	-4.62
25th Percentile	2.09	2.17	2.27	2.36	2.43	2.38	2.30	2.20	2.08	1.83	1.97
50th Percentile	5.74	5.85	5.96	6.06	6.17	6.22	6.32	6.42	6.53	6.65	6.33
75th Percentile	9.49	9.62	9.73	9.85	9.99	10.22	10.47	10.79	11.11	11.60	10.60
95th Percentile	14.92	15.06	15.22	15.37	15.57	16.05	16.56	17.21	17.88	18.96	17.24
99th Percentile	18.94	19.08	19.24	19.40	19.60	20.34	20.98	21.95	22.86	24.09	21.78
5 Years											
1st Percentile	-5.38	-5.34	-5.28	-5.21	-5.16	-5.35	-5.59	-6.20	-6.93	-8.99	-6.77
5th Percentile	-1.57	-1.50	-1.41	-1.34	-1.27	-1.42	-1.57	-1.97	-2.36	-3.27	-2.46
25th Percentile	2.69	2.78	2.88	2.97	3.05	3.00	2.96	2.85	2.76	2.56	2.74
50th Percentile	5.65	5.75	5.85	5.95	6.05	6.12	6.20	6.28	6.38	6.49	6.24
75th Percentile	8.50	8.62	8.73	8.85	8.98	9.17	9.36	9.64	9.90	10.30	9.69
95th Percentile	12.56	12.71	12.86	13.00	13.15	13.52	13.89	14.42	14.98	15.73	14.67
99th Percentile	15.65	15.77	15.92	16.04	16.22	16.85	17.37	18.08	18.71	19.88	18.86
10 Years											
1st Percentile	-1.91	-1.83	-1.78	-1.70	-1.64	-1.72	-1.94	-2.43	-2.95	-4.11	-2.56
5th Percentile	0.20	0.28	0.37	0.47	0.53	0.45	0.31	0.05	-0.26	-0.82	0.09
25th Percentile	3.46	3.56	3.66	3.75	3.85	3.86	3.84	3.80	3.74	3.57	3.77
50th Percentile	5.53	5.63	5.74	5.84	5.95	6.03	6.09	6.18	6.27	6.32	6.21
75th Percentile	7.64	7.75	7.87	7.97	8.08	8.25	8.41	8.61	8.83	9.11	8.69
95th Percentile	10.55	10.69	10.81	10.93	11.07	11.36	11.66	12.03	12.40	13.00	12.28
99th Percentile	12.64	12.78	12.93	13.06	13.23	13.60	13.93	14.45	14.94	15.76	14.84

Please see the Monte Carlo introduction for more information about assumed distribution.

Monte Carlo Simulation – Frontier 2

The table below shows the **percentage** chance of achieving or exceeding the given return for each portfolio on Frontier 2 for the 1, 3, 5, and 10 year periods.

1 Year	1	2	3	4	5	6	7	8	9	10	Potential Target
Target 0%	74	74	75	75	75	75	74	73	73	72	72
Target 2%	66	67	67	67	68	67	67	67	66	66	66
Target 4%	58	58	59	59	59	59	59	59	59	59	59
Target 6.5%	47	48	48	49	49	50	50	50	51	52	49
Target 6.75%	46	47	47	48	48	48	49	49	50	51	48
Target 7%	45	46	46	47	47	47	48	48	49	50	47
3 Years											
Target 0%	86	86	86	86	87	86	85	84	84	82	83
Target 2%	75	76	77	77	77	77	77	76	75	74	75
Target 4%	62	63	64	64	65	65	65	65	65	64	64
Target 6.5%	44	45	46	47	47	48	49	49	50	51	49
Target 6.75%	43	44	44	45	46	47	47	48	49	49	47
Target 7%	41	42	43	43	44	45	46	47	47	48	46
5 Years											
Target 0%	90	90	91	91	91	91	90	89	88	87	88
Target 2%	80	80	81	81	82	82	81	80	79	78	79
Target 4%	65	66	67	67	68	68	68	68	68	67	67
Target 6.5%	42	43	44	45	46	47	48	48	49	50	48
Target 6.75%	40	41	42	43	44	45	46	47	47	48	46
Target 7%	37	38	39	41	42	43	43	45	46	47	44
10 Years											
Target 0%	96	96	96	96	96	96	96	95	94	93	95
Target 2%	87	88	88	89	89	89	89	88	87	85	87
Target 4%	69	71	72	73	73	73	73	73	73	72	73
Target 6.5%	38	39	41	42	43	44	45	46	47	48	47
Target 6.75%	35	36	38	39	40	41	42	44	45	46	44
Target 7%	32	33	35	36	37	38	40	41	42	44	41

Monte Carlo Simulation – Frontier 3

The table below shows the expected return by percentile for each portfolio on Frontier 3 for the 1, 3, 5, and 10 year periods.

1 Year	1	2	3	4	5	6	7	8	9	10	Potential Target
1st Percentile	-17.53	-17.54	-17.49	-17.51	-18.01	-18.91	-19.84	-20.53	-21.22	-23.80	-22.94
5th Percentile	-9.21	-9.16	-9.08	-9.04	-9.28	-9.62	-10.02	-10.49	-11.14	-12.48	-11.44
25th Percentile	-0.40	-0.31	-0.20	-0.11	-0.13	-0.17	-0.22	-0.34	-0.55	-0.93	-1.11
50th Percentile	5.63	5.75	5.87	6.00	6.17	6.30	6.43	6.52	6.65	6.90	6.27
75th Percentile	12.10	12.22	12.37	12.53	12.77	13.15	13.48	13.90	14.36	15.13	14.09
95th Percentile	22.23	22.44	22.65	22.85	23.35	24.00	24.63	25.35	26.44	28.13	26.11
99th Percentile	30.04	30.33	30.61	30.84	31.56	32.64	33.65	34.82	36.36	38.72	35.45
3 Years											
1st Percentile	-9.59	-9.53	-9.40	-9.27	-9.54	-10.18	-10.61	-10.98	-11.34	-13.51	-10.70
5th Percentile	-3.54	-3.46	-3.39	-3.30	-3.40	-3.57	-3.82	-4.04	-4.40	-5.46	-4.62
25th Percentile	1.94	2.04	2.14	2.24	2.29	2.26	2.26	2.23	2.13	1.91	1.97
50th Percentile	5.59	5.71	5.82	5.93	6.03	6.13	6.25	6.38	6.49	6.59	6.33
75th Percentile	9.37	9.51	9.65	9.78	9.98	10.21	10.46	10.72	11.02	11.47	10.60
95th Percentile	14.92	15.08	15.24	15.40	15.72	16.12	16.60	17.12	17.74	18.71	17.24
99th Percentile	19.12	19.30	19.49	19.67	20.10	20.65	21.25	21.84	22.60	24.02	21.78
5 Years											
1st Percentile	-5.70	-5.63	-5.55	-5.48	-5.67	-6.12	-6.54	-6.79	-7.02	-8.82	-6.77
5th Percentile	-1.80	-1.70	-1.61	-1.51	-1.53	-1.66	-1.85	-2.02	-2.23	-3.02	-2.46
25th Percentile	2.67	2.78	2.88	2.99	3.05	3.05	3.06	3.06	2.99	2.78	2.74
50th Percentile	5.51	5.64	5.75	5.87	6.02	6.14	6.26	6.37	6.47	6.55	6.24
75th Percentile	8.43	8.57	8.70	8.84	9.03	9.28	9.51	9.73	9.95	10.33	9.69
95th Percentile	12.67	12.82	12.98	13.13	13.40	13.76	14.12	14.49	14.97	15.78	14.67
99th Percentile	15.81	15.98	16.14	16.32	16.64	17.19	17.63	18.13	18.72	19.82	18.86
10 Years											
1st Percentile	-2.32	-2.20	-2.10	-1.99	-2.11	-2.37	-2.60	-2.83	-3.04	-4.32	-2.56
5th Percentile	0.36	0.46	0.56	0.66	0.67	0.56	0.44	0.33	0.23	-0.39	0.09
25th Percentile	3.41	3.51	3.62	3.74	3.81	3.83	3.87	3.87	3.84	3.68	3.77
50th Percentile	5.52	5.64	5.76	5.88	5.99	6.11	6.21	6.29	6.37	6.44	6.21
75th Percentile	7.62	7.75	7.88	8.01	8.18	8.36	8.56	8.75	8.93	9.26	8.69
95th Percentile	10.51	10.65	10.78	10.94	11.16	11.45	11.75	12.06	12.39	13.00	12.28
99th Percentile	12.48	12.63	12.78	12.94	13.22	13.62	13.98	14.43	14.95	15.66	14.84

Please see the Monte Carlo introduction for more information about assumed distribution.

Monte Carlo Simulation – Frontier 3

The table below shows the **percentage** chance of achieving or exceeding the given return for each portfolio on Frontier 3 for the 1, 3, 5, and 10 year periods.

1 Year	1	2	3	4	5	6	7	8	9	10	Potential Target
Target 0%	74	74	74	75	75	75	74	74	74	72	72
Target 2%	66	66	67	67	67	67	67	67	67	66	66
Target 4%	57	58	58	59	59	59	60	60	60	60	59
Target 6.5%	46	47	47	48	48	49	50	50	51	51	49
Target 6.75%	45	46	46	47	47	48	49	49	50	51	48
Target 7%	44	45	45	46	46	47	48	49	49	50	47
3 Years											
Target 0%	85	85	85	86	86	86	85	85	84	83	83
Target 2%	75	75	76	77	77	77	76	76	76	75	75
Target 4%	61	62	63	64	64	65	65	65	65	64	64
Target 6.5%	43	44	45	46	47	48	48	49	50	51	49
Target 6.75%	42	42	43	44	45	46	47	48	48	49	47
Target 7%	40	41	42	42	43	45	45	46	47	48	46
5 Years											
Target 0%	90	91	91	92	91	91	91	90	89	88	88
Target 2%	80	80	81	82	82	82	81	81	81	79	79
Target 4%	64	65	66	67	68	68	68	69	68	68	67
Target 6.5%	41	42	43	44	45	47	48	49	50	50	48
Target 6.75%	39	40	41	42	43	44	46	47	48	48	46
Target 7%	36	37	39	40	41	42	44	45	46	47	44
10 Years											
Target 0%	96	96	97	97	97	96	96	96	95	94	95
Target 2%	87	88	88	89	89	89	89	89	88	86	87
Target 4%	68	70	71	72	73	73	74	74	74	72	73
Target 6.5%	37	39	40	42	43	45	46	48	49	49	47
Target 6.75%	34	36	37	39	40	42	44	45	46	47	44
Target 7%	31	33	34	36	37	39	41	42	43	45	41

Please see the Monte Carlo introduction for more information about assumed distribution.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 7: Investment Committee

D. Discuss and consider strategic policy rebalancing and delegated authority

AGENDA ITEM OBJECTIVE

The Board will review a memo on strategic rebalancing policy and delegated authority.

RELEVANCE TO STRATEGIC PLAN

This agenda item is central to **COAERS Core Competencies: Prudent Investment Management**. Fulfilling fiduciary duty within adopted process and stated goals ensures that appropriate consideration is given in the decision-making process.

RECOMMENDATION FOR BOARD ACTION

Staff recommends that the Board authorize a policy exception through the December 19, 2023 Board meeting to allow Staff to:

- (1) not rebalance the asset and underlying sub-asset classes for Fixed Income and Multi-Asset for market drift and
- (2) rebalance the Fund for risk management within the strategic rebalancing ranges for Cash & Equivalents.

BACKGROUND

At its meeting in June 2023, the Board authorized a policy deviation through the September 21, 2023 Board meeting to allow Staff discretion to not rebalance the asset and underlying sub-asset classes for Fixed Income, Multi-Asset, and Cash & Equivalents for market drift and to allow Staff to rebalance between existing Cash & Equivalents mandates. Given market dynamics and the ongoing discussions about the Fund's Strategic Asset Allocation, Staff will discuss whether it would be prudent to extend similar authorization through Q4 2023.

ATTACHMENTS

1. Staff Delegated Authority Request 2023-09
2. COAERS Fund Positioning 8/31/23



Staff Delegated Authority Request 2023-09

Fund Positioning in Strategic Bands:

The Fund is currently positioned with a heavy overweight to Cash & Equivalents (in the maximum strategic bands), and heavy underweights to Multi Asset and Fixed Income (in the minimum strategic bands). Global Equities and Real Assets are currently positioned near neutral (+/- 2%). This positioning is reasonable in our view based on the following key points, among other considerations:

- Return expectations for Cash & Equivalent mandates are above 5.5%, higher than in most Fixed Income strategies suggesting Cash & Equivalents offer a more attractive risk/return opportunity
- Shorter term correlations between Global Equities and Fixed Income have turned positive again as bonds struggle to hedge equity risk
- Capital markets now imply normal risk levels for neutral Fund positioning (10.2% volatility) with options markets implying below average risk for equities and above average risk for interest rates

As such, we view positioning near neutral for Global Equities and Real Assets as appropriate as the outlook for these investments is mixed. Meanwhile, the risk/return profile of Fixed Income continues to struggle when compared to Cash & Equivalents. We believe that the market dynamics have not changed enough to warrant a material change to the Board approved positioning within the Strategic Bands. We would, however, note that current rebalancing policies restrict our ability to tweak fund positioning for Risk Management through rebalancing the Fund within these bands.

Board Authorization for Rebalancing:

At its meeting in June, the Board authorized a policy exception until the September meeting of the Board to allow Staff to not rebalance the Fund back into the Strategic Bands for certain asset and sub-asset classes, and to further authorize Staff to rebalance within existing cash mandates based on best available yields. Given market dynamics and the ongoing Asset/Liability and Asset Allocation Studies, Staff believes it would be prudent to extend similar authorization through Q4 2023.

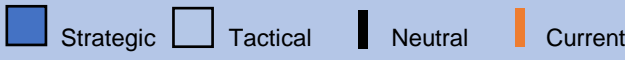
As such, Staff requests that the Board approve a policy exception until the December 19 meeting of the Board to allow Staff to:

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

Staff notes that this policy exception request does not include authority to move positioning into or out of the Strategic Rebalancing Ranges without prior Board approval. Additionally, Staff is required to provide notification in accordance with the timeframes specified in Board-approved policies should rebalancing for Risk Management occur. Staff will report on this policy exemption at the November Investment Committee meeting during its report of delegated authority.

COAERS Fund Positioning

as of 8/31/2023

	Current	SAA Neutral	Relative	Bands	
Global Equity	57.8%	56.0%	1.8%	TACTICAL	
US Equity	35.1%	34.0%	1.1%	TACTICAL	
DM Equity	15.7%	16.0%	-0.3%	TACTICAL	
EM Equity	7.0%	6.0%	1.0%	TACTICAL	
Real Assets	14.1%	15.0%	-0.9%	TACTICAL	
Real Estate Equity	9.1%	10.0%	-0.9%	TACTICAL	
Infrastructure Equity	5.0%	5.0%	0.0%	TACTICAL	
Fixed Income	16.5%	21.0%	-4.5%	STRATEGIC U/W	
UST	11.7%	13.0%	-1.3%	TACTICAL	
MBS	2.2%	4.0%	-1.8%	STRATEGIC U/W	
Credit	2.6%	4.0%	-1.4%	TACTICAL	
Multi Asset	4.1%	7.0%	-2.9%	STRATEGIC U/W	
Asset Allocation	2.8%	5.0%	-2.2%	STRATEGIC U/W	
Commodities & Other	1.3%	2.0%	-0.8%	TACTICAL	
Cash & Equivalents	7.5%	1.0%	6.5%	STRATEGIC O/W	
US Dollar Instruments	5.9%	1.0%	4.9%	STRATEGIC O/W	
Foreign Currency	1.6%	0.0%	1.6%	STRATEGIC O/W	

Source: BNYM best available data

8. Benefits Committee:

A. Discuss and consider Benefits

Administration Operating Procedures

B. Discuss and consider Plan Resolution

2023-0921

Presented by Russell Nash



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 8: Benefits Committee

A. Discuss and consider Benefits Administration Operating Procedures

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to review proposed changes to the Benefits Administration Operating Procedures.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management.** It is an industry best practice to regularly review policies to ensure COAERS is enhancing its operational effectiveness.

RECOMMENDATION FOR BOARD ACTION

The Benefits and Services Committee recommends the Board approve the proposed changes to the Benefits Administration Operating Procedures.

DISCUSSION OF DRAFT CHANGES

The COAERS Board Benefits policy directs the Executive Director to create and maintain the Benefits Administration Operating Procedures (the Procedures) to guide the administration of benefits and for publication to the COAERS membership.

Staff has drafted amendments to the Benefits Administration Operating Procedures to:

1. Complement the new state legislative provisions contained in SB1444 (COAERS legislation);
2. Address routine administrative changes arising from the day-to-day administration of the plan; and
3. Implement new federal legislative changes (Secure Act 2.0).

A summary of the changes is below.

- Pages 6 and 7. Article VII. Adding “Limited Transitional Service Purchase Election.” Sections 7.2, 7.3, and 7.7. SB 1444 requires purchases (supplementary, non-contributory, and military) to be made **only at retirement** beginning January 1, 2024, and therefore Sections 7.2 and 7.3 have been edited accordingly.



BOARD MEETING Agenda Item Information Sheet

One theme from the stakeholder feedback about SB 1444 was that the changes to service purchases interrupted the plans of some members to make purchases in the next few years, specifically supplementary Service.

To address this concern, Staff has drafted new procedures (Section 7.7) to allow COAERS members the right to purchase supplementary service prior to retirement if they make an election to do so on or before December 31, 2023. If the rules are recommended by the Committee and adopted by the Board, Staff will develop a communications plan to notify members and create a uniform process for members to make their election.

- Page 7. Article VII. Adding “7.8 Rollovers to Purchase Supplementary Service Credit”. Memorializes an Internal Revenue Service provision allowing members to make a supplementary service purchase if they have less than five years of service but only if they roll funds in from a governmental 457 or 403(b) retirement plan. This change complements new provisions contained in Section 7.7; however, this change would have a limited impact if Section 7.7 is not enacted.
- Page 9. Article IX Benefit Claims and Substantiation Adding “9.6 Withholding for Payments to Non-US Citizens”. Occasionally, a COAERS member will designate a joint annuitant who is not a US citizen to receive an annuity after the member’s death. Certain tax withholding rules are required for payments to non-US citizens. Accordingly, Staff has inserted new language in Section 9.6 to memorialize these rules.
- Page 9. Article IX Benefit Claims and Substantiation Adding “9.7 IRS Limits on Average Final Compensation”. Certain highly-compensated members may find that their average final compensation is capped when they retire pursuant to Internal Revenue Code provisions. The effect of this cap is to place a limit on the member’s monthly benefit. Section 9.7 has been inserted to provide the Executive Director with a way to provide administrative relief for those whose average final compensation is subject to IRS limits.
- Page 10. Article X. Amending Section 10.2 to revise the time for prior notice of a new retirement. Since many service purchases can only be made at retirement starting January 1, 2024, Staff needs more time prior to the member’s retirement date to identify, estimate, counsel, and give effect to a member’s desire to purchase service credit at retirement. Accordingly, the procedures have been amended to increase the notice period for a new retirement from the 15th day of the month prior to the member’s retirement date to 30 calendar days before the member’s retirement date.



BOARD MEETING Agenda Item Information Sheet

- Pages 21 – 24 and 27. Articles XV Death Benefit Distribution and XVII Option Selection and Survivor Beneficiary Designation. Federal legislation via the Secure Act 2.0 requires COAERS to change the age at which distributions are required. Edits to Articles 15 and 17 reflect changes in the new federal law.
- Page 31. Article XX Retirees Returning to Work with a Participating Employer. The Internal Revenue Code (Code) requires a “bone fide” break-in-service before a retiree returns to work with a participating employer in the same plan; however, the term “bone fide” is not defined in the Code. Both COAERS and the City have existing complementary policies prohibiting returning to work within 90 days to provide a definition of “bone fide”; however, we have found a discrepancy between the City policy and the COAERS policy on when the 90 period begins. Edits to Section 20.4 put the COAERS policy in sync with the City’s policy.

Staff suggests the edits become effective September 22, 2023 (day after this Board meeting) except for the following that would become effective January 1, 2024, coinciding the effective dates in SB 1444: Section 7.2; 7.3; and 10.2.

A quick reference chart for all these changes follows on the next page.



BOARD MEETING Agenda Item Information Sheet

DRAFT CHANGES - QUICK REFERENCE CHART

Staff has summarized all ten (10) changes into the chart below:

Item #	Page(s)	Section	Description of the Edit	Effective Date
1	6	7.2	Necessary due to SB 1444	January 1, 2024
2	6	7.3	Necessary due to SB 1444	January 1, 2024
3	6-7	7.7	Optional. Staff's recommendation to address concerns from membership that the changes to Supplementary service purchases contained in SB 1444 have interrupted their retirement plans.	September 22, 2023
4	7	7.8	Optional. Complements changes to Section 7.7 to allow members to roll in funds from the 457 plan to make a supplementary purchase before the member has 5 years of service. If revisions to 7.7 are not adopted, this provision would have limited application.	September 22, 2023
5	9	9.6	Necessary. The internal revenue code/regulations require tax withholding on payments to non U.S. citizens.	September 22, 2023
6	9	9.7	Optional. Staff believes that this provides equitable relief to those limited by IRS compensation rules limiting benefits.	September 22, 2023
7	10	10.2	Necessary due to SB 1444	January 1, 2024
8	21 - 24	15.4; 15.10.1; 15.10.2; 15.10.4 15.10.5 15.11; 15.19	Necessary. Required by federal law – Secure Act 2.0.	September 22, 2023
9	27	17.4	Necessary. Required by federal law – Secure Act 2.0.	September 22, 2023
10	31	20.4	Necessary to sync COAERS policy to City policy	September 22, 2023

ATTACHMENT

1. Proposed revisions to the Benefits Administration Operating Procedures



— CITY OF AUSTIN —
EMPLOYEES' RETIREMENT SYSTEM

Benefits Administration Operating Procedures

Provisions in effect ~~August 2022~~ September 22, 2023 except as noted

TABLE OF CONTENTS

ARTICLE I	AUTHORITY	1
ARTICLE II	BOARD AND STAFF RESPONSIBILITIES	1
ARTICLE III	MEMBERSHIP, MEMBER RIGHTS, MEMBER RESPONSIBILITIES.....	2
ARTICLE IV	AUTHENTICATION AND AGENTS	3
ARTICLE V	ONLINE ACCESS TO INFORMATION AND SERVICES	4
ARTICLE VI	BENEFIT AND PURCHASE ESTIMATES.....	5
ARTICLE VII	PURCHASE OF SERVICE CREDIT.....	6
ARTICLE VIII	PROPORTIONATE SERVICE CREDIT	<u>776</u>
ARTICLE IX	BENEFIT CLAIMS AND SUBSTANTIATION.....	<u>887</u>
ARTICLE X	ANNUITY PAYMENTS.....	<u>10109</u>
ARTICLE XI	CREDITABLE SERVICE	<u>111110</u>
ARTICLE XII	UNCLAIMED MEMBER DEPOSITS.....	<u>131312</u>
ARTICLE XIII	QUALIFIED DOMESTICE RELATIONS ORDERS	<u>141413</u>
ARTICLE XIV	DISABILITY BENEFITS.....	<u>161615</u>
ARTICLE XV	DEATH BENEFIT DISTRIBUTION	<u>202019</u>
ARTICLE XVI	BENEFICIARY DESIGNATION FOR LUMP SUM BENEFITS	<u>242523</u>
ARTICLE XVII	OPTION SELECTION AND SURVIVOR BENEFICIARY DESIGNATION	<u>272726</u>
ARTICLE XVIII	EMPLOYER DATA.....	<u>292928</u>
ARTICLE XIX	BACKWARD DEFFERED RETIREMENT OPTION AND PARTIAL LUMP SUM PAYMENTS.....	<u>293028</u>
ARTICLE XX	RETIREEES RETURNING TO WORK WITH A PARTICIPATING EMPLOYER	<u>303129</u>
ARTICLE XXI	ANNUITY DEDUCTIONS FOR RETIREE INSURANCE	<u>323331</u>
ARTICLE XXII	ANNUITY VERIFICATION	<u>333332</u>
ARTICLE XXIII	ELIGIBLE ROLLVER DISTRIBUTIONS	<u>333432</u>
ARTICLE XXIV	INTEREST CREDITED TO MEMBER ACCOUNTS	<u>343433</u>

ARTICLE I AUTHORITY

1.1 Authority and Delegation to the Executive Director. The City of Austin Employees' Retirement System (COAERS or the System) was established pursuant to Article 6243n of Texas Revised Civil Statutes (the Act). The Act requires the COAERS Board of Trustees (the Board or Trustees) to administer COAERS and invest its funds. The Board is the trustee of all plan assets, is responsible for the general administration and operation of COAERS, and is authorized by law to adopt rules for the administration of COAERS and the transaction of the business of the Board. The Board may, at its discretion, delegate authority to carry out the administration of the System. This document specifies the administration of benefits that have been delegated to the Executive Director.

1.2 Statement of Purpose. This document contains statements of practices and procedures in matters where the meaning or the implementation of the law or Board policy is not readily apparent. They do not include matters in which COAERS considered the intent of the laws that govern COAERS to be unmistakably clear. For this reason, these procedures should be used in conjunction with other applicable provisions of law. The procedures established herein are interpreted and applied in a manner consistent with the COAERS Act, applicable laws of the State of Texas, federal law, and applicable Internal Revenue Code sections and regulations promulgated thereunder. In the event of a conflict between these Procedures and Board policy or applicable law, the Board policy and applicable law will control.

ARTICLE II BOARD AND STAFF RESPONSIBILITIES

2.1 Responsibilities of the Executive Director. The Executive Director shall follow the laws that govern COAERS and Board policies to administer benefits and, in matters not addressed by law or policy, consult with professional advisors and legal counsel to determine the rights and benefits of plan participants. The Executive Director shall create Benefits Administration Operating Procedures (the Procedures) to guide the administration of benefits and for publication to the COAERS membership. The Executive Director shall consult with professional advisors and legal counsel to ensure that the Procedures are interpreted and applied in a manner consistent with the COAERS Act, applicable laws of the State of Texas, federal law, and applicable Internal Revenue Code (the Code) sections and regulations promulgated thereunder. The Executive Director shall receive requests for policymaking and collaborate with the Benefits and Services Committee Chair to determine appropriate action.

2.2 Responsibilities of the General Counsel and Tax Counsel. The COAERS General Counsel and Tax Counsel shall provide advice to the Executive Director on benefits administration and tax related matters. The General Counsel and Tax Counsel shall review the Procedures no less than every three years and make recommendations for revision to the Executive Director. The results of these reviews will be presented to the Benefits and Services Committee.

2.3 Responsibilities of the Benefits and Services Committee. The Benefits and Services Committee will receive a report from the Executive Director on the periodic review of the Procedures. The Committee will consider requests for policymaking if the Chair of the Benefits and Services Committee determines such a request will be considered.

2.4 Responsibilities of the Board of Trustees. The Board can choose to hear an appeal of a decision by the Executive Director pursuant to the Procedures.

ARTICLE III
MEMBERSHIP, MEMBER RIGHTS, MEMBER RESPONSIBILITIES

3.1 Membership. COAERS membership is mandatory for regular, full-time employees of participating employers who occupy non-civil service positions. Retirement benefits and eligibility are determined by the member's retirement group. Members who have full-time, regular employment dates before January 1, 2012 are in Group A. Members who have full-time regular employment dates on or after January 1, 2012 are in Group B.

3.2 Right to Appeal Decisions by the Executive Director to the Board of Trustees. Any decision of the Executive Director made pursuant to the Procedures may be appealed to the Board. Only a member or beneficiary directly affected by a decision may appeal.

3.2.1 The member or beneficiary must appeal the decision within 30 calendar days of notification of denial by the Executive Director or designee.

3.2.2 The appeal shall set forth, in writing, the applicable facts and relevant law in support of the request for a hearing.

3.2.3 Appeals from a decision by the Executive Director or designee will generally be scheduled for hearing before the Board of Trustees within 120 calendar days of the written notice of appeal, unless an extension is granted by mutual agreement of the Executive Director and the appellant. Failure by the Board of Trustees to conduct a hearing within 120 calendar days does not result in an automatic decision of any kind.

3.2.4 The Board of Trustees reserves the right to rule on an appeal, regardless of whether the appellant appears at the scheduled hearing. Failure to appear will not automatically result in postponement of a scheduled hearing.

3.2.5 On appeals to the Board, the appellant may be represented by legal counsel or may personally present arguments. The System will be represented by the General Counsel for COAERS. However, unless a rule or policy outside of this policy requires a specific procedure due to the subject or nature of the appeal, the Board will determine the process to be followed at the hearing. The Board will determine the time permitted for the member and the Executive Director or General Counsel to make a presentation.

3.2.6 The appellant will be afforded an opportunity to present a statement concerning the facts and any arguments to the board and will be allowed to respond to questions from Trustees. The member or beneficiary bears the burden of proof. In making a decision, the Board of Trustees shall consider System records and evidence presented by the member or beneficiary as well as any testimony or evidence submitted by the General Counsel. A decision by the Board of Trustees is final.

3.3 Member Responsibilities - Generally. Members have to assume certain basic responsibilities for the administration of benefits to be effective. To that end, this document describes the many responsibilities that members have with respect to the various benefits offered by COAERS. In addition, all members should be particularly aware of these general responsibilities:

- (a) Knowing when the member is eligible for benefits;
- (b) Timely and properly applying for and claiming benefits;
- (c) Keeping contact information up to date including address, telephone, and email details;
- (d) Keeping beneficiary designations up to date; and
- (e) Notifying COAERS of proportionate time accrued or accruing in another Texas retirement system that participates in the Proportionate Retirement Program and keeping that information current.

3.4 Information Provided Prior to Retirement. All information about normal or early retirement benefits is preliminary and not final until the first monthly annuity payment is made after the member's termination date. The member assumes the risk that an error or additional or different payroll information may change their eligibility or benefit before the member receives their first monthly annuity payment. No one shall be entitled to claim detrimental reliance on any information provided by COAERS prior to a member's first monthly annuity payment.

3.5 Tax Liabilities. Any tax liability that results from a payment from COAERS to a member or payee is the sole responsibility of the member or payee.

3.6 Tax Advice. COAERS staff will assist members with general tax information but cannot provide tax advice to members or payees. COAERS will not be responsible for tax consequences of payees. Payees are encouraged to obtain professional tax advice for all COAERS payments and benefits.

3.7 Requests for Policymaking. Members have the right to request changes or additions to the Board Approved Benefits Policy and the Procedures. Such a request shall be made to the Executive Director.

3.8 Suspicion of Fraud. Payees who suspect fraud occurring with respect to a payment they were expecting from COAERS can contact COAERS to report the fraud. Once a payee has contacted COAERS about suspected fraud, COAERS will investigate the matter. The payee may be asked to complete an affidavit and provide new payment instructions. COAERS may reissue a payment to the member if it finds that there is a reasonable probability that fraud has occurred. As a condition of reissuing a payment, COAERS may require additional authentication or substantiation measures to be taken to issue or change future payments.

ARTICLE IV AUTHENTICATION AND AGENTS

4.1 Authorized Member Signature. A signature other than that of the member, joint annuitant, or beneficiary will not be accepted on COAERS forms, applications, or requests for confidential information unless the individual signing presents a Power of Attorney, guardianship, conservatorship, or a legal court order. No person may act on behalf of the member, joint annuitant, or beneficiary including a spouse or parent, except as provided herein.

4.2 Designation of an Attorney-in-Fact. COAERS will accept documents signed by an authorized Attorney-in-Fact, pursuant to a durable or statutory Power of Attorney. The Power of Attorney must substantially comply with Texas law, contain the statutorily prescribed language,

be notarized, and be approved by and filed with COAERS. The member, joint annuitant, or beneficiary will retain the right to act regarding their retirement account except where the member has been determined incapable of acting on their own behalf. Any conflict in direction or instruction between the member, joint annuitant, or beneficiary and the Attorney-in-Fact shall be resolved in favor of the member, joint annuitant, or beneficiary. The right to act under a durable or statutory Power of Attorney terminates at the death of the principal and as otherwise provided by law.

4.3 Appointment of a Guardian. If a guardian or conservator has been appointed for a member, joint annuitant, or beneficiary by a court of proper jurisdiction, only the named guardian or conservator can act on behalf of the member, joint annuitant, or beneficiary. A certified copy of the letters of guardianship and a filed court order of appointment must be provided to COAERS and will be effective until amended or withdrawn by subsequent court order or termination under its own terms. The guardian or conservator shall have exclusive authority to act on behalf of the member, joint annuitant, or beneficiary unless the court instructs otherwise.

4.4 Creation of a Custodian. COAERS will recognize a custodian designation made pursuant to the Uniform Transfers to Minors Act.

4.5 Reliance on a Notary Public or Apostille. When COAERS requires certain documents to be notarized, the Board and Trustees and Staff may rely on the signature and seal of a commissioned Notary Public as the proper authentication of the signer. In addition, COAERS can rely upon a document containing an Apostille certificate from a country participating in the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents.

4.6 Electronic Authentication. COAERS may allow signatures in an electronic format pursuant to the Uniform Electronic Transactions Act (TEX. BUS. & COM. CODE § 322.001 et seq.) or any similar law but will not assume responsibility for damage that occurs as a result of the reliance of such an electronic signature.

4.7 Online Registration Constitutes Authentication. Registration for a COAERS online account constitutes the authentication of the user's identity and can be relied upon by COAERS, the Board, and Staff as such. COAERS may presume that any request or information entered by a person using an online account is authorized by the member.

4.8 Prohibition from Self-Dealing. Any person authorized to act on behalf of a member, joint annuitant, beneficiary, or payee is prohibited from self-dealing relating to the benefit, account, payment, or funds of said member, joint annuitant, beneficiary, or payee. Self-dealing consists of any change or action which alters a previous instruction or document or makes an election or selection which would result in a benefit or conveyance of a pecuniary interest to said person absent a court order or statute specifically permitting or approving such action.

ARTICLE V ONLINE ACCESS TO INFORMATION AND SERVICES

5.1 Online Access to COAERS Member Information. COAERS may provide members, joint annuitants, beneficiaries, and other payees, access to information and services online. To access a COAERS online member account, the user must follow and complete the registration process. The process shall require the user to read and agree to the terms and conditions established by COAERS.

5.2 Termination of Rights to Online Access. Rights granted users terminate immediately upon any violation of the terms of use. COAERS reserves the right to terminate online access at any time at its sole discretion without notice.

5.3 Password Responsibilities. The user is solely responsible for and will be the exclusive owner of their ID and password. The user is responsible for use and protection of the password used to sign on to the account, as well as for any transaction occurring in an account opened, held, or accessed by the password.

5.4 Duty to Notify. The user shall notify COAERS in writing, of the following:

- (a) Any failure to receive a message from the COAERS member online site indicating that a request was received and/or executed by COAERS; or
- (b) Any failure by the user to receive an accurate confirmation of a transaction; or
- (c) Any receipt of confirmation of a request and/or execution which the user did not place; or
- (d) Any inaccurate information in an account including contributions, interest, balances, service credit, salary, group status, or transaction history.

5.5 Documents Sent via Electronic Delivery. By using COAERS online services, users agree to receive communications, documents, notices, and other information electronically. All communications so sent will be considered delivered. Documents that may be delivered via an online member account include, but are not limited to, account statements, tax documents, benefit estimates, purchase estimates, seminar information, and correspondence from Staff about COAERS accounts and/or benefits.

5.6 Confidential Information Sent Electronically. Confidential information related to a specific member, retiree, or payee may be provided by COAERS electronically to the email address provided by the member, retiree, payee, or authorized requestor or said person's COAERS online account. The transmission will be password protected. COAERS cannot guarantee the confidentiality of such a transmission.

5.7 Confidential Information Sent to COAERS Electronically. Confidential information related to a specific member, retiree, or payee should be sent through means protecting the information. Members, retirees, or payees should not send confidential information via unsecured email to COAERS. If confidential information is provided to COAERS via unsecured email, COAERS is not responsible for any harm to the member, retiree, or payee that may result from the email transmission.

ARTICLE VI BENEFIT AND PURCHASE ESTIMATES

6.1 Estimates Not Benefit Guarantees. COAERS will provide estimates of benefits and purchases of services to aid members in the understanding of their eligibility for and amount of benefits. An estimate is not to be construed in any way as a promise or contract with COAERS to pay a specified benefit amount, provide a post-retirement adjustment, guarantee a specific retirement eligibility date, set a specific amount for a purchase of service or a conversion of sick leave, or provide any expressed or implied right or benefit. The actual determination of eligibility, benefits, service purchase costs, and sick leave conversion costs will be made by COAERS

based upon the law and policies in effect at the time of the determination and is subject to audit and recalculation if necessary.

6.2 Service Purchase Estimate Limits. Estimates for service purchases will contain future purchase possibilities but will be limited to three months of future projected purchase costs.

ARTICLE VII PURCHASE OF SERVICE CREDIT

7.1 Service Purchase Increments. Creditable service may be purchased by certain non-retired members in increments of one month. Two pay-periods of purchased creditable service are the equivalent of one month of creditable service.

7.2 Service Purchase Payments – Time and Method. Payment for purchases of creditable service must be made in full at the time of the purchase. Purchases can be made through check, money order, or Trustee-to-Trustee rollover of funds from another qualified plan to the extent permitted by law. ~~Unless otherwise noted by GOAERS, purchase payments must be tendered on or before the 25th day of a month to receive that month's cost.~~ [Edits effective January 1, 2024]

7.3 Payment Completion and Cost Calculation. Purchases of supplementary, military, and non-contributory service shall only be made at the time of retirement, therefore the date to determine the cost of each of these purchases will be the member's actual retirement date. Purchases to reinstate prior Sservice credit purchases can be made at any time must be completed on or prior to the member's actual retirement date. [Edits to 7.3 and 7.4 effective January 1, 2024]

~~**7.4 Salary Used for Purchases.**~~ The salary used to calculate the cost of all service purchases other than prior service, is the greater of the 36-month average salary at the time of purchase, or the projected final 36-month average salary based on actual salary at the time of purchase.

7.45 Return of Amount Tendered at Death. In the event of the death of an active member who has purchased creditable service, the amount paid to purchase such creditable service will be refunded to the member's beneficiary as a death benefit refund in accordance with Section 15.3, provided the beneficiary properly files a death benefit claim. Prior service purchases will be matched by the System, all other purchases will be refunded without a matching payment.

~~**7.56 Purchases Applicable to Group B Eligibility.**~~ Supplementary service purchased by members of Group B is not included in the creditable service required to qualify a Group B member for normal or early retirement eligibility. However, purchased military, prior, and non-contributory service are included in the creditable service required to qualify a Group B member for normal or early retirement.

~~**7.67 Limitation of Number of Purchases.**~~ Members may make no more than six (6) purchases of creditable service per calendar year.

7.7 Limited Transitional Service Purchase Election. Members making a proper and timely election under this section may make a supplementary service purchase up to the maximum amount allowed by the Plan, in whole or in part, at any time prior to the member's actual retirement date subject to the following:

7.7.1 COAERS must receive a written election to make a Creditable Service Purchase under this provision no later than 5:00 PM Central Time on December 31, 2023; and

7.7.2 The member must sign and execute a Creditable Service Purchase Agreement(s) committing to purchasing Supplementary service; and

7.7.3 The member must pay the actuarial cost for each purchase under this section as determined by the COAERS actuary based on the rules and assumptions adopted by the Board for such purpose.

7.7.4 A member making an election under this section has a time limit on completing the purchase(s) as the earlier of December 31, 2028 or the member's actual retirement date.

7.7.5 If payment of the purchase price for the full amount of service credit under the Creditable Service Purchase Agreement is not made on or before December 31, 2028; or made on or before the member's actual retirement date; credit will be provided to the extent of the amount already paid in monthly increments of service credit and the excess amount tendered to COAERS will be returned to the member without interest.

7.8 Rollovers to Purchase Supplementary Service Credit. Only in the case of a trustee-to-trustee transfer from a 403(b)(13)(A) or 457(e)(17)(A) deferred compensation plan can a member make a supplementary service purchase if they have less than five (5) years of service credit at the time of the purchase.

ARTICLE VIII PROPORTIONATE SERVICE

8.1 Participation in the Proportionate Retirement Program. COAERS will provide service credit in accordance with the Proportionate Retirement Program described in Chapter 803 of the Texas Government Code as may be amended.

8.2 Notification. Members who wish to receive proportionate service credit with respect to their COAERS benefits must notify COAERS of the proportionate time accrued or accruing in another Texas retirement system that participates in the Proportionate Retirement Program and keep that information continuously current and accurate.

8.3 Disclosure of Proportionate Service for Service Purchases. At the time of any purchase of creditable service, members are required to disclose whether they intend to use proportionate service. If proportionate service is being used for a purchase of creditable service or for retirement eligibility and that proportionate service includes service which: a) existed at the time of a previous purchase but was not disclosed to COAERS; or b) existed at the time of a previous purchase and was disclosed to COAERS but not used for a previous purchase; then the purchase price of the previous purchase shall be recalculated at the current cost, and the purchaser shall be required to pay any additional costs attributable to the proportionate service.

8.4 Calculation of Costs with Proportionate Time. The cost to purchase service credit for a member with proportionate service will be calculated based on the date of first COAERS eligibility for retirement taking into consideration the proportionate time.

8.5 Proportionate Service with the Travis County Healthcare District. COAERS will recognize, for purposes of vesting and retirement eligibility, service credit earned by an employee of the Travis County Healthcare District (District) in the District's retirement system.

8.6 Proportionate Credit for Closed Accounts. COAERS will recognize proportionate service credit for those with closed accounts or previously canceled service credit accrued in the Texas County and District Retirement System (TCDRS), the Texas Municipal Retirement System (TMRS), or the retirement system in which a hospital district, charitable organization, or administrative agency described by Texas Government Code Section 803.204 participates as provided for by Texas Government Code Chapter 803, if the system or entity confirms said service.

8.7 Same Proportionate Service Counted Only Once. Service credit earned with or allowed by more than one retirement system for the same service may be counted only once in determining the amount of a person's proportionate service credit.

ARTICLE IX BENEFIT CLAIMS AND SUBSTANTIATION

9.1 Timely and Properly Apply to Claim Benefits. It is the member's responsibility to timely and properly apply for and claim benefits.

9.2 No Retroactive Payment of Benefits. Except for disability benefits, COAERS will not pay benefits retroactively back to the first date a member became eligible for benefits if the member applies for benefits after they become eligible.

9.3 Proper Substantiation of Benefits. Generally, the following will constitute the minimum requirements for substantiation of certain information unless the circumstances require further substantiation or the Executive Director establishes further or different substantiation requirements:

9.3.1 Substantiation of Annuity Claims. The following will constitute substantiation of certain information during the claims process for monthly retirement annuities:

- (a) The seniority date contained in the City of Austin or COAERS (Employer) human resource database will be used to validate a COAERS member's service credit membership date. In the event this data is not available or is in question, COAERS may use other Employer personnel records and contribution data to determine a COAERS member's membership date.
- (b) The following documents or copies thereof can be used to substantiate dates of birth: birth certificate, birth record, passport, or naturalization record.
- (c) The following documents or copies thereof can be used to substantiate tax-reporting information: Social Security card or a COAERS form.
- (d) The following documents or copies thereof can be used for authenticating a person's identity: driver's license, passport, military identification, or other photo identification document issued by a governmental authority.
- (e) A statement from the member indicating their marital status.

9.3.2 Substantiation of Withdrawal (Refunds). The following will constitute substantiation of certain information during the claims process for a withdrawal of a member's accumulated deposits (refund):

- (a) The termination date received by COAERS from the Employer will be used to determine the status of the member.
- (b) A signed refund claim form properly notarized by a commissioned notary public or by apostille.
- (c) A photo identification document issued by a governmental authority.

9.3.3 Substantiation of Death Benefits. The following will constitute substantiation of certain information during the claims process for a lump sum death benefit or a joint annuity beginning upon the death of a member:

- (a) A death certificate issued by a governmental authority can be used to substantiate dates of death.
- (b) The following documents or copies thereof can be used to substantiate tax reporting information: Social Security card or a COAERS form.
- (c) The following documents or copies thereof can be used for authenticating a person's identity: driver's license, passport, military identification, or other photo identification document issued by a governmental authority.
- (d) A signed death benefit claim form properly notarized by a commissioned notary public or by apostille.

9.4 Certain Calculations Performed by the Actuary. The actuarial firm employed by COAERS may provide or perform calculations to administer benefits. The Executive Director may require a member to pay the cost of estimates or calculations prepared at the specific request of an individual member for actuarial calculations in excess of three.

9.5 Same Sex Marriage. For purposes of the Plan, the terms "spouse", "husband and wife", "husband", and "wife" include an individual married to a person of the same sex if the individuals are lawfully married under state law. The term "marriage" includes such a marriage between individuals of the same sex, including a marriage of same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a state that does not recognize the validity of same-sex marriages.

9.6 Tax Withholding for Payments for Non-US Citizens. For benefit payments to foreign persons, the following procedures will be observed:

- 1) Upon receipt of an IRS ITIN number or a US Social Security number, and a completed W-8BEN indicating the country of residency (Part II, Item 9), COAERS will provide the appropriate withholding amount (annuity or lump sum) for the payment;
- 2) If no IRS ITIN number nor a completed W-8BEN form including a country of residency has been received, COAERS will withhold 30% of the payment for Federal income tax.

9.7 IRS Limits on Average Final Compensation. A member whose average final compensation is limited under Internal Revenue Code Section 401(17)(a) (the Limit), may make a written request

to the Executive Director to return an amount equal to the cumulative portion of employee retirement contributions made on salary in excess of the Limit for each of the pay periods the Limit capped the average final compensation. The Executive Director will review the request to determine if the member qualifies and establish the amount payable. Any payment made under this provision will be issued without interest and will not reduce the member's account balance nor affect the member's simplified safe harbor basis recovery calculations.

ARTICLE X ANNUITY PAYMENTS

10.1 Issuance of Monthly Annuity Payments. COAERS has a monthly retirement payroll cycle. Monthly retirement annuity payments are made available to payees on the last business day of each month.

10.2 Retirement Notice Deadline. Except for claims for disability retirement, a Notice of Intent to Retire for those with an actual retirement date of January 31, 2024 and thereafter must be signed and received no later than the close of business ~~on the 15th.~~ 30 calendar days of the month prior to the member's actual retirement date ~~in which the member is to retire.~~ The deadline shall be the close of business the previous business day if the ~~15th~~ 30th ~~calendar day of the month~~ falls on a non-business day. [Edits effective January 1, 2024]

10.3 Actual Retirement Date. The term 'actual retirement date' means the last day of the month during which a member retires.

10.4 Benefit Effective Date. The term 'benefit effective date' means the first day of the month of retirement status. It represents the first day a member could be in retirement status if the member is eligible for benefits and properly and timely applies for benefits.

10.5 Retirement Annuity Commencement Determination. The commencement of the first monthly retirement annuity payment is determined by the member's eligibility on the member's actual retirement date. If a member is eligible for retirement by age and/or service on the actual retirement date, and the member timely submits a written application for retirement, the earliest date for the issuance of the first monthly retirement annuity will be the last business day of the month following the member's actual retirement date.

10.6 Prohibition on Retirement Option Changes. A member cannot change the life annuity or an actuarial equivalent option after their original retirement date. A member cannot change the survivor or beneficiary designated under an actuarial equivalent life annuity option after their actual retirement date.

10.7 Backward DROP or Partial Lump Sum Payment Issuance. Backward deferred retirement option payments (Backward DROP) and partial lump sum payments will be issued at the same time as the member's first annuity payment.

10.8 Deadline for ACH Changes. Changes in directions for payments made via Automated Clearing House (ACH) must be received at COAERS no later than the close of business on the 15th day of each month for the change or direction to be effective for that month. If the 15th day of the month falls on a non-business day, the deadline shall be the close of business the previous business day. The following will constitute substantiation of information during the claims process for establishing an ACH:

- (a) A signed Direct Deposit form properly notarized by a commissioned notary public or by apostille, and
- (b) A photo identification document issued by a governmental authority.

10.9 Deadline for Paper Check Address Changes. Address changes for paper annuity check payments must be received at COAERS no later than the close of business on the 15th day of each month for the change to be effective for that month. If the 15th day of the month falls on a non-business day, the deadline shall be the close of business the previous business day. Address change requests must include a photo identification document issued by a governmental authority.

10.10 Annuity and Partial Lump Sum Calculation. Effective for annuity starting dates on or after January 1, 2017, if a participant elects to have his or her benefits under the Plan paid partly in the form of an annuity and partly as a single lump sum, the participant's accrued benefit will be divided and distributed in accordance with the regulations under Code Section 417(e) and the IRS Model Amendments attached hereto.

10.11. Prohibition on Single Lump Sum Payment. COAERS promises each eligible member a lifetime retirement benefit, therefore a member cannot choose to convert their retirement annuity into one single lump sum payment.

ARTICLE XI CREDITABLE SERVICE

11.1 Calculation of Creditable Service. Creditable service is calculated as follows:

- (a) Subtract the membership date from the termination date. When subtracting dates, the following formula shall be used:

$$\begin{array}{r} \text{YYYY-MM-DD (Termination Date)} \\ - \text{YYYY-MM-DD (Membership Date)} \\ \hline \text{Years, Months, and Days of Creditable service} \end{array}$$

- (b) If the number of days in the membership date is greater than the number of days in the termination date, days are borrowed from the "Months" column, using the actual calendar days of the month preceding the month of the termination date.
- (c) If the number of months in the membership date is greater than the number of months in the termination date, months are borrowed from the "Years" column. Each year borrowed or subtracted from the "Years" column is added as 12 months to the "Months" column.
- (d) If the number of days in the result is 16 or more, round the number of months up by one month. If the number of days is 15 or less, no service credit is recognized for those days.

11.2 Creditable Service Documentation. Official City of Austin or COAERS records will be used to document dates and amounts of creditable service.

11.3 Calculation of a Break in Service. A break in service exists when retirement contributions are not received for a pay period. Breaks in service are calculated as follows:

$$\begin{array}{r} \text{YYYY-MM-DD (Ending Date)} \\ - \text{YYYY-MM-DD (Beginning Date)} \\ \hline \text{Years, Months, and Days of Creditable service} \end{array}$$

If the result yields days of a break in service, and the number of days in the result is 16 or more, round the number of months up by one month. If the number of days is 15 or less, no service credit is recognized for those days. If the result yields just an amount of days of service, the break will be represented in days.

Multiple breaks in service will be added together to represent the entire credit to be subtracted from a member's total creditable service.

11.4 Calculation of Total Creditable Service for Annuity Benefits. A member's total creditable service for a monthly retirement annuity consists of the total of all years and months of prior service, membership service, redeemed service, and service purchased less breaks in service.

11.5 Calculation of Total Creditable Service for Group A Eligibility. A Group A member's total creditable service for retirement eligibility consists of the total of all years and months of proportionate service, prior service, membership service, redeemed service, and service purchased less breaks in service.

11.6 Calculation of Total Creditable Service for Group B Eligibility. A Group B member's total creditable service for retirement eligibility consists of the total of all years and months of proportionate service, prior service, membership service, redeemed service, and service purchased, excluding purchased Supplementary Service Credit, less breaks in service.

11.7 Prior Service. Former members who received a distribution of their accumulated deposits and therefore discontinued their COAERS membership may reinstate service in their original membership group if they are reemployed as a regular full-time employee and deposit into the System the accumulated deposits withdrawn by that person, together with interest.

11.8 Prior Service for Proportionate Members. Former members who received a distribution of their accumulated deposits and therefore discontinued their COAERS membership may reinstate this membership if they are a member of a retirement system participating in the Proportionate Retirement Program under Chapter 803 of the Texas Government Code and deposit into the System the accumulated deposits withdrawn by that person, together with interest.

11.9 Military Service Credit. Credit for military service can be granted only to the extent such service is documented on the Active Service Period line of an original Form DD214 or, in the alternative, a Certification of Military Service from the United States Department of Defense. Members may not purchase military service credit for a period of military service that is less than 90 consecutive days.

11.10 Proportionate Service Credit. Service credit that meets the requirements of Chapter 803 of the Texas Government Code (governing the Proportionate Retirement Program) may be used to determine length-of-service eligibility for retirement under COAERS only if COAERS receives written verification (paper or electronic) of such service credit. Purchases of prior military service may not be counted in more than one proportionate retirement system for purposes of reaching

retirement eligibility. It is the member's responsibility to notify COAERS of proportionate time accrued or accruing in another Texas retirement system that participates in the Proportionate Retirement Program and to keep that information current.

11.11 Unused Sick Leave Conversion. Members must apply to convert unused sick leave credit no earlier than 90 days prior to retirement and no later than the 15th day of the month of retirement. Members must submit payment in full for converted unused sick leave no later than the 15th day of the month in which they will retire.

Unused sick time will be converted in 80-hour pay period increments at a minimum. The calculation will analyze how much unused sick leave can be converted to maximize a member's service credit and therefore their retirement benefit given the rounding rules for service credit discussed in Section 11.1. Because of the rounding rules, not all unused sick leave will be converted to prevent overcharging the member and City for unused sick leave not needed to increase the member's service credit. The member will only pay the respective contributions for the unused sick leave needed to be converted based upon the contribution rates in effect at the time of conversion.

11.12 Supplementary Service Credit. Nonqualified permissive service credit, defined in Section 415 of the Internal Revenue Code, and the regulations promulgated thereunder, may be purchased and will be referred to generally as Supplementary Service Credit.

11.13 Probationary Service Credit. Employees hired after October 1, 1995, became members at their date of employment. Members employed on October 1, 1995, are given service credit for up to six (6) months of service between the time of their actual hire date and October 1, 1995. Credit is given at the time the member retires using the member's seniority date as reported by the Employer, or in the alternative, Employer personnel or contribution information. Probationary service credit cannot be granted until full payment has been made for a member's complete period of prior service.

ARTICLE XII UNCLAIMED MEMBER DEPOSITS

12. 1. Unclaimed Member Deposit Procedure. Inactive members who have not declared vested or proportionate status, and who have left their accumulated deposits and interest on deposit for more than seven years will be contacted via United States Postal Service (USPS) certified mail to the last known mailing address and through appropriate means for any address or contact information (including email addresses and telephone numbers). If the member cannot be located, COAERS will:

- (a) Search plan and related plan, sponsor, and publicly-available records or directories for alternative contact information; and/or
- (b) Use any of the search methods below:
 1. A commercial locator service;
 2. A credit reporting agency; or
 3. A proprietary internet search tool for locating individuals.

If the member cannot be located after a reasonable period of time, the member's accumulated deposits and interest will be transferred to Fund 2. If such a member is subsequently located,

their accumulated deposits and interest will be refunded to them upon the completion of the proper documentation.

ARTICLE XIII QUALIFIED DOMESTIC RELATIONS ORDERS

13.1 Purpose and Scope. This article establishes guidelines with respect to Qualified Domestic Relations Orders authorized by Chapter 804 of the Texas Government Code. A Qualified Domestic Relations Order (QDRO) is a legal instrument which provides for the redirection of a portion of COAERS benefits from a member to an alternate payee. A QDRO may be in conjunction with a divorce or for the support of a minor child.

13.2 Requirements for Qualified Domestic Relations Orders Related to Divorce. The Executive Director or designee will establish, in consultation with the General Counsel, one or more model QDRO forms. The model form(s) will be provided to assist in the development of individual QDROs acceptable to the System but will not be mandatory provided that the required provisions of the model QDRO form are included and provided that, in the case of an award of a portion of the member's monthly annuity, the dollar amount of the alternate payee's portion of the member's monthly annuity is specified in the QDRO. Any QDRO found by the General Counsel to meet the requirements of Chapter 804 and this policy may be approved by the Executive Director or designee. A copy of the final divorce decree may be required in addition to the proposed QDRO. All proposed QDROs will be reviewed by the General Counsel and will become effective only upon final approval by the Executive Director or designee.

13.3 Form of Payment. QDROs may be approved and paid either in the form of a lump sum payment or as a portion of the benefits otherwise payable to the member under the Plan.

13.3.1 Specified Lump Sum Less than Member's Deposits

(a) If the lump sum amount does not exceed the amount of the member's contributions plus accumulated interest on deposit with the System at the time the QDRO is approved, the lump sum amount will be paid to the alternate payee as soon as administratively feasible.

(b) Upon approval of a QDRO providing for payment of a lump sum amount that is less than the amount of the member's contributions plus accumulated interest then on deposit with the System, the lump sum amount shall become an asset payable by the System to the alternate payee. Such amount shall be segregated from the member's account and paid to the alternate payee as provided in this article.

13.3.2 Specified Lump Sum Greater than Member's Deposits

(a) A QDRO shall not award a lump sum amount that exceeds the member's contributions plus accumulated interest on deposit with the System.

(b) If a QDRO purports to award the alternate payee a lump sum amount greater than the amount of the member's contributions and accumulated interest on deposit with the System, the lump sum will not be paid as a lump sum unless the member thereafter voluntarily terminates membership by withdrawal of deposits prior to retirement. However, in that event, the amount of the lump sum to the

alternate payee may not exceed the amount of the member's contributions and accumulated interest.

(c) If the lump sum amount is not paid, and the member retires, the lump sum amount will be converted to the actuarially equivalent proportionate amount of the periodic payments payable to the member as a retirement benefit, as determined by the actuarial firm for the System.

(d) Upon approval of a QDRO that provides for the payment of a lump sum amount that is greater than the amount of the member's contributions plus accumulated interest then on deposit with the System, the lump sum amount shall not become an asset payable by the System to the alternate payee. Such amount shall not be segregated from the member's account but shall be paid to the alternate payee only as provided in and subject to this article.

13.3.3 Lump Sum Reduction to Future Retirement Benefit. If a lump sum payment is made, the member's benefits will be reduced, and any subsequent retirement annuity will be reduced in an actuarially equivalent amount as determined by the actuarial firm for the System.

13.3.4 Lump Sum Distribution after Retirement. A QDRO providing for a lump sum distribution will not be approved after the retirement of the member.

13.4 Retirement Benefit. The alternate payee's award shall only be paid from the Basic Plan, and no portion of the alternate payee's award shall be paid from the portion of the member's benefit, if any, paid from the Restoration Plan, provided for in Resolution No. 1999-11-23. The member's benefits will be reduced as determined by the actuarial firm for the System.

13.5 Death of Member and/or Alternate Payee. If the member dies prior to termination of membership or retirement, no amount will be paid to the alternate payee unless they are designated as a beneficiary on the most recent valid Beneficiary Designation Form executed and filed with the System by the member. If the member dies after retirement, any amounts then being paid to the alternate payee will terminate. Upon the alternate payee's death, any annuity payments to be paid in the future or that were being paid to the alternate payee cease and all remaining annuity benefits are paid to the member.

13.6 Conversion of QDRO Annuity Deduction to Lump Sum.

13.6.1 Request for Refund After QDRO Accepted. Under the authority set forth in Section 804.004 of the Texas Government Code, if a member applies for a withdrawal of deposits after a QDRO awarding a portion of the member's future monthly annuity to an alternate payee has been accepted by COAERS, the annuity awarded to the alternate payee shall be converted to a lump sum payment in an amount that is the actuarial equivalent of the interest awarded to the alternate payee under the QDRO. The lump sum payment will be disbursed to the alternate payee at the time that the deposits are disbursed to the member.

13.6.2 Conversion of Monthly Annuity Deduction to Lump Sum. The Executive Director is authorized to approve a written request signed by both the member and the alternate payee to convert the alternate payee's award under a QDRO that has been accepted by COAERS as provided in Section 804.004 and this paragraph. If

the QDRO awards the alternate payee a monthly annuity, the Executive Director may authorize a lump sum in an amount that is the actuarial equivalent of the annuity awarded in the QDRO be paid in lieu of the annuity. If the QDRO awards the alternate payee a lump sum, the Executive Director may authorize that a monthly annuity in an amount that is the actuarial equivalent of the lump sum awarded in the QDRO be paid in lieu of the lump sum. The Executive Director's decision to deny a request to convert a QDRO award as provided in this section is final and may not be appealed.

13.6.3 Converted Lump Sum Reduction to Future Retirement Benefit. When an interest in a QDRO is converted to an alternative method of payment as authorized in this section, the benefit payable to the member shall be reduced by the interest in the benefit awarded to the alternate payee by the QDRO as determined by the COAERS actuary.

13.7 Qualified Domestic Relations Orders Related to Child Support. Orders relating to the support of a dependent child must meet the state statutory requirements of a QDRO. An order for support of a dependent child that meets the appropriate QDRO requirements may be approved by the Executive Director or designee.

ARTICLE XIV DISABILITY BENEFITS

14.1 Purpose and Scope. This Article establishes the rules, regulations, and procedures necessary to implement Section 8 of the Act that govern COAERS, and establish the requirements for application, receipt, continuation, and/or discontinuation of disability retirement benefits.

14.2 Duty of Confidentiality. All Disability Committee, Board, and staff members of COAERS are to protect and treat as confidential the medical information received and reviewed relative to disability retirement applications and continuations.

14.3 Member Responsibilities When Claiming Disability Benefits. Members applying for disability retirement benefits have the burden to provide evidence establishing that they are mentally or physically incapacitated for the performance of all employment duties, not just their City of Austin employment duties, and that such disability is likely to be permanent. While the Executive Director and Staff provide general assistance and information to members regarding disability applications and procedures, the burden remains on the member to establish a likely permanent inability to perform all employment duties. Members, who due to an illness, injury or disability, desire COAERS to make an accommodation in the process, schedule, time requirements, or otherwise, for considering an application, must submit a request for the accommodation to the Executive Director. Members applying for disability retirement benefits (or the member's legal guardian or a person having the member's Power of Attorney) must complete an application process and submit requested information as required. Members applying for disability retirement must submit to examination(s) by physician(s) when required by the Committee and/or Board.

14.4 Costs of Disability Applications, Hearings, and Appeals. Except as specifically provided for by the Committee or Board, all costs for disability applications, hearings, and appeals will be the responsibility of the member.

14.5 Disability Retiree Applying for Continuation of Disability Retirement Benefits. Retirees receiving a disability retirement allowance (or their guardian or a person having their Power of Attorney) are required to submit requested information as outlined in this section.

14.6 Role of the Benefits and Services Committee. The COAERS Benefits and Services Committee will review initial disability retirement applications and make a disability retirement eligibility recommendation to the Board of Trustees. The Committee will also annually consider and recommend suspension or revocation of disability retirement benefits as appropriate.

14.7 Role of the Board of Trustees. The Board of Trustees will hear appeals from members whose disability retirement benefits have been denied, suspended, or revoked. The Board's determination is final.

14.8 Qualifications for Receipt of Disability Retirement Benefits. COAERS provides disability retirement benefits to qualifying members who sustain an injury or illness that is likely to be permanent and that incapacitates the member for the performance of all employment duties. Disability determination will be based on the mental or physical incapacitation of the member as of the application date for disability retirement, as demonstrated by the member's application, physician's statement(s), medical records, other supporting documents, and other information deemed relevant by the Board. Any medical condition(s) not defined or existing as of the member's date of application is not applicable and will not be considered in the disability application process.

14.9 Disability Retirement Eligibility. Only active-contributory, inactive-contributory, and members on approved medical leave of absence are eligible for consideration for disability retirement. Such a member must also meet one of the following:

- (a) Members with less than five years of creditable service may only apply for disability retirement if the disability is a result of an on-the-job accident or injury.
- (b) Members with five or more years of creditable service may apply for disability retirement even if the disability is not job related.
- (c) Members who have reached normal retirement age and are already eligible to retire at the time of their application for disability retirement may not apply.
- (d) Inactive-noncontributory members may not apply for or receive disability benefits.
- (e) For the purpose of applying for disability benefits, a member who is terminated by the Employer for inability to perform employment duties retains the membership category held prior to termination for 90 days following the date of termination. Qualifying members may apply for disability retirement within the 90-day period.

14.10 Application by Guardian or Attorney-in-Fact. A member's legal guardian or an Attorney-In-Fact under a valid Power of Attorney may submit an application for disability benefits on behalf of the member.

14.11 Required Documents. Members applying for disability retirement benefits (or the member's legal guardian or a person having the member's Attorney-In-Fact) must, at a minimum, submit a member's statement and physician's statement(s) from any physician(s) treating the

underlying condition giving rise to the disability claim, copies of all medical records from all treating physicians (including all notes, narrative reports, and test results), and such additional and supporting evidence as the member determines appropriate. Physician's statements must be from an M.D. (Doctor of Medicine) or a D.O. (Doctor of Osteopathic Medicine); statements from chiropractors will not be accepted.

14.12 Applicant's Burden of Proof. The applicant has the burden of proof to establish qualification for disability retirement. It is the member's responsibility to timely and properly submit a complete application and related documents.

14.13 Applicant's Responsibilities. Although the Staff will notify members of incomplete disability retirement applications, it is the member's responsibility to submit a complete application. All information provided in the disability retirement application as of the date the Committee reviews the application will be considered in the decision; new information can be considered on appeal.

14.14 Incomplete Disability Applications. Disability retirement applications that are incomplete six or more months after receipt of the member's statement may be submitted for a determination by the Board.

14.15 Date of Receipt of the Disability Application. The date of receipt of the disability application will be the date of receipt of the member's statement.

14.16 Date of Disability Retirement. The member's disability retirement date shall be the last day of the month in which the application is received or retirement contributions cease, whichever is later.

14.17 Effective Date of Disability Retirement. The effective date of a disability retirement shall be no earlier than the date of receipt of the member's disability application or the date of the member's termination date, whichever is later. If COAERS receives a retirement contribution associated with final sick or vacation terminal pay after the date of disability retirement is established, COAERS can return the contribution, and the member's retirement date shall remain as established.

14.18 Date of First Disability Allowance Payment. On award of a disability retirement, the member shall receive a disability retirement allowance beginning on the last day of the month after the month in which the Board approves the disability retirement.

14.19 Appointment of a Guardian. The Committee or Board may require, as appropriate, that a guardian be appointed for a member in cases where it has been represented or evidence shows that the member is mentally incompetent. Such guardianship is required prior to processing the disability retirement and disbursement of the retirement annuity payments.

14.20 Posthumous Disability Award. If a member who is eligible and properly and timely applies for disability benefits, dies after application but before the Committee makes a recommendation or the Board acts on the member's application for disability, the Committee or Board will consider the application if requested by a preselected survivor or spouse.

14.21 Disability Retirement Continuation. If, after an award of disability retirement benefits, a member receiving a disability retirement allowance is determined no longer physically or mentally

incapacitated for the performance of all employment duties, the Board shall discontinue the disability retirement allowance.

14.21.1 Review of Wages and Income. Unless specifically exempt by Board action, all retirees currently receiving a disability retirement allowance shall annually submit documentation of wages and income. Disability retirees shall provide a signed IRS form that authorizes COAERS to obtain individual taxpayer information. Copies of any earned income, including spousal income if the member files a joint return, must be submitted with the completed IRS Form. Unless additional documentation is requested, providing the form and copies of income documentation (e.g., W-2 forms, etc.) will satisfy this requirement. Staff will obtain a statement or documentation of income and wages from retirees receiving a disability retirement allowance who did not file an income tax return.

14.21.2 Substantial Gainful Activity Limit. Section 8(i)(1) of the Act states that if a disability annuitant is engaged in, or able to engage in, substantial gainful activity as defined by the Social Security Administration, the Board shall discontinue the disability retirement allowance. The substantial gainful activity standards used will be for non-blind individuals for the year in which the annuitant is evaluated.

14.21.3 Failure to Provide Information or Submit to Examination. The disability allowance of a member who fails to submit the required periodic reports or authorize release of taxpayer information, or who fails to submit to required physician examination(s), shall be discontinued until the member has submitted the required periodic report, authorized the release of taxpayer information, or submitted to a required physician examination, as appropriate. If such failure or refusal continues for 12 months, the disability allowance shall be revoked.

14.22 Discontinuance of Disability Retirement. If the disability retirement allowance of a member is discontinued, and the member is not reemployed by the City of Austin, the member may withdraw any amount by which the sum of the member's accumulated deposits as of the date of the disability retirement exceeds the sum of all disability retirement benefits paid to the member.

14.22.1 If a member has five or more years of Creditable Service and does not withdraw the excess, the member is entitled to a life annuity (modified cash refund) beginning on the first day of the month in which the member's normal retirement eligibility occurs.

14.22.2 If the member has less than five years of creditable service but is eligible and elects to participate in the Proportionate Retirement Program and does not withdraw the excess, the member will be entitled to a life annuity on reaching normal retirement eligibility.

14.23 Returning to Employment Post Disability Award. If a disabled member returns to active employment service with the Employer, the disability retirement allowance shall cease. If the person is reemployed as a regular full-time employee, the person shall be reinstated as an active-contributory member of COAERS and shall comply with the requirements of the Act. If reinstated as an active-contributory member, membership service credits accumulated prior to disability shall be restored to the full amount standing to the member's credit as of the date the Board found the member eligible for disability retirement, and any prior service credit shall be restored in full. The member is not required to reimburse COAERS for any disability retirement allowance amounts received by the member.

**ARTICLE XV
DEATH BENEFIT DISTRIBUTION**

15.1 Purpose. This article addresses benefits payable upon the death of a member.

15.2 Lump Sum Retiree Death Benefits. The following lump sum death benefits are payable on the death of a retired member or a member eligible to retire:

(a) The \$10,000 lump sum benefit payable on the death of a retiree as stated in the Act (Death Benefit); and

(b) If applicable, the excess of the accumulated deposits over the retirement allowances paid prior to the death of a retiree (Retiree Remaining Deposits).

15.3 Lump Sum Active, Inactive, and Vested Member Death Benefits. The following lump sum death benefits (member and Employer deposits) are payable on the death of members who are not retired or eligible to retire:

(a) The accumulated member deposits remaining credited to the member's account, including those deposits made by the member such as Prior Service (reinstated) purchases and Uniformed Service Credit (mid-career military leave of absence) for which an Employer contribution was made and all interest accrued, and an equivalent amount from the Fund; and

(b) The aggregate amount of any other accumulated deposits remaining in the member's account that were made by or on behalf of the member, including Non-contributory purchases, Prior Active Military Service purchases, and Supplementary Service purchases whether made by the member or the Employer (the non-matching deposits).

15.4 Survivor Benefits. The following benefits are payable, as applicable, over a period of time after the death of a retired member, or of a member eligible to retire:

(a) Annuity payments payable on the death of a retired member (e.g., amounts payable pursuant to a survivor beneficiary designation made under a retirement option listed in Sec. 7(l) of the Act) are payable as applicable to the survivor beneficiary over a period of time after the death of a member. Annuity payments to the survivor beneficiary will begin the month following the death of the member. If the survivor beneficiary does not immediately submit the necessary documentation (e.g., original or court certified death certificate), any missed payments will be included with the first disbursement provided the time limit governing the benefit has not expired.

(b) Annuity payments payable on the death of a member that is eligible to retire, but had not yet retired (e.g., amounts payable pursuant to a survivor beneficiary designation made under a retirement option listed in Sec. 7(1) of the Act) are payable as applicable to the survivor beneficiary over a period of time after the death of a member. If the member preselected a retirement option prior to death, a member's spouse that is designated as a survivor beneficiary or that did not consent to another party being designated as a survivor beneficiary, may elect a lump sum distribution or any benefit option the member could have selected.

(c) A sole non-spouse survivor beneficiary may elect a lump sum distribution or a benefit under Option V. Fifteen-Year Certain and Life. Annuity payments to a non-spouse

survivor beneficiary will begin the month following the death of the member. If a non-spouse survivor beneficiary does not immediately submit the necessary documentation (e.g., original or court certified death certificate), any missed payments will be included with the first disbursement provided the time limit governing the benefit has not expired.

- (d) A surviving spouse that is entitled to an annuity as a survivor beneficiary must begin receiving the annuity on or before April 1 of the year after the year in which the member would have attained ~~the applicable age 72 if the member attained age 70 ½ on or after January 1, 2020~~ as determined by the Code.

15.5 Designating a Survivor. If a member selects a retirement option that provides for a monthly annuity to be paid to another person upon the death of the member, the member must designate the survivor beneficiary at, or prior to, actual retirement. A member may change the survivor beneficiary prior to actual retirement, but a member cannot change the survivor beneficiary after retirement. If a member selects a retirement benefit option providing for an ongoing annuity at the time of their death, only the survivor beneficiary named at retirement will receive survivor benefits. Even if a retiree and the beneficiary are no longer married, the survivor beneficiary cannot be changed. If the member has a spouse at the time of retirement and designates a survivor beneficiary, the spouse must be designated to receive the survivor benefits unless the spouse signs a COAERS form authorizing otherwise.

15.6 Survivor Annuity Commencement. If a retired member chose an option providing benefits to a survivor beneficiary, at the retiree's death, such benefits will be paid to the designated survivor beneficiary. Payment will only begin after the original or court certified death certificate is received along with other necessary documents. This benefit is retroactive to the month following the member's death. If the survivor beneficiary does not survive the retiree, monthly benefits cease.

15.7 Final Annuity Payment. COAERS is required to pay the annuity payment to the retired member for the month in which the member's death occurs. If the final monthly annuity payment due to the member is rejected by the member's financial institution, the payment should be reissued to the member's spouse, if applicable. If there is no spouse, payment will be reissued to the member's beneficiary or estate. Payment of this benefit should be made no later than five years following the death of the member. If the retirement option selected was Option V. Fifteen-Year Certain and Life, the final check may be issued to the beneficiary or the member's estate.

15.8 QDRO Payments Cease upon Member's Death. If the deceased retiree's annuity was subject to division with one or more Qualified Domestic Relation Orders (QDRO), all payments to the alternate payee(s) will cease the month following the retiree's death.

15.9 Distributions to Non-Spouse Beneficiaries. Distributions of benefits to non-spouse beneficiaries must be made in accordance with these provisions:

15.9.1 Distributions to be Made Within Five Years. When payable as a lump sum, the Death Benefit, the member's deposits and interest, or the retiree remaining deposits must be paid within five years. If a designated beneficiary cannot be located, and no proof of death is made for such beneficiary, the benefits (if any) designated to be paid to such beneficiary will be held for up to five years for payment if the beneficiary is located.

15.9.2 Payments upon Death or Failure to Locate Beneficiaries. If a Primary or Alternate Beneficiary, to which funds are due to be distributed due to the death of, or failure to locate, the Primary Beneficiary within five years of the member's death, does not contact

COAERS and is not located within five years after the death of the member, part or a portion of the lump sum benefits otherwise payable will be paid in the order of priority designated by the BDF (e.g. to any additional Primary Beneficiary, or if none, to the Alternate Beneficiary, if known). Upon proof of death being presented to establish the death of a Primary Beneficiary or, as applicable, an Alternate Beneficiary, the benefits will be distributed to the remaining designated beneficiaries in order of priority, or to the member's estate. If no designated beneficiaries are located within five years, the benefits will be paid to the member's estate if the estate is probated and letters testamentary are provided to COAERS.

15.9.3 Beneficiaries Predeceasing the Member. When one or more designated beneficiaries have predeceased the member, the benefits will be paid in the following order of priority to: (1) the beneficiaries that are known and located, in the following order, as applicable: (a) the remaining Primary Beneficiary pro rata or (b) the Alternate Beneficiary pro rata; or (2) the member's estate (if probate has been opened and COAERS has been provided the required notice and documentation).

15.9.4 Non-Spouse Survivor Benefits. If a member is retired or was eligible to retire and preselected a retirement option prior to death, a non-spouse survivor beneficiary will receive a survivor annuity based on the retirement option selected by the member. Survivor benefits payable to a non-spouse beneficiary must commence within one year after the member's death if the beneficiary qualifies as a designated beneficiary under the Code. The Code requires survivor benefits to be paid within five years for a beneficiary that does not qualify as a designated beneficiary under the Code. Upon the death of a member that is eligible to retire but not yet retired, and that had not selected a retirement option prior to death, a designated non-spouse survivor beneficiary may elect a lump sum distribution or a benefit payable under Option V. Fifteen-Year Certain and Life.

15.10 Distributions to Spouse Beneficiaries. Distributions of benefits to spouse beneficiaries must be made in accordance with these provisions:

15.10.1 Spousal Lump Sum Death Benefits. When payable as a lump sum, the Death Benefit, the member and Employer deposits, and the retiree remaining deposits must be fully paid no later than April 1 of the year following the year the member would have attained the applicable age 72 (if the member attained age 70 ½ on or after January 1, 2020) as determined by the Code. If the spouse dies before the distribution of the benefits, the benefits will be distributed as specified in this section within five years of the date of the spouse's death.

15.10.2 Claims by Spouse for Benefits. The spouse beneficiary should contact COAERS to provide a permanent address and contact information as soon as possible after the death of a member. If the spouse beneficiary does not contact COAERS and is not located on or before April 1 of the year following the year the member would have attained the applicable age 72 (if the member attained age 70 ½ on or after January 1, 2020) as determined by the Code, the benefits will be paid to any additional Primary Beneficiary, or if none, to the Alternate Beneficiary, if known. The Code requires lump sum benefits that are payable to a spouse and that do not commence within one year to be paid on or before April 1 of the year following the year in which the member would have attained the applicable age 72 (if the member attained age 70 ½ on or after January 1, 2020) as determined by the Code.

15.10.3 Alternative Payments Procedure. If the benefits are not paid to the spouse as detailed above, the benefits will be paid in the following order of priority, to: (1) the remaining Primary Beneficiary; (2) the Alternate Beneficiary; or (3) the member's estate (if probate has been opened and COAERS has been provided the required documentation).

15.10.4 Spousal Survivor Benefits. A spouse beneficiary of a retired member will receive a survivor annuity based on the retirement option selected by the member. If a spouse beneficiary does not survive the member, no survivor benefits are payable. Spouse benefits must begin no later than April 1 of the year after the year the member would have attained applicable age as determined by the Code~~72 if the member attained age 70 ½ on or after January 1, 2020~~. If the deceased member was eligible for retirement, but was not yet retired, at the time of death, the spouse may elect to either receive an optional benefit payment of a survivor benefit or receive a lump sum payment equal to the member and Employer deposits. If the member had reached the applicable age 72 at the time of death (if the member attained age 70 ½ on or after January 1, 2020) as determined by the Code, the spousal benefits must begin immediately. If the member's spouse is the designated beneficiary, distributions shall begin no later than April 1 of the year following the year the member would have attained the applicable age 72 if the member attained age 70 ½ on or after January 1, 2020 as determined by the Code. This special rule is not available to non-spouse beneficiaries. These requirements correspond with IRS rules and regulations.

15.10.5 Active Member Death at 72 or Older. If an active member attained the applicable age 70 ½ on or after January 1, 2020 and is 72 or older and dies as determined by the Code, distributions to the member's spouse (if applicable) begin immediately.

15.11 Distributions for Terminated Members. Except for employees that remain active-contributing members, a terminated member must begin receiving the retirement annuity no later than April 1 of the year following the year in which the member attains the applicable age 72 if the member attained age 70 ½ on or after January 1, 2020 as determined by the Code.

15.12 Lump Sum Distribution to Members Not Eligible for Retirement. Upon the death of a member who is ineligible for retirement, an amount equal to the member and Employer deposits, together with the interest accrued thereon, shall be paid to the member's designated beneficiaries, except as may otherwise be required by a QDRO. The payment will be made from System funds (Fund No. 2). Non-matching deposits will be distributed in the same manner as a member's accumulated deposits, except there shall be no equivalent amount paid from System funds (Fund No. 2).

15.13 Delays in Timely Distribution of Benefits. The beneficiary is responsible for contacting COAERS after the member's death. However, COAERS staff shall make reasonable attempts to locate survivor beneficiaries before the time benefits are required to commence. COAERS will encourage, or require, beneficiaries to commence receiving benefits. Attempts to locate may include sending letters to the last known address and internet search tools. Written documentation of the search attempt should be kept in the member's file.

15.14 Court Approved Small Estate Affidavit. COAERS can accept a Small Estate Affidavit provided it meets the requirements of Chapter 205 of the Texas Estates Code, the affidavit is filed with the clerk of the court that has jurisdiction and venue of the estate, and the presiding judge approves the affidavit.

15.15 Court Approved Order Admitting a Will to Probate as a Muniment of Title. COAERS can accept a court order admitting a will to probate as muniment of title provided that the order meets the requirements of Chapter 257 of the Texas Estates Code, has been signed by the presiding judge, and has been properly filed.

15.16 Legal Counsel Review of Certain Distributions. The COAERS General Counsel will be advised of problems in making timely distributions: e.g., no valid BDF on file, no valid EBDF, no spouse, inability to locate designated beneficiary, all beneficiaries predeceased the member, beneficiary is a minor, or beneficiary refuses to accept benefits.

15.17 Procedure for Contacting Payees Subject to Minimum Distributions. Payees subject to minimum distribution requirements will be contacted via United States Postal Service (USPS) certified mail to the last known mailing address and through appropriate means for any address or contact information (including email addresses and telephone numbers). If the member cannot be located, COAERS will:

- (a) Search plan and related plan, sponsor, and publicly available records or directories for alternative contact information; and/or
- (b) Use any of the search methods below:
 1. A commercial locator service;
 2. Credit reporting agency; or
 3. A proprietary internet search tool for locating individuals.

15.18 Staff May Not Provide Tax or Legal Advice. When making application for retirement benefits and designating a beneficiary for death benefits, members should consult with independent, qualified professionals regarding tax, estate planning, and legal issues related to their retirement. Statements and opinions by COAERS staff or attorneys that relate to estate planning, tax, or other legal issues, are made only as examples to raise issues and provide information that may be generally applicable and should be the subject of independent professional advice obtained by the members.

15.19 Applicable Age Defined. The applicable age for required distributions is age 72 unless the member reached age 72 after December 31, 2022, then the applicable age is 73.

ARTICLE XVI BENEFICIARY DESIGNATION FOR LUMP SUM BENEFITS

16.1 Creation of the Beneficiary Designation Form. COAERS staff will maintain a form required to be used by members to designate beneficiaries to receive certain lump sum benefits or distributions that are payable on the death of the member. Except as provided otherwise in the Act, any member may file such a form with COAERS at any time. All beneficiary designations must include a photo identification document issued by a governmental authority.

16.2 Employer Beneficiary Form Validity. If a valid Beneficiary Designation Form (BDF) is not on file with the System, COAERS will obtain the most recent Employer beneficiary designation form (EBDF) on file with the Employer, as defined in the Act. The Executive Director or designee has the authority to determine the validity of a beneficiary designation form. COAERS will recognize the most recent EBDF as a valid form if it meets the following criteria:

- (a) is provided by and on file with the Employer;
- (b) is executed by the member;
- (c) designates the beneficiary for retirement benefits;
- (d) is executed by the member's spouse unless the spouse is designated as the Primary Beneficiary receiving 100% of the retirement benefit; and
- (e) the member has not signed a subsequently dated EBDF that revokes or cancels any previous forms.

16.3 Most Recently Dated Form Valid. If a recent valid BDF is on file with COAERS, it will conclusively determine the member's designated beneficiaries for the purposes of COAERS and the payment of death benefits. If a valid BDF or a valid EBDF is not found, or the designated beneficiary listed on the form has predeceased the member, the benefits will be paid to the member's spouse, if applicable, or to the member's estate, if the member is not married.

16.4 Spousal Consent. To be valid, effective, and recognized by COAERS, a BDF must be executed by the member and the member's spouse (if married and the spouse is not designated as Primary Beneficiary to receive 100% of benefits), and must be on file with COAERS or the Employer at the time of the member's death. A written form that is not a valid BDF or a valid EBDF will not be considered effective by COAERS. If a married member designates a beneficiary who is not the spouse or designates less than 100% of the benefits to the spouse as Primary Beneficiary, the form must be signed by the spouse to be valid. If the spouse is not the Primary Beneficiary and did not sign the form prior to the member's death, the spouse may request the benefits be paid directly to the spouse or consent to distribution of benefits as stipulated in the most recent valid form.

16.5 Common Law (Informal) Marriage Recognized. Common law or informal marriage is recognized in the State of Texas. As used in this article, the word "spouse" includes a common law spouse. The member and/or the common law spouse must provide documentation in support of assertion of common law marriage, especially any evidence where the couple held themselves out as husband and wife. The COAERS General Counsel will review the assertion of common law marriage and then make a determination of marital status based on the facts supported by the documentation presented.

16.6 Alternate Beneficiaries. A BDF may name an Alternate Beneficiary to receive benefits if the Primary Beneficiary is deceased, presumed deceased, or refuses to accept the benefits. An original or court certified death certificate or, as applicable, a sworn statement, confirming the Primary Beneficiary's death or refusal of benefits, is required for benefits to be paid.

16.7 Designation of a Custodian. The Texas Uniform Transfers to Minors Act permits a custodian to be named for a COAERS minor beneficiary.

16.8 Other Designations. A trust, custodian, guardian, or Attorney-in-Fact may be designated on a BDF as a Primary Beneficiary or Alternate Beneficiary only for the benefit of persons that are listed on the BDF.

16.9 Payments in the Event No Valid Form Exists. Benefits payable on the death of a member must be made to the beneficiaries listed on a valid BDF. If a valid BDF or a valid EBDF is not

found, the benefits will be paid to the member's spouse, or if no spouse survives, to the member's estate.

16.10 Changing a Beneficiary Form for Lump Sum Benefits. A member may change the beneficiary designated for the lump sum death benefit at any time by completing a new BDF, subject to the requirements for the spouse's signature if married. If the member obtains a divorce after designating a spouse as the beneficiary for the lump sum death benefit, the lump sum death benefit will be paid to the current spouse at time of death, unless the current spouse has signed the BDF or consents to distribution of benefits as stipulated in the BDF.

16.11 Notification of Member Death. Upon notification of a member's death, COAERS staff will research and locate the member's most recent valid BDF to determine to whom benefits are payable. If a BDF is not on file with COAERS, staff will obtain the most recent valid EBDF. The BDF(s) filed with COAERS are a part of member records at COAERS. If a BDF has not been received by COAERS, the most recent EBDF (generally for active-contributory, non-declared vested, proportionate, and terminated members) will be requested from the Employer's Human Resources department personnel files to determine whether such form may be accepted as a valid form.

16.12 COAERS or Employer Records. COAERS will retain the BDF in the member records. The BDF or, if none, the valid EBDF, must be received by the System/Employer prior to the member's death. Only if the member has not filed a BDF with COAERS will the EBDF be obtained from the Employer. If a BDF was not received by COAERS, and the EBDF is obtained, the most recent EBDF will conclusively determine the member's designated beneficiaries for the purposes of COAERS and the payment of death benefits if the EBDF qualifies as a valid form. If no valid BDF or valid EBDF is located, the death benefits will be payable to the member's spouse, if applicable, or to the member's estate, if there is no spouse. If information in the member's file or personal knowledge of COAERS or the Employer's staff indicates the member was married, but the beneficiary designation form indicates otherwise, further examination of the facts must occur. These instances will be addressed on a case-by-case basis.

16.13 Member Designations and Records. Members are encouraged to keep a current BDF on file with COAERS. This is particularly important if the member marries or divorces or there is a change in the custodian of a minor beneficiary. Member file information concerning designated beneficiaries may be obtained by a member or a person having the member's Power of Attorney, if the member or Attorney-in-Fact comes to COAERS with picture identification and, as applicable, an original or court certified copy of a Power of Attorney. Information may also be mailed to a requesting member at the member's address of record with COAERS, or to the person holding the member's Power of Attorney.

16.14 Beneficiary Responsibility. It is the responsibility of the beneficiary to make timely contact with COAERS following the death of a member. COAERS staff will attempt to contact the beneficiary designated on the most current valid BDF on file with COAERS or, if none, the most recent valid EBDF. Once contacted, it is the responsibility of the beneficiary to timely and properly claim benefits.

16.15 Refusal by Beneficiary to Accept Benefits. Although any assignment/transfer of any benefit is prohibited, including a death benefit, a person has a right to decline to be a beneficiary and to refuse the benefit. If a beneficiary refuses to accept the benefit, that person is required to sign a sworn statement of refusal to accept the benefit and a waiver of the funds. In such event, it is permissible for the System to pay to the other beneficiaries of the same class the designated

portion of the death benefits that would have been payable to that person. In such event, if there are no other beneficiaries of the same class, the death benefits are distributed to the named Alternate Beneficiaries, or, if none, to the member's estate.

16.16 No Valid Form or No Valid Designations. If no valid BDF or valid EBDF is on file, or if all designated beneficiaries predecease the member or refuse to accept benefits, COAERS staff will contact the COAERS General Counsel, and the benefits will be paid as provided by the Act and State law.

ARTICLE XVII OPTION SELECTION AND SURVIVOR BENEFICIARY DESIGNATION

17.1 Selection of Annuity Payment and/or Options. The annuity payment options available to members are listed and described in Section 7(l) of the Act as follows:

- (a) Life Annuity;
- (b) Option I. 100 Percent Joint and Survivor Annuity;
- (c) Option II. 50 Percent Joint and Survivor Annuity;
- (d) Option III. 66-2/3 Percent Joint and Survivor Annuity;
- (e) Option IV. Joint and 66-2/3 Percent Last Survivor Annuity;
- (f) Option V. 15-Year Certain and Life Annuity; and
- (g) Option VI. Equivalent Benefit Plan, which allows a member to customize a survivor benefit.

17.2 Spousal Consent Required. Section 7(m) of the Act requires spousal consent for the member to select an optional retirement benefit other than I, II, III, or IV. It also requires spousal consent if a married member designates any person other than the spouse as a surviving beneficiary. Since Texas is a community property state, COAERS requires spousal consent for a Life Annuity designation (member only) and all other options except for Option I naming the spouse as the survivor.

17.3 Annuity Payment Selection. Members may select an annuity option during the retirement claim process. The option selected by the member may be changed at any time on or prior to the member's benefit effective date.

17.4 Deferred Annuities. During the retirement claim process, members may select an option to receive a lump sum payment and defer their monthly annuity payment until a later date. However, members must begin receiving their retirement annuity no later than when they ~~become~~achieve the applicable age under the Code~~72 if the member attained age 70 ½ on or after January 1, 2020.~~ See Section 15.19 for a definition of "applicable age."

17.5 Disclosure of Marital Status. During the retirement claim process, members must disclose their marital status, and if married, provide spousal consent for any annuity option, except Option I. COAERS is entitled to rely on the written representation by the member that there is no spouse unless there is a reason to believe or know that such a representation is not true.

17.6 Prohibitions on Survivor Designations. COAERS does not permit:

- (a) The member's option selection to be changed after retirement. A survivor's rights vest at retirement so a survivor designation cannot be changed after a retirement even if the member is subsequently divorced and a QDRO purports to extinguish survivor rights to a former spouse.
- (b) More than one beneficiary to be designated for ongoing joint annuitant survivor benefits except for beneficiaries under Option V, 15-Year Certain option.
- (c) A survivor beneficiary designation to be changed after the effective date of the retirement.
- (d) Certain joint and survivor beneficiary designations that the Internal Revenue Service prohibits under its Minimum Distribution Incidental Benefits statutes and regulations.

17.7 Equivalent Benefit Plan Option Creation and Limitations. Members may design a retirement option subject to limitations from the COAERS actuary. Requests for Equivalent Benefit Plan Option (Option VI) designs must be made 90 days before the member's actual retirement date. Under Option VI, benefit designs will be subject to the following restrictions:

- (a) Benefits may not be structured to provide for a decrease in annuity payments at a future date.
- (b) If a partial lump sum distribution and a Backward DROP are used in combination, the resulting lump sum payment cannot exceed the equivalent of 60 months of annuity payments under a basic Life Annuity.
- (c) The Executive Director may require a member to pay the cost of estimates prepared by the actuarial firm for the System for any estimates in excess of three.

17.8 Designation of Beneficiary – Ongoing Survivor Annuity. As required by the Act, COAERS will maintain a form or forms, either in paper or electronic form, which are required to be used by a member to make an application and a claim for retirement, make a retirement option selection, and designate a survivor beneficiary to receive an ongoing survivor annuity in the event of the member's death. If the member is married and seeks to name a person other than the spouse as survivor beneficiary, spousal consent is required. To be effective and recognized by COAERS, the form(s) must be executed by the member, by a written or electronic signature and submitted on or before the deadline that corresponds with the member's effective retirement date.

17.9 Preselection of Survivor Benefits Prior to Retirement. At any time before retirement, a vested member may preselect a retirement option and at some future time apply to receive benefits at the normal retirement age. A vested member may preselect a retirement option with a DROP (Deferred Retirement Option Program). Such preselection must be made on the designated COAERS form, including notarized signatures of both the member and the member's spouse, if applicable, and filed with COAERS. The preselection may be revoked by the member in writing without the consent of the spouse at any time before retirement. A new preselection will require completion and filing of a new form with COAERS; any new form will require notarized signatures of both the member and the member's spouse, if applicable. Consequently, a former spouse's waiver or consent, provided prior to actual retirement, is not binding on a new spouse. The member retains the right to change the option selected or the survivor beneficiary designated until the member's actual retirement date, subject to the Act and this Policy. An option selection and beneficiary selection becomes effective on the member's actual retirement date and may not be revoked.

17.10 Minors as Surviving Beneficiaries. A member may designate a minor as a surviving beneficiary. A member designating a minor on the COAERS form will be given the opportunity, but will not be required, to designate a custodian to receive benefits for any beneficiary that has not attained the age of 21. If a custodian is designated and such beneficiary remains under the age of 21 at the time of the member's death, the benefits will be paid to the custodian designated for the minor. If such beneficiary has attained 21 years of age when the survivor benefits are payable, the benefits will be paid directly to the beneficiary.

17.11 Advice and Access Concerning Selection of Annuity and Surviving Beneficiary. COAERS staff will assist members in understanding their benefit, but cannot provide financial, estate planning, tax, or legal advice to members. When making application for retirement benefits, members are strongly encouraged to obtain independent financial and/or tax advice when making decisions about retirement.

17.12 Pop Up Provision Upon Death of a Survivor. If the person designated as the surviving annuitant under Options I, II, or III, predeceases the retired member, the reduced annuity of the retired member will increase to the life annuity. The adjustment to the retired member's annuity begins with the payment for the month following the month in which COAERS received the death certificate of the deceased survivor annuitant.

ARTICLE XVIII EMPLOYER DATA

18.1 Reliance upon Employer Data. In order to determine member account balances, pay benefits, and determine actuarial liabilities, COAERS shall rely on data provided from participating employers.

18.2 Contribution Basis. The Act that governs COAERS requires contributions to be made on a 40-hour workweek. Certain job titles for the Emergency Medical Services (EMS) department have workweeks exceeding 40 hours. Therefore, COAERS will determine the hourly rates for these members by dividing the reported contributions each pay period by 80, then by .08.

18.3 COAERS Membership Date. It is customary for an employer to begin an employee's employment at the beginning of a pay period. Therefore, in general, each retirement contribution has two weeks of service credit associated with it. If any doubt exists as to the member's correct membership date for eligibility and service credit, Staff will review the date that corresponds with the last day of the pay period for the member's initial COAERS contribution. Staff will then subtract 14 days from that date and then try to find a date in City records (paper or banner) which matches that date. If the result is different from the City's date of hire, Staff may adjust the membership date to the 14th day prior to the contribution date or the corresponding pay period begin date. In this way, the member's membership date will correspond to the member's initial contribution.

18.4 Deductions for COAERS Contributions. A full COAERS employee contribution will be deducted for every pay period in which the employee works.

ARTICLE XIX BACKWARD DEFERRED RETIREMENT OPTION AND PARTIAL LUMP SUM PAYMENTS

19.1 Purpose and Scope. The COAERS Board adopted this Policy regarding the Backward Deferred Retirement Option Program (Backward DROP or DROP). The Act establishes the rules governing receipt of a Backward DROP or a Partial Lump Sum payment. The Backward DROP allows eligible members to receive a Backward DROP payment in addition to a monthly retirement annuity at retirement subject to the conditions and limitations in the governing statute and in this policy.

19.2 Eligibility Excludes Proportionate Service. The Backward DROP is only available to active contributory members who have already attained normal retirement eligibility, excluding proportionate service credit.

19.3 DROP Period. The DROP Period is the period between the member's actual retirement date and the date the member was first eligible for normal retirement (excluding proportionate service credit) or the date of the member's last purchase of service (excluding unused sick leave conversion), whichever is later. The DROP Period cannot exceed 60 months.

19.4 Backward Drop Payment. The Backward DROP payment is equal to ninety percent (90%) of the life annuity monthly benefit (after any reductions for lump sum QDRO) multiplied by the number of months in the DROP Period. No interest will be paid on, or added to, the Backward DROP payment.

19.5 Monthly Retirement Annuity. The monthly life annuity for a member electing the Backward DROP program is calculated using the average final compensation and creditable service (including converted unused sick leave) at the beginning of the DROP Period. Members retiring with a Backward DROP option may choose a life annuity or any actuarial equivalent life annuity options.

19.6 Payment. The Backward DROP payment is paid at the same time the first monthly annuity is paid. Backward DROP payments may be rolled over as permitted by the Internal Revenue Code or paid, in part, as a Backward DROP payment and the remainder as a rollover. To roll over a Backward DROP payment, the proper documentation must be completed and submitted no later than the member's actual retirement date.

19.7 Partial Lump Sum Payment. In lieu of a Backward DROP, a member can choose to take a reduced benefit and receive a Partial Lump Sum Payment at retirement. The lump sum payment may not exceed an amount equal to the total amount of 60 monthly life annuity payments. The Partial Lump Sum Payment is paid at the same time the first monthly annuity is paid. The COAERS actuary shall determine the calculations for the administration of the Partial Lump Sum Payment and the corresponding reduction in the member's monthly retirement annuity.

ARTICLE XX RETIREES RETURNING TO WORK WITH A PARTICIPATING EMPLOYER

20.1 Purpose and Scope. The COAERS Board adopted this article regarding retirees who return to work for the City of Austin or COAERS (hereinafter collectively referred to as the Employer) after retirement. The Act establishes restrictions on the number of hours and duration of any employment by a member with the Employer after retirement. This policy implements the governing statute and ensures regulatory compliance.

20.2 Responsibilities of the Executive Director and Staff. The COAERS staff shall monitor retiree data and notify retirees and the Employer of any potential noncompliance with the governing statute. The Executive Director shall suspend the annuity of any retiree found to be in noncompliance.

20.3 Responsibilities for Retirees Working for the City of Austin. Retirees working for the City of Austin shall conform work hours to the statutory limits, and shall notify COAERS if their work schedule exceeds the limits of the governing statute or if they wish to voluntarily suspend monthly annuity payments.

20.4 Waiting Period and No Agreement to Return. A member who has not attained the age of 55 at retirement may not work for the City of Austin within 90 days of the retirement date and may not have an agreement (oral or written) prior to retirement to return to work for the City of Austin after retirement. If employment with the City of Austin occurs within 90 days of ~~retirement~~termination, the retirement will be invalidated. This restriction will apply to retirees working for any employer covered by the City of Austin Employees' Retirement System. Employees making application for retirement who have not attained the age of 55 at the time of retirement will be required to affirmatively state that they will terminate employment no later than their selected retirement date, and that they have not entered into an agreement (oral or written) to return to work for the Employer after termination~~retirement~~.

20.5 Suspension of a Retirement Allowance. COAERS shall suspend the retirement allowance of the following members:

- (a) A member who resumes employment after retirement as provided in Section 20.4 above;
- (b) A retired member who resumes employment after retirement as a regular full-time employee of the City of Austin, COAERS, or an agency of the City; or
- (c) A retired member who resumes employment with an employer in a position that is not required to participate in another retirement system maintained by an employer, and who is not a regular full-time employee of an employer, if the member works for, or is compensated by, an employer for more than 1,508 hours in any rolling 12-month period after the member resumes employment with the employer.

20.6 Sick Leave. If a retiree uses sick leave to be paid for time away from work during their part-time employment those hours will be counted towards the 1,508 limit.

20.7 Suspension Effective Date. A suspension of a retirement allowance can begin as early as the retirement allowance payable the last day of the month following the month in which the retired member exceeded 1,508 hours of employment in a rolling 12-month period.

20.8 Suspension Duration. A suspension of a retirement allowance shall be in effect until the member's employment terminates, and the member applies in writing for reinstatement of the retirement allowance and qualifies for retirement.

20.9 Voluntary Suspension. A retired member who resumes employment in a position not required to participate in another retirement system maintained by an employer may voluntarily suspend their retirement allowance. However, such a member must also meet the requirements of Section 20.4 above.

20.10 Events Not Triggering Suspension. A suspension of a retirement allowance will not occur in the following situations:

- (a) A member who retires after reaching normal retirement age and continues or resumes employment with the City of Austin in a position that is required to participate in another retirement system maintained by the City of Austin, or
- (b) A retiree who is working for the City of Austin as an independent contractor as defined by the Internal Revenue Code.

20.11 Reinstatement of a Retirement Allowance. A member whose retirement allowance is suspended may retire again and reinstate a retirement allowance. The reinstatement of a retirement allowance shall be subject to the following provisions:

- (a) COAERS and/or its actuary shall calculate the reinstated retirement allowance based on the member's total creditable service, reduced actuarially to reflect the gross amount of total retirement allowance paid to the member prior to suspension of the retirement allowance.
- (b) The reinstated retirement allowance cannot be less than the previous retirement allowance prior to the suspension.
- (c) The member cannot change the actuarial equivalent life annuity option they selected at their original retirement date.
- (d) The member cannot change the survivor or beneficiary designated under an actuarial equivalent life annuity option at their original retirement date.

20.12 Compliance. The burden of compliance shall rest with the retiree. The City of Austin Employees' Retirement System will provide information to all retirees as to the restrictions on retirees working for the City of Austin, as part of the retirement process; however, it is ultimately the responsibility of the retiree to know the plan provisions relating to returning to work. Absence of notice will not be considered a valid defense.

ARTICLE XXI ANNUITY DEDUCTIONS FOR RETIREE INSURANCE

21.1 Purpose and Scope. The Board of Trustees of the City of Austin Employees' Retirement System recognizes that the City of Austin offers insurance-related products to retirees and annuitants and therefore intends, as a convenience to retirees and annuitants, to allow for the deduction of costs associated with insurance-related products authorized by the City of Austin.

21.2 Responsibilities of the Executive Director. Shall be responsible for deducting retiree or annuitant costs from insurance-related products from the monthly annuities of retirees or annuitants.

21.3 Responsibilities of Retirees and Annuitants. Shall be responsible for reviewing insurance related deductions for accuracy and notifying the City of Austin if inaccuracies are discovered.

21.4 Responsibilities of the City of Austin. Shall provide COAERS with the information to allow the proper insurance related deductions from the monthly annuities of retirees or annuitants.

21.5 Authorization for Deductions from Monthly Retirement Benefits. A retired member or annuitant who is receiving benefits from the System may authorize deductions from their monthly benefit only for certain eligible insurance products established by the City of Austin, provided the benefit amount is sufficient to allow the entire deduction considering any previously existing deductions. No partial deductions are permitted. The System will only recognize instructions received by the City of Austin, and not directly from the member or annuitant. Any discrepancy between the amount actually deducted and the amount which should have been deducted will be resolved by the member or annuitant and the City of Austin.

21.6 Products Eligible for Deductions. The only products that are eligible for deduction are those insurance-related products which may be offered to retired employees through the City of Austin's Human Resources Department and which are offered to retirees as a group. Deductions for all other products, services, or associations are prohibited.

21.7 No Endorsement. The allowance of deductions for certain eligible insurance products, does not under any circumstances, constitute an endorsement for any particular product or company.

ARTICLE XXII ANNUITY VERIFICATION

22.1 Identification of Death Records. To protect the fund and the interests and benefits of the members, the City of Austin Employees' Retirement System (COAERS) will periodically use a third-party vendor to identify death records for COAERS payees. For any death record, COAERS will suspend the payment and independently verify the validity of the death record.

22.2 Use of Affidavit. In the case of a discrepancy or error in a third-party's death records, COAERS will require the annuitant to complete a notarized affidavit on a form approved and provided by the COAERS.

ARTICLE XXIII ELIGIBLE ROLLOVER DISTRIBUTIONS

23.1 General Rollover Information. Some payments from COAERS are eligible to be rolled over to a qualified IRA or employer plan. Participants can access a document called "Special Tax Notice – Rollover Options" at www.coaers.org to help them decide whether to do such a rollover. Participants may also wish to consult with a professional tax advisor regarding rollovers before taking a payment from COAERS. More detailed information on the federal tax treatment of payments from COAERS can be found in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs); IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.

23.2 Rollover Election. A distributee may elect, at the time and in the manner prescribed by the Board of Trustees, to have any portion of multiple eligible rollover distributions from the Plan scheduled to be made at the same time, directly allocated to multiple eligible retirement plans and treated as a single eligible rollover distribution to the extent permitted by Code Section 72 and 402(c); provided, however, that the Plan's terms permit such rollover, and, provided, further that such rollover does not exceed permissible limits.

23.3 Disbursements Scheduled to be Made Simultaneously. For purposes of determining the portion of a disbursement of benefits from a plan to a participant, beneficiary, or alternate payee that is not includible in gross income under the rules of Code Section 72, all disbursements of benefits from the Plan to the recipient that are scheduled to be made at the same time (disregarding differences due to reasonable delays to facilitate plan administration) are treated as a single distribution without regard to whether the recipient has directed that the disbursements be made to a single destination or multiple destinations. In such a case, allocations of pre and post-tax amounts will be allocated according to the Code and regulations.

ARTICLE XXIV INTEREST CREDITED TO MEMBER ACCOUNTS

24.1 Purpose. The accumulated deposits standing to the credit of a COAERS member are improved annually through crediting interest at a rate determined by the Board upon the advice of the System's actuary. Interest is credited as of December 31 to amounts standing to the credit of the member on January 1 of the same calendar year. This article establishes the responsibilities, guidelines, and procedures for the interest rate decision.

24.2 Responsibilities of the Actuary. The System's actuary provides advice to the Board regarding the interest rate credited to member accounts.

24.3 Guidelines. The interest rate is set based on fixed income type returns, not returns earned by the entire fund or other more aggressive investment vehicles. Neither the interest rate recommendation by the actuary nor the final decision by the Board should negatively impact the financial soundness of the System.

24.4 Procedure. The System's actuary will provide an interest rate recommendation to the Board. The recommendation will consider the following:

- (a) The average yield of 10-Year Treasury Constant Maturities (Nominal), as published by the Federal Reserve in Statistical Release H.15, during the 12 months from November 1 of the prior year through October 31 of the current year; and
- (b) Historical interest rates established by the Board, and
- (c) Any other factor relevant to the determination of that year's interest rate.

24.5 Crediting Interest to Member Accounts. Annually, member accounts will receive interest as determined by the Board.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 8 Benefits and Services Committee

B. Discuss and consider Plan Resolution 2023-0921

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to review draft Resolution 2023-0921 designed to keep the COAERS Plan compliant with the Internal Revenue Code (“Code”) and regulations.

RELEVANCE TO STRATEGIC PLAN

This agenda item aligns with one of the five core competencies of **COAERS Strategic Plan** “*Dependable Operations: Managing the financial and operation commitments of the system appropriate measurable standards.*” The COAERS statutes authorize the Board to adopt any amendment necessary for the retirement system to maintain its status as a qualified plan under the Code.

RECOMMENDATION FOR BOARD ACTION

The Benefits and Services Committee recommends approval of Plan Resolution 2023-0921.

BACKGROUND

COAERS tax counsel Mr. Brad Oxford has reviewed all relevant current plan documents considering recent federal law changes (SECURE Act 2.0) and has indicated there are two items which require a resolution adopted by the Board to comply with for IRS requirements. The attached Board resolution contains the applicable wording to achieve compliance.

ATTACHMENT

1. Proposed Board Resolution #2023-0921

RESOLUTION NO. 2023-0921**A RESOLUTION OF THE CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM TO ADOPT RULES, POLICIES, AND PROCEDURES NECESSARY FOR THE RETIREMENT SYSTEM TO MAINTAIN QUALIFIED PLAN STATUS UNDER THE INTERNAL REVENUE CODE.**

WHEREAS, the Board of Trustees for the City of Austin Employees' Retirement System, ("COAERS") is authorized by Article 6243n, Tex. Rev. Civ. Stat., ("Statutes") to govern, administer, manage and operate COAERS for the exclusive benefit of its present and future members; and

WHEREAS, Section 4(aa) of the Statutes provides that the Board of Trustees is authorized to adopt any amendment that modifies the Act to the extent necessary for the retirement system to be a qualified plan under the Internal Revenue Code ("Code").

WHEREAS, except as altered and amended by virtue of the provisions herein, the provisions of the Plan as currently in effect are hereby ratified and confirmed.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM, TEXAS:

The foregoing recitals are all true and correct and are hereby approved and adopted. In accordance with the SECURE Act 2.0, the Plan is hereby amended as follows:

- A. Under current law, a participant must begin receiving Required Minimum Distributions (RMDs) no later than April 1 of the calendar year following the later of the calendar year in which the employee attains age 72, or the calendar year in which the employee retires. The age at which retired participants must now commence payments from COAERS is determined as follows:
- i. For employees who turned age 72 before 2023, the applicable age is age 72 (or age 70 ½ if they were born before July 1, 1949).
 - ii. For employees who will turn age 72 after 2022 and age 73 before 2033, the applicable age now is 73.
 - iii. For employees who will turn age 74 after 2032, the applicable age now is age 75.

This provision is effective for RMDs made after 2022 for employees who turn age 72 after 2022.

- B. Effective January 1, 2024, a surviving spouse has the irrevocable right to elect to be treated as the deceased employee for purposes of the Required Minimum Distribution rules and, if the surviving spouse is the sole designated beneficiary, COAERS will apply the uniform life table in determining the distribution period.

PASSED AND APPROVED this the 21st day of September, 2023.

ATTEST:

CITY OF AUSTIN EMPLOYEES' RETIREMENT
SYSTEM, TEXAS

Sarah McCleary, Executive Assistant

Yuejiao Liu, Board Chair

9. Governance and HR Committee

A. Discuss and consider Code of Ethics

B. Discuss and consider Diversity Policy

C. Discuss and consider Emergency

Succession Policy

Presented by Christopher Hanson



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 9: Governance and Human Resources Committee

A. Discuss and consider Code of Ethics

AGENDA ITEM OBJECTIVE

This agenda item is for the Board to consider proposed revisions to the Code of Ethics.

RELEVANCE TO STRATEGIC PLAN

This agenda item is part of **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to regularly review policies and updated as necessary for alignment with the organization's goals and objectives.

RECOMMENDATION FOR BOARD ACTION

The Governance and Human Resources Committee recommends the adoption of the proposed revisions to the Code of Ethics.

BACKGROUND

The Code of Ethics was last reviewed at the end of 2020. With the completion of the 88th Legislative Session, and in accordance with the Policy Committee's direction to set regular review cycles for all Board policies, Staff and General Counsel have reviewed the Code of Ethics. Revisions include updating the Committee tasked with oversight of the Code of Ethics, establishing a regular review cycle for the Code of Ethics, including language to conform with the recently adopted Fraud, Waste, and Abuse Reporting Policy, and adding new language related to Staff ethics training.

ATTACHMENT

1. Proposed revisions to the Code of Ethics



Board Approved Policy

Subject: Code of Ethics

Review Committee: ~~Policy Committee~~ Governance and HR Committee

Date Implemented: March 18, 1992

Date Updated: ~~December 15, 2020~~ September 21, 2023

Signature of Chairperson: _____

~~Eyna Canales-Zarate~~ Yuejiao Liu

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD APPROVED POLICY
CODE OF ETHICS**

I. PURPOSE AND SCOPE

The City of Austin Employees' Retirement System ("COAERS" or the "System") is charged by the Texas Constitution and state law with the administration of pension assets held in trust for the members and beneficiaries of COAERS. Because COAERS is charged with the administration of assets of third parties (members and beneficiaries), the law imposes a fiduciary duty upon those persons in control of those assets to manage the assets for the exclusive benefit of the members and beneficiaries of the System.

The purpose of this Policy is to ensure the integrity of all COAERS investment and administrative transactions and conformity with fiduciary, ethical, and legal standards by the Board of Trustees (the "Board"), Key Staff, Professional Service Providers, and independent contractors of COAERS. This Policy outlines basic principles, guidelines, and standards of conduct expected of the persons governed by this Policy in the performance of their duties and activities, to prohibit conduct that is inconsistent with fulfilling one's fiduciary duty, and to instill and maintain a high level of confidence on the part of the public in the professionalism, integrity, and commitment to the public interest of those who serve. This Policy is further intended to establish procedures that will identify, reveal, and manage conflicts of interest. Maintaining the public's trust requires more than adherence to minimal legal standards. Persons governed by this Policy will act with integrity, competence, dignity, and in an ethical manner when dealing with the public, participants, prospects, employers, employees, and each other.

Many of the provisions described in this document are based upon legal and fiduciary precepts; however, this Policy should not be interpreted as one that outlines the complete and exclusive legal and fiduciary responsibilities of the persons governed by this Policy. Persons governed by this Policy must abide by all applicable federal and state laws, contracts, COAERS policies, and this Policy. In the case of any conflict between this Policy and state or federal law, the applicable state or federal law shall prevail.

If any person governed by this Policy has any questions about the requirements of this Policy, the person should contact the Executive Director or General Counsel.

II. RESPONSIBILITIES

- A. Board of Trustees: The Board assigns responsibility to the Governance and Human Resources Policy Committee to review this policy as needed and oversee its implementation. The Board will receive the Policy Committee's report and recommendation regarding this Policy and make the final decision regarding all recommended changes to this Policy.
- B. ~~Policy Governance and Human Resources~~ Committee: The Committee will review this Policy every two years to coincide with the regular sessions of the Texas Legislature to ensure compliance with relevant Texas statutes. The Committee will also periodically review and recommend updates to this Policy after receipt of any legislative, court or administrative applications of laws forming the basis for this Policy, and as otherwise advisable.
- C. Executive Director: The Executive Director shall implement and administer as necessary standard operating procedures to assist and monitor the System's compliance with this Policy.

III. DEFINITIONS

As used herein, the following terms shall have the following meanings:

- A. "Act" shall mean article 6243n, Texas Revised Civil Statutes, as amended from time to time.
- B. "Benefit" shall mean anything reasonably regarded as economic gain or advantage, including benefit to any other person in whose welfare the beneficiary is interested.
- C. "Board" shall mean the Board of Trustees of COAERS. Individual members of the Board shall be referred to as Trustees.
- D. "Conflict of Interest" occurs where a person has, or could reasonably be perceived to have, an incentive to decide a matter or provide a recommendation for a reason that would be inconsistent with acting solely in the interest of COAERS, or that would provide a financial benefit to the person. It also includes a personal or business relationship or interest that could reasonably be expected to diminish the person's independence of judgment in the performance of the person's responsibility to COAERS.
- E. "Fiduciary" shall mean any person who (1) exercises any discretionary control over the management of COAERS or any authority or control over the management or disposition of its assets, (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any

moneys or other property of COAERS or has any authority or discretionary responsibility to do so, (3) has any discretionary authority or discretionary responsibility in the administration of COAERS; or (4) has been designated by the Board as a fiduciary in the performance of certain duties for COAERS.

- F. “Frivolous Complaint” means a complaint filed without a reasonable inquiry by the person making the complaint concerning the truthfulness of the facts stated therein, and which the Board determines was groundless and made in bad faith or groundless and brought for the purpose of harassment.
- G. “General Counsel” shall mean the person or persons employed as general and assistant general counsel(s) for the System.
- H. “Gift” is anything of tangible value given without adequate consideration and shall include but not be limited to any payment of cash, or receipt of goods or services.
- I. “Immediate family” refers to those related by the first degree of affinity or consanguinity to the System Representative or any person living in the same household.
- J. “Investment Managers” shall mean the investment managers investing assets of the System.
- K. “Key Staff” shall mean the Executive Director, the Chief Financial Officer, the Chief Investment Officer, the Deputy Chief Investment Officer, the Chief Operations Officer~~Deputy Executive Director~~, Chief Technology Information Officer, and any other COAERS employee or Professional Service Provider designated in writing by the Executive Director.
- L. “Malfeasance” is the willful misconduct or the knowing improper performance of any act, duty, or responsibility under the Act, including non-performance, that interrupts, interferes with, or attempts to interfere with the administration, operation, and management of the System or any Person’s duties under the Act.
- M. “No Contact Period” shall mean the period of time from the date of issuance of a Solicitation until a contract is executed or the Solicitation is terminated.
- N. “Official Capacity” shall mean a Person’s role with respect to their position when acting on behalf of or in service to COAERS.
- O. “Person” shall mean an individual, partnership, corporation, association, limited liability company, or other group, however organized.

- P. "Personal Interest" shall mean with respect to a person governed by policy that the results of Board discussions and/or votes would effect, or could affect, that person, any member of that person's immediate family, or any other entity in which that person has an ownership or other financial interest. Provided, however, an interest which is shared in common with the other System Representatives and System Members in approximately the same degree shall not be considered a Personal Interest.
- Q. "Placement Agent" is any person or entity hired, engaged or retained by or acting on behalf of an external Investment Manager or investment fund or on behalf of another Placement Agent as a finder, solicitor, marketer, consultant, broker, or other intermediary to raise money or investments from or to obtain access to the System, directly or indirectly.
- R. "Professional Service Provider" shall mean any attorney, actuary, investment consultant, auditor, custodian of funds, medical doctor, or member of any other similarly recognized profession that contracts or is employed to provide services to the System, except as specifically provided otherwise herein.
- S. "Representation" shall mean a communication related to a Solicitation made to a Trustee that is intended to or that is reasonably likely to (a) provide information about the Solicitation or a prospective Vendor's response to the Solicitation; (b) advance the interest of the prospective Vendor; (c) discredit the response to a Solicitation of another prospective Vendor; (d) encourage COAERS to withdraw the Solicitation; (e) encourage COAERS to reject all of the responses to a Solicitation; (f) convey a complaint about a particular Solicitation; or (g) directly or indirectly ask, influence, or persuade a Trustee to favor or oppose, recommend or not recommend, vote for or against, consider or not consider, or take action or refrain from taking action on any vote, decision, or agenda item regarding the Solicitation.
- T. "Solicitation" shall mean an opportunity to compete to conduct business with COAERS.
- U. "System Member" shall mean any and all individual members (as that term is defined by state law) of COAERS.
- V. "System Representatives" shall mean the Board of Trustees and Key Staff of COAERS.
- W. "Vendor" shall mean independent contractors, whether individuals, partnerships, corporations or other organizations which perform services for COAERS for direct or indirect compensation.

IV. FIDUCIARY STANDARDS OF THE BOARD AND SYSTEM REPRESENTATIVES

- A. The Board shall hold, administer, and manage the assets of the System, for the exclusive purpose of providing benefits to present and future participants and their beneficiaries and defraying reasonable expenses of administering the System or program.
- B. System Representatives shall:
 - 1. Act solely in the best interest of the System and the members, beneficiaries, and participants of COAERS;
 - 2. Act with prudence, competence, independence, and objectivity;
 - 3. Adhere to laws, rules, regulations, bylaws, and policies adopted by the Board in overseeing investments, pension administration, and general operation;
 - 4. Act in a transparent manner in Board and Committee meetings and in other consultations and meetings when deliberations of official COAERS business take place;
 - 5. Maintain confidentiality when required to do so by law or contract;
 - 6. Cooperate fully if questioned about an ethical matter related to COAERS; and
 - 7. Refrain from prohibited and conflicted actions.
- C. No System Representative or Professional Service Provider shall knowingly or negligently participate in the breach of fiduciary duty by another fiduciary of the System, participate in concealing such breach, or knowingly or negligently permit such breach to occur. It is the responsibility of each person to immediately disclose the discovery of a breach to the Executive Director. It is the responsibility of the Executive Director to disclose the discovery to the Board Chair for appropriate action. If the breach involves the Executive Director, the breach shall be reported to the General Counsel and the Board Chair.

V. ETHICAL CONDUCT

A. General Standards of Conduct

- 1. All members, beneficiaries, and participants of COAERS are to be treated equally and fairly. A Trustee's duty is to the members, beneficiaries, and participants of COAERS as a group, and not to individuals or groups of individuals.

2. Trustees must delegate duties, when appropriate, to prudently select, instruct, and monitor all vendors and agents.
3. All System Representatives and Professional Service Providers must act in good faith and not allow their Personal Interest to prevail over the interest of COAERS.
4. Every System Representative and Professional Service Provider shall conduct themselves so as to avoid even the appearance of any illegal or unethical conduct, and shall at all times do the utmost to carry out their duties with courtesy and in a professional manner.
5. Professional Service Providers shall comply with both the ethics standards and requirements of their profession and with this Policy, as well as any state or federal laws applicable to the Professional Service Providers.
6. System Representatives shall disclose to the Board all visits by a person that attempts to influence the System Representative in the performance of his or her Official Capacity. The disclosure shall be made at the next open Board meeting following the visit, provided that if such reporting System Representative does not attend the next Board meeting, the System Representative shall make the report in writing to the Executive Director within 30 days after the date of such Board meeting. This provision does not apply to visits between and among Board Trustees, COAERS employees or System Members. Furthermore, this provision does not apply to business discussions between COAERS employees, independent contractors, Investment Managers, and Professional Service Providers.
7. No System Representative shall solicit or accept employment to be performed or compensation to be received which could reasonably be expected to impair independence in judgment or performance of duties with COAERS, or that might reasonably be expected to require or induce the System Representative to disclose confidential information acquired by reason of the official position.
8. No System Representative shall use their position to secure a special privilege, for financial gain, or avoiding consequences of illegal acts for themselves or a third party, or to secure confidential information or use such information for any purpose other than to fulfill responsibilities in their Official Capacity
9. No System Representative may solicit, accept, or agree to accept any benefit from a person the System Representative knows is interested in or likely to become interested in any contract, purchase, payment,

claim, or transaction involving the exercise of the System Representative's discretion.

10. No System Representative shall accept, solicit, or use their position to garner any gift, favor, or service that might reasonably tend to influence that individual in their Official Capacity.
11. No System Representative shall use COAERS facilities, personnel, equipment, or supplies for any personal benefit, or for any private or commercial purpose, except to the extent such are lawfully available to the public.
12. No System Representative shall knowingly participate or assist in any violation of such policy, procedures, laws, rules or regulations.
13. No System Representative shall engage in malfeasance. The retirement Board may remove a board member for Malfeasance, after notice and a hearing, by a vote of six of its members.
14. In the event of a conflict between this Policy and a more restrictive ethics rule or policy that may be applicable to Trustees who are employees or officers of the City of Austin, the Trustee shall comply with the more restrictive policy.

B. Prohibited Transactions

1. No System Representative shall knowingly or negligently engage in the purchase, sale, or exchange of any direct investment or property with the System if that person holds an interest in the investment or property.
2. No System Representative shall use their position with the System to solicit business for their own account or the account of an immediate relative or business associate.
3. Acceptance by a System Representative of any "favor" or complimentary work or analysis, offered or performed by a current or prospective contractor or Vendor of the System, intended to benefit personally the involved System Representative is prohibited.
4. No System Representative shall, directly or indirectly, for himself/ herself or as an agent, in any manner use the funds or deposits of the System except to make such current and necessary payments as are authorized by the Board.
5. No System Representative shall become an endorser or surety or in any manner an obligor for money loaned by or borrowed from the System.

6. System Representatives shall not accept offers by reason of their position with the System to trade in any security or other investment on terms more favorable than those available to the general investing public.
7. System Representatives shall not borrow from Vendors, Investment Managers, Professional Service Providers, banks or other financial institutions with which the System has a business relationship, unless such entities are normally engaged in such lending in the usual course of their business.
8. No System Representative shall serve as a Placement Agent in connection with any System investment.
9. With the exceptions of the purchase of water, wastewater, electric, telephone, cable television and internet services, the System will not make any purchase or enter into any contract with: (1) any entity in which a System Representative, or a family member related within the first degree of affinity or consanguinity to the a System Representative, has an employment or business relationship that results in taxable income to the System Representative, or family member; or (2) any entity that has given gifts (having an aggregate value of \$250 or more) within the prior twelve months to the System Representative, or a family member of the System Representative. This prohibition does not apply to contracts between the System and the company that employs a Professional Service Provider.
10. No System Representative shall knowingly or negligently cause the System to engage in any of the prohibited transactions listed above with any immediate relative or business associate of the System Representative, any other Trustee, COAERS employee, Vendor or Professional Consultant to the System, any other fiduciary of the System, any person providing services to the System, any employee organization whose members are covered by the System, or its officials and employees.

C. Acceptance of Gifts/Benefits

1. System Representatives shall not solicit, accept or agree to accept any gift, favor, or service that might reasonably tend to influence the System Representative in the discharge of their official duties or that the System Representative knows or should know is being offered with the intent to influence the System Representative's official conduct. Gifts valued at less than \$50 may be accepted provided they do not influence a System Representative's decisions, including the following examples: tokens of nominal value, including meals, transportation, lodging, or entertainment, which are distributed to all attendees at conferences, seminars, meetings, and receptions. All gifts must be reported at the next open

Board meeting. A System Representative ~~that~~who is required to make a report under this section but does not attend the next Board meeting shall make the report in writing to the Executive Director within 30 days of the date of the Board meeting.

2. If any person offers any gift, favor, or business opportunity to a System Representative, and there is reason to believe that the offer was made with the intent to influence the System Representative's action in connection with COAERS, the System Representative shall, as soon as practical, notify the Board of such offer.
3. No System Representative will travel at the expense of, be entertained by, or accept a meal from any person that is offered or accepted with the intent to influence the System Representative's action in their Official Capacity. With respect to meals and transportation provided to System Representatives during a COAERS-organized meeting with or business trip to visit persons doing business with or seeking to do business with COAERS, a System Representative is in compliance with this section if COAERS reimburses the person for any meal or transportation provided by such person. Any travel, entertainment, or meal that is accepted and not reimbursed must be disclosed to the Board at the next open Board meeting.
4. The acceptance by Staff of invitations to seminars, conferences, receptions and business meals when (1) such event has a presentation or discussion of topics pertinent to the investment of Fund assets or relates to the official duties of the individual and (2) the sponsor or a representative of the sponsor is present are permitted if not otherwise prohibited by law. This exception also applies to the acceptance of transportation, lodging and meals in connection with conferences, seminars, and advisory committee meetings where the services rendered by Staff are more than merely perfunctory and in accordance with applicable laws. In all cases, Staff should use reasonable care and judgment to not place themselves in a situation that might cause, or be perceived to cause, a loss of independence or objectivity. Any acceptance by Staff of such invitations and participation as allowed by this section must be disclosed to the Board at the next open Board meeting.

D. Conflicts of Interest

1. System Representatives should make reasonable efforts to avoid conflicts of interest and appearances of conflicts of interest.
2. System Representatives shall not make personal investments that could reasonably be expected to create a conflict of interest between the System Representatives' private interest and the interest of the System.

3. System Representatives shall refrain from participating in any discussions with another Trustee or System employee and/or vote on any issue on which said System Representative has a Conflict of Interest, or has the potential for a Conflict of Interest with COAERS, and shall further refrain from discussing, or voting on issues in which said System Representative has a Conflict of Interest or a Personal Interest whether or not said interest is in conflict with the interest of COAERS. In any matter coming before the Board in which a System Representative has a Personal Interest or a Conflict of Interest, or an existing or potential Conflict of Interest with COAERS, said person shall make public note of the Personal Interest and/or Conflict of Interest, and shall recuse himself or herself from participating in any discussions, votes, or other decision making on the matter. (Refer to **Attachment A** and **Attachment B** for forms). If a System Representative is not sure whether their interest constitutes a Personal Interest or Conflict of Interest as defined in this Policy or whether their interest is in conflict with COAERS, such person shall fully disclose their interest and the decision of the Board with respect to whether the System Representative has a conflict shall be controlling. Notwithstanding the above, an officer, employee, independent contractor, Vendor or Professional Service Provider of the System may discuss with the Board and other persons governed by this Policy his or her employment, employment agreement, or agreement for services.
4. No System Representative shall transact any business in his/her Official Capacity with any entity in which they have any Personal Interest or Conflict of Interest, provided that Professional Service Providers and independent contractors shall transact business with their employer as necessary to fulfill their duties to both the employer and/or the System.
5. (a) A Trustee shall file with the Records Administrator the affidavit set forth in **Attachment B** prior to each meeting at which discussion on a matter which gives rise to a Conflict of Interest under Chapter 171, Texas Local Government Code will be discussed. The Trustee will then recuse themselves from discussion on the matter. Conflicts of interest that require disclosure and recusal described in this section arise:
 - (i) In the case of a substantial interest in a business entity, when the Board's action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or
 - (ii) In the case of a substantial interest in real property, when it is reasonably foreseeable that the Board's action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.
- (b) A person has a substantial interest in a business entity if:

- (i) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or
- (ii) funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.

(c) A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more.

(d) A Trustee is considered to have a substantial interest under this section if a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has a substantial interest under this section.

6. Under Chapter 176, Texas Local Government Code, Trustees, the Executive Director, and Local Government Officers (referred to in this section as "local government officer" or "officer") are required to complete and file the Conflicts Disclosure Statement set forth in **Attachment D** with the Records Administrator under the circumstances set forth in this section. [Refer to **Attachment C** for definitions of terms used in this Section and Chapter 176.]

(a) A Vendor with whom COAERS enters a contract or is considering entering a contract:

- (i) Has an employment or other business relationship with the local government officer, or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, which exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that:
 - (aa) A contract between the local governmental entity and vendor has been executed; or
 - (bb) The local governmental entity is considering entering into a contract with the vendor;
- (ii) Has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:
 - (aa) a contract between the local governmental entity and vendor has been executed; or
 - (bb) the local governmental entity is considering entering into a contract with the Vendor; or
- (iii) Has a family relationship with the local government officer.

7. Sections V.ED.4. and V.ED.5 above generally describe the requirements of Chapters 171 and 176, Texas Local Government Code. If any person governed by said sections has a question about the application of Chapter 171 or 176 or wishes to review the full statute, the person should contact the Executive Director or General Counsel.
8. Notwithstanding anything in this policy to the contrary: (1) neither the System, the Executive Director, nor the Trustees shall be responsible for the failure of any vendor or service provider to comply with Chapter 176; (2) all Vendors and Service Providers have a statutory duty to file the required questionnaires.
9. If any Trustee, Executive Director, General Counsel, or COAERS employee becomes aware of any facts that would require the Executive Director, a Trustee, or an Officer to file the disclosures required by Chapter 171 or Chapter 176, or that gives rise to a Personal Interest or Conflict of Interest, they shall promptly notify the person of the requirement to file such disclosure or disclose such Personal Interest or Conflict of Interest, and, if such disclosure is not filed within the time required by law, the Board shall be notified in writing of the requirement for such disclosure.

E. Curing Conflicts of Interest

1. All System Representatives who become aware of a personal Conflict of Interest have an obligation not only to disclose that conflict, but to cure it. A person normally cures a conflict of interest by promptly eliminating it.
2. A System Representative can cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists provided that:
 - (a) The person may be and is effectively separated from influencing the action taken;
 - (b) The action may be properly taken by others; and
 - (c) The nature of the conflict is not such that the person must regularly and consistently withdraw from decisions that are normally their responsibility with respect to the System.
3. Trustees must disclose any Conflicts of Interest regarding matters which are before the Board, absent themselves from any relevant deliberations, and not vote on the matter. Such Trustees may be required to disclose additional relevant information with respect to the matter in question.

F. Conduct During Vendor Searches

1. During the No Contract Period, no prospective Vendor may knowingly make a Representation to any Trustee, and no Trustee may knowingly solicit a Representation from a prospective Vendor. This section does not prohibit communications that: (a) are part of a noticed

Board or Committee meeting; (b) are conducted as part of a COAERS Staff-scheduled due diligence meeting; (c) are incidental, exclusively social, and do not involve COAERS or its business, or the Trustee's role as a COAERS official; (d) are purely procedural, for example a question regarding where information may be obtained; or (e) do not involve COAERS or its business and that are within the scope of the Trustee's private business or public office wholly unrelated to COAERS. This Section does not prohibit communications between the Trustees and a Vendor who has an existing contract or business relationship with COAERS to discuss issues related to that contract or relationship. Trustees shall disclose any Representations on the form attached hereto as Attachment A at the next Board meeting, or if the Trustee will not attend then next Board meeting, within 30 days of the Representation having been made. A prospective Vendor's violation of this section may result in rejection of the Vendor's response to a Solicitation.

2. During the evaluation of any prospective Vendors, COAERS Staff shall not communicate or meet with prospective Vendors outside of the normal course of business managing the Solicitation. This section does not prohibit communications between COAERS staff and a Vendor who has an existing contract or business relationship with COAERS to discuss issues related to that contract or relationship. The Solicitation shall include notice of the requirements of Section F. The Executive Director will cause notice to be given to the Trustees and COAERS Staff when a No Contact Period is in effect.
3. Trustees and COAERS staff cannot accept from a prospective Vendor any gift, meal, lodging, transportation or entertainment. A prospective Vendor cannot provide a Trustee or COAERS Staff with any gift, meal, lodging, transportation or entertainment.
4. When requesting bids or proposals from service providers, Vendors and suppliers, the System should generally include notice that a completed Conflicts of Interest Questionnaire (the "Questionnaire") required by Chapter 176, Texas Local Government Code, as amended ("Chapter 176"), must accompany any bid or proposal and that a copy of such Questionnaire must also be filed with the System's Records Administrator. The notice may include the email or website address at which the bidder or proposer can obtain an electronic copy of the Questionnaire. The Systems' Records Administrator shall maintain a list of the names of the Trustees, the Executive Director, and those consultants and employees who meet the definition of a "local government officer", as defined by Chapter 176, Texas Local Government Code, as amended from time to time for each proposed contract, bid, or proposal, and shall make the list available to the public and any Vendor who is required to file a Questionnaire. Access to the

Disclosure Statement form and Questionnaire forms shall be maintained on the System's website. Prospective Investment Managers shall be required to complete the Questionnaire at such time requested by COAERS. Vendors shall also disclose the hiring of any System Representative within the past twelve months.

5. Unsolicited offers and advertisements of goods, services and proposals received by the System should generally not be considered until such time, if any, as a completed Questionnaire is provided. If a Questionnaire is not submitted with any bid or proposal, the System may request a completed Questionnaire be timely filed with the System. No unsolicited offer or proposal is required to be considered. Trustees should refer unsolicited offers or proposals to the Executive Director.

VI. ADDITIONAL DISCLOSURES AND REPORTING

A. System Representatives. Every System Representative shall file a current "Annual Financial Disclosure Statement/Conflict of Interest Affidavit" on the form attached in **Attachment F** with the System in January of each year. The Affidavit shall require the System Representative to report the name of each such entity in which they or a family member related within the first degree received any taxable income as a result of employment or a business relationship with such entity. The System Representative shall thereafter file an amended Affidavit if such an entity that is not listed in the Affidavit contracts or seeks to contract with the System.

B. Investment Consultants. Investment Consultants will annually file a report with the System that reflects the following information:

1. Any finders' fees, commissions or similar payments, made to anyone whomsoever as consideration for the placement of business with the consultant;
2. Any gifts, food, lodging, transportation, or entertainment expense which does not conform with the minimum reporting limitation contained in this Policy for the recipient;
3. Any direct or indirect benefit to a System Representative, Professional Service Provider, or Investment Manager other than food, lodging, transportation, or entertainment provided as a guest;
4. Any business relations (including, without limitation, "soft dollar" or "hard dollar" arrangements), with any Investment Managers that commenced, occurred or were in effect at any time since the last such report;
5. The extent, amount and placement of any directed business, other than directed brokerage placed in accordance with a policy adopted by the

Board which was in any way associated with the party's relationship with the System;

6. Investments made by the Investment Consultant and its affiliated companies, and by the individuals who service COAERS's account with the Investment Consultant in stocks, companies, funds, and Investment Managers that manage COAERS assets; and
7. Any other information reasonably requested by COAERS.

C. Investment Managers. In addition to the reports required to be filed under the Statement of Investment Policy, Investment Managers will annually file a report with the System that reflects the following information:

1. Any personal or business relations (including, without limitation, "soft dollar" or "hard dollar" arrangements) with any System Representatives or Professional Services Providers that commenced, occurred or were in effect at any time since the last such report that the Investment Manager has with any System Representatives or Professional Service Providers.
2. Whether any System Representative or Professional Service Provider has an interest in the Investment Manager, in a COAERS investment or fund strategy, or is entitled to any fees, commissions, dividends, distributions, equity or equity-linked interests, or any other benefit as a result of a COAERS investment in a fund or a contract to manage a COAERS separate account managed by the Investment Manager.
3. Any gifts, food, lodging, transportation, or entertainment expense which does not conform to the minimum reporting limitation contained in this Policy for the recipient.
4. Any other information reasonably requested by COAERS.

D. Vendors. Current Vendors will annually disclose whether a System Representative has been hired by the Vendor within the preceding 12-month period. Current Vendors will also update the Chapter 176 Questionnaire within seven days of the Vendor becoming aware of the occurrence of one of the events described in Section 176.006(a), Texas Local Government Code.

VII. ETHICS TRAINING

1. A person newly elected or appointed to the Board must complete an ethics training program that meets the ethics training requirements for public retirement system trustees and that includes training on this Policy and the Fraud, Waste, and Abuse Reporting Policy, that will be administered by the Executive Director or General Counsel within 90 calendar days after

election or appointment.

2. Bi-annually, Staff shall make available to the Board training that meets the State minimum educational training requirements for ethics training for public retirement system trustees. The Executive Director will provide ethics training as requested by members of the Board.

3. Staff shall participate in annual ethics training which shall include training on this Policy and the Fraud, Waste, and Abuse Reporting Policy.

- 3.4. Annually, Trustees and Key Staff shall acknowledge that they have read, understand and will comply with this Policy on the form set forth in **Attachment G**.

VIII. ENFORCEMENT

1. Complaints

- a. Upon the sworn complaint of any System Representative, COAERS employee, Professional Service Provider, or System Member (the "Complainant") delivered to the Board or the Retirement Office, the Board shall consider possible violations by the person or persons named in the complaint.
- b. A sworn complaint alleging a violation(s) shall specify the section(s) of this Policy alleged to have been violated.
- c. A complaint alleging a violation must be filed within one year from the commission of the action alleged as a violation, and not afterward.
- d. The Board shall hold a preliminary hearing within 30 working days of receipt of the complaint unless good cause exists for a delay.
- e. The Board may consider possible violations on its own initiative. Within ten days of a Board vote to consider a possible violation, the Board shall draft a written complaint specifying the section(s) of this Policy alleged to have been violated.

2. Prohibition of Communications Outside Board Meetings

- a. After a complaint has been filed and prior to a final determination by the Board with respect to the validity of the complaint, no Trustee of the Board shall discuss, or communicate in any other manner (whether directly or indirectly), with any Person about the complaint, matters alleged in the complaint, or any matters relevant to the allegations made in the complaint and the decision of the Board, unless such discussions

or communications are held during a properly called meeting or work session of the Board for the purpose of considering the complaint.

- b. This provision is adopted to assure that any communications regarding the complaint will be heard by other Board Trustees, and that the decision of a Board Trustee with respect to the complaint will not be based on any information which has not been made equally available to all Board Trustees.
- c. Any Trustee of the Board violating this provision shall be subject to the sanctions provided for in Section 5 below. The preceding section shall not, however, be applicable to consultations by and between COAERS' General Counsel and any Trustee of the Board, with respect to the schedule, process, or procedure of the hearing, or as reasonably necessary related to the investigation.

3. Preliminary Hearing

- a. A preliminary hearing shall be held to determine whether reasonable grounds exist to believe that a violation has occurred.
- b. At the preliminary hearing, the Complainant, or the designated representative of the Board in cases considered upon the Board's own initiative, shall appear and state the alleged violation and shall describe in narrative form the testimony and other evidence which would be presented to prove the alleged violation as stated in the written complaint. The following additional person(s) shall have the right but not the obligation to appear and address the Board with respect to the alleged violation:
 - (1) ~~The Person~~ named in the complaint;
 - (2) Any other Person with information relevant to the complaint, including persons with information in support of the complaint and persons with information in defense of the complaint.
- c. All statements made before the Board shall be under oath. Individuals making statements shall not be subject to cross-examination, but shall be subject to questions from the Board. Representations of fact must be supported by reference to affidavits or by the representation of the Person making the statement that such Person has spoken with a witness and is repeating what the witness stated.
- d. Within ten days after the conclusion of the preliminary hearing, the Board shall state, in writing, whether or not it has determined that reasonable grounds exist to believe that a violation has occurred. If the Board determines that there are reasonable grounds to believe that a violation

has occurred, a final hearing shall be scheduled within 30 working days from the date of the preliminary hearing. If the Board determines that there are not reasonable grounds to believe that a violation has occurred, no final hearing shall be conducted. A decision to conduct a final hearing is not a finding that a violation has occurred.

4. Final Hearing/Statement of Findings

- a. At the final hearing the Board shall determine whether a violation has occurred, whether a violation, if any, was intentional or resulted from a knowing disregard of this Policy, and whether the violation, if any, was made in reliance on the written opinion of COAERS' General Counsel. The Board shall make its determination based on the preponderance of the credible evidence in the record. All witnesses shall make their statements in person and under oath. Cross examination shall be permitted and hearsay evidence will not be permitted.
- b. The Board shall make a decision within ten working days of the final hearing. If the Board determines that a violation has occurred, it shall state its findings in writing, shall identify the particular policies which have been violated, and within five working days of the Board's decision shall deliver a copy of the Board's written statement of findings to the complainant and the Person against whom the complaint was filed.

5. Sanctions

- a. If the Board determines that a violation has occurred, it may impose any one or more of the following sanctions:
 - (1) A verbal reprimand at a regularly conducted Board meeting advising the Person named in the complaint that they have been found guilty of a violation of these policies and specifying what action must be taken, if any, to avoid future or continuing violations;
 - (2) Written notification to the Person named in the complaint that a violation has occurred, and specifying what steps must be taken, if any, to avoid future or continuing violations;
 - (3) Suspension without pay from employment for a specified period of time, or termination of employment in the case of an employee of COAERS;
 - (4) Termination of the contract or employment with COAERS in the case of a Professional Service Provider or other independent contractor.
- b. With respect to a Person who commits Malfeasance, or who with intent to deceive makes any statement or report required under the

Act which is untrue or falsified or knowingly permits to be falsified any record or records of COAERS and does not promptly report the falsification, shall result in termination of such Person's position as a Board Trustee, independent contractor, Professional Service Provider, or employee.

6. Frivolous Complaints

- a. The signature of a Person on a complaint made under this section constitutes a certificate by said Person that they have read the complaint, has made reasonable inquiry concerning the truthfulness of the facts stated in the complaint, that it is their belief, formed after reasonable inquiry, that the facts contained in the complaint are true, and that the complaint is not groundless and brought in bad faith or groundless and brought for the purpose of harassment.
- b. The Board may, on its own initiative, or upon the request of the Person against whom the complaint was filed, determine whether a complaint filed pursuant to this section was a Frivolous Complaint. Any Person making a Frivolous Complaint will be subject to reprimand or other appropriate disciplinary action. A Person who, in the sole determination of the Board, has made two Frivolous Complaints within any 12-month period, shall be subject to the following action:
 - (1) in the case of an employee, suspension without pay for a specific period of time, or termination of employment;
 - (2) in the case of a Professional Service Provider or other independent contractor, recommendation for the termination of the contract/employment relationship between COAERS and the independent contractor or Professional Service Provider; and
 - (3) in the case of a Board Trustee, verbal reprimand at a regularly called Board meeting.
- c. ~~_____~~ The Board's decision is final.

ATTACHMENTS

Attachment A – Ethics Policy Disclosure Statement (Gifts, Meals and Contacts/Meetings with Potential/Existing Service Providers)

Attachment B – Chapter 171 Disclosure Form

Attachment C – Chapter 176 Definitions

Attachment D – Conflicts Disclosure Statement – Form CIS (Local Gov't Officer Disclosure Form)

Attachment E – Conflict of Interest Questionnaire – Form CIQ (Vendor Disclosure Form)

Attachment F – Annual Financial Disclosure/Conflict of Interest Affidavits

Attachment G – Annual Ethics Policy Acknowledgement Statement

Attachment H – 802.203 Texas Government Code



ATTACHMENT A

Ethics Policy Disclosure Statement Instructions (Gifts, Meals and Visit or Meetings)

The Board Approved Policy “Code of Ethics” of the City of Austin Employees’ Retirement System (COAERS) requires any System Representative to disclose any gift, meal, and all visits or meetings covered under Section V.(A.6) and make the disclosure in writing at the next open Board meeting.

The “Ethics Policy Disclosure Statement” is to be completed by each System Representative within 30 days of each open Board meeting. If a System Representative has nothing to declare, please indicate “None” on each section of the form.

Please note that the “Ethics Policy Disclosure Statement” is separate from the affidavit disclosing certain conflicts of interest required under Chapter 171 of the Texas Local Government Code and the “Conflict of Interest Questionnaire” required under Chapter 176 of the Texas Local Government Code.



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

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

Gifts:

Meals:

Other Declarations:

Signature of Trustee or COAERS Key Staff

Date

ATTACHMENT B
Chapter 171, Conflict of Interest Disclosure Form

STATE OF TEXAS
COUNTY OF TRAVIS

§
§

Affidavit

BEFORE ME, the undersigned authority, on this day personally appeared _____, who being duly sworn by me did on his oath, depose and say that:

"My name is _____. I am of sound mind and over eighteen (18) years of age. I am a member of the Board of Trustees of the City of Austin Employees' Retirement System, and am personally acquainted with the facts stated herein and such facts are true and correct.

(1) I have a substantial interest in the business entity that is involved in the project, subject or matter included in agenda item number _____ for the _____ [date] meeting of the Board/ _____ Committee. My interest in such entity is generally described as follows: _____

_____.

(2) I have a substantial interest in the property that is involved in the project, subject or matter included in agenda item number _____ for the _____ [date] meeting of the Board/ _____ Committee. My interest in such entity is generally described as follows: _____

_____.

(3) I have a perceived conflict, or potential interest in the business or property that is involved in the project, subject or matter included in agenda item number _____ for the _____ [date] meeting of the _____ [board or council]. My interest in such entity is generally described as follows: _____

_____.

Further, Affiant sayeth not."

Signature

ATTACHMENT C

Chapter 176, Tex. Local Gov't Code Definitions

The following terms are used in Section V.E.5. of the Policy, and are defined as follows in Chapter 176, Texas Local Government Code.

- (1) “Agent” means a third party who undertakes to transact some business or manage some affair for another person by the authority or on account of the other person. The term includes an employee.
- (2) “Business relationship” means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:
 - (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
 - (B) a transaction conducted at a price and subject to terms available to the public; or
 - (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.
- (3) “Contract” means a written agreement for the sale or purchase of real property, goods, or services.
- (4) “Family member” means a person related to another person within the first degree by consanguinity or affinity, as described by Subchapter B, Chapter 573, Government Code. An officer’s family member includes the officer’s: father, mother, son, daughter, spouse, father-in-law, mother-in-law, son-in-law, daughter-in-law, or step child.
- (5) “Family relationship” means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter 573, Government Code. An officer’s family relationships within the third degree by blood include the officer’s: mother, father, son, daughter, brother, sister, grandmother, grandfather, grandson, granddaughter, great-grandfather, great-grandmother, aunt, uncle, nephew, niece, great-grandson and great-granddaughter. An officer’s family relationships within the second degree by marriage include the officer’s: spouse, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepchild, sister-in-law (brother’s spouse or spouse’s sister), brother-in-law (sister’s spouse or spouse’s sister), spouse’s grandmother, spouse’s grandfather, spouse’s granddaughter, and spouse’s grandson.

- (6) "Gift" means a benefit offered by a person, including food, lodging, transportation, and entertainment accepted as a guest. The term does not include a benefit offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient.
- (7) "Goods" means personal property.
- (8) "Investment income" means dividends, capital gains, or interest income generated from:
- (A) a personal or business:
 - (i) checking or savings account;
 - (ii) (ii) share draft or share account; or
 - (iii) (iii) other similar account;
 - (B) a personal or business investment; or
 - (C) a personal or business loan.
- (9) "Local Government Officer" means (a) a member of the Board of Trustees; (b) the Executive Director; or (c) an agent of COAERS who exercises discretion in the planning, recommending, selecting, or contracting of a vendor.
- (10) "Services" means skilled or unskilled labor or professional services, as defined by Section 2254.002, Government Code.
- (11) "Vendor" means a person who enters or seeks to enter into a contract with a local governmental entity. The term includes an agent of a vendor. The term includes an officer or employee of a state agency when that individual is acting in a private capacity to enter into a contract. The term does not include a state agency except for Texas Correctional Industries.

ATTACHMENT D

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT		FORM CIS
(Instructions for completing and filing this form are provided on the next page.)		
This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session. This is the notice to the appropriate local governmental entity that the following local government officer has become aware of facts that require the officer to file this statement in accordance with Chapter 176, Local Government Code.	OFFICE USE ONLY	
1 Name of Local Government Officer 	Date Received _____	
2 Office Held 		
3 Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code 		
4 Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3. 		
5 List gifts accepted by the local government officer and any family member, if aggregate value of the gifts accepted from vendor named in Item 3 exceeds \$100 during the 12-month period described by Section 176.003(a)(2)(B). Date Gift Accepted _____ Description of Gift _____ Date Gift Accepted _____ Description of Gift _____ Date Gift Accepted _____ Description of Gift _____ (attach additional forms as necessary)		
6 AFFIDAVIT I swear under penalty of perjury that the above statement is true and correct. I acknowledge that the disclosure applies to each family member (as defined by Section 176.001(2), Local Government Code) of this local government officer. I also acknowledge that this statement covers the 12-month period described by Section 176.003(a)(2)(B), Local Government Code. <div style="text-align: right; margin-right: 100px;"> _____ Signature of Local Government Officer </div> AFFIX NOTARY STAMP / SEAL ABOVE Sworn to and subscribed before me, by the said _____, this the _____ day of _____, 20_____, to certify which, witness my hand and seal of office. <div style="display: flex; justify-content: space-between; margin-top: 20px;"> _____ Signature of officer administering oath _____ Printed name of officer administering oath _____ Title of officer administering oath </div>		

Attachment D

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT

Section 176.003 of the Local Government Code requires certain local government officers to file this form. A "local government officer" is defined as a member of the governing body of a local governmental entity; a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. This form is required to be filed with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of this statement.

A local government officer commits an offense if the officer knowingly violates Section 176.003, Local Government Code. An offense under this section is a misdemeanor.

Refer to chapter 176 of the Local Government Code for detailed information regarding the requirement to file this form.

INSTRUCTIONS FOR COMPLETING THIS FORM

The following numbers correspond to the numbered boxes on the other side.

- 1. Name of Local Government Officer.** Enter the name of the local government officer filing this statement.
- 2. Office Held.** Enter the name of the office held by the local government officer filing this statement.
- 3. Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code.** Enter the name of the vendor described by Section 176.001(7), Local Government Code, if the vendor: a) has an employment or other business relationship with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code; b) has given to the local government officer or a family member of the officer one or more gifts as described by Section 176.003(a)(2)(B), Local Government Code; or c) has a family relationship with the local government officer as defined by Section 176.001(2-a), Local Government Code.
- 4. Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3.** Describe the nature and extent of the employment or other business relationship the vendor has with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code, and each family relationship the vendor has with the local government officer as defined by Section 176.001(2-a), Local Government Code.
- 5. List gifts accepted, if the aggregate value of the gifts accepted from vendor named in item 3 exceeds \$100.** List gifts accepted during the 12-month period (described by Section 176.003(a)(2)(B), Local Government Code) by the local government officer or family member of the officer from the vendor named in item 3 that in the aggregate exceed \$100 in value.
- 6. Affidavit.** Signature of local government officer.

Local Government Code § 176.001(2-a): "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter 573, Government Code.

Local Government Code § 176.003(a)(2)(A):

- (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

- (2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or
- (ii) the local governmental entity is considering entering into a contract with the vendor.

ATTACHMENT E

Conflict of Interest Questionnaire – Form CIQ (Vendor Disclosure Form)

CONFLICT OF INTEREST QUESTIONNAIRE		FORM CIQ
For vendor doing business with local governmental entity		
<p>This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.</p> <p>This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).</p> <p>By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.</p> <p>A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.</p>		OFFICE USE ONLY
		Date Received
1	Name of vendor who has a business relationship with local governmental entity.	
2	<input type="checkbox"/> Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)	
3	Name of local government officer about whom the information is being disclosed.	
<hr style="width: 30%; margin: auto;"/> Name of Officer		
4	Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.	
<p>A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?</p> <p style="text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p> <p>B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?</p> <p style="text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </p>		
5	Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.	
6	<input type="checkbox"/> Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).	
7	<div style="display: flex; justify-content: space-between;"> <div style="width: 60%; text-align: center;"> <hr style="width: 80%; margin: auto;"/> Signature of vendor doing business with the governmental entity </div> <div style="width: 35%; text-align: center;"> <hr style="width: 80%; margin: auto;"/> Date </div> </div>	

Conflict of Interest Questionnaire – Form CIQ (Vendor Disclosure Form)

Attachment E

CONFLICT OF INTEREST QUESTIONNAIRE For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

- (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

- (2) the vendor:

- (A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that

- (i) a contract between the local governmental entity and vendor has been executed;
- or
- (ii) the local governmental entity is considering entering into a contract with the vendor;

- (B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or
- (ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

- (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

- (1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);
- (2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or
- (3) has a family relationship with a local government officer of that local governmental entity.

- (a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

- (1) the date that the vendor:

- (A) begins discussions or negotiations to enter into a contract with the local governmental entity; or
- (B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

- (2) the date the vendor becomes aware:

- (A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);
- (B) that the vendor has given one or more gifts described by Subsection (a); or
- (C) of a family relationship with a local government officer.



ATTACHMENT F

City of Austin Employees' Retirement System Annual Financial Disclosure/Conflict of Interest Affidavit

Reporting _____ Period: _____ through

My signature below indicates my acknowledgement of the following:

1. Name: _____

2. Position/Office Held:

3. Residence Address:

4. Business Address:

5. Telephone Numbers:
(Home) _____ (Office) _____

6. Spouse's Name:

7. I am a Member of the Board of Trustees of the City of Austin Employees' Retirement System and hereby acknowledge that I serve as a fiduciary and owe the Fund an obligation to administer it as a Trust Fund in accordance with Article 6243n, Vernon's Annotated Texas Statutes, as amended, the Board's policies, and all other applicable laws and regulations. I have sworn to an Oath of Office as a Member of the Board of Trustees and affirm that I will continue to abide by that oath.

8. As required by the Board's Code of Ethics, I acknowledge that I may not receive any compensation or anything of value, whether tangible or intangible, from any person or party in connection with my duties as a fiduciary and in connection with any action involving the acts of the Fund, and hereby state that I have not received any such compensation or thing of value. Meals and entertainment of reasonable

value may be accepted provided these are reported during regular Board meetings and are made available appropriately to all Board Trustees. Gifts valued at less than \$50 may be accepted provided these are reported during regular Board meetings.

9. I further acknowledge that no fiduciary of the Fund may participate in any decision or action of the Board involving any asset of the Fund that is of direct benefit to his or her own interest, except insofar as the benefit is incidental to the fiduciary's membership in the Fund. I hereby state that I have not so participated.

10. I have identified all individuals or **business** entities in which I have substantial interest, which have contracted or solicited business with the City of Austin Employees' Retirement System:

11. I have identified all entities in which I or any family member related within the 1st degree (parent/child) receive any taxable income as a result of employment or business relationship, which have contracted or solicited business with the City of Austin Employees' Retirement System.

Signature of Board Member

Printed Name

VERIFICATION

STATE OF TEXAS §

COUNTY OF TRAVIS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____, known to me, and after being duly sworn, stated on oath that the foregoing and annexed Annual Financial Disclosure/Conflict of Interest Affidavit for the year 20__ is within the knowledge of affiant and is true.

SWORN TO AND SUBSCRIBED TO BEFORE ME on this _____ day of _____, 20_____.

Notary Public – State of Texas



**City of Austin Employees' Retirement System
Annual Financial Disclosure/Conflict of Interest Affidavit
for Key Staff**

Reporting Period: _____ *through* _____

My signature below indicates my acknowledgement of the following:

1. Name: _____
2. Position/Office Held: _____
3. Residence Address: _____
4. Business Address: _____
5. Telephone Numbers: (Home) _____ (Office) _____
6. Spouse's Name: _____
7. I am a Key Staff member of the City of Austin Employees' Retirement System and hereby acknowledge that I serve as a fiduciary and owe the Fund an obligation to administer it as a Trust Fund in accordance with Article 6243n, Vernon's Annotated Texas Statutes, as amended, the Board's policies, and all other applicable laws and regulations.
8. As required by the Board's Code of Ethics, I acknowledge that I may not receive any compensation or anything of value, whether tangible or intangible, from any person or party in connection with my duties as a fiduciary and in connection with any action involving the acts of the Fund, and hereby state that I have not received any such compensation or thing of value except as authorized by the Act. Gifts valued at less than \$50 may be accepted provided that these do not influence a Key Staff member's decision and these are reported during regular Board meetings.
9. I further acknowledge that no fiduciary of the Fund may participate in any decision or action of the Board involving any asset of the Fund that is of direct benefit to his or her own interest, except insofar as the benefit is incidental to the fiduciary's membership in or employment with the Fund. I hereby state that I have not so participated.

10. I have identified all individuals or business entities in which I have substantial interest, which have contracted or solicited business with the City of Austin Employees' Retirement System:

11. I have identified all entities in which I or any family member related within the 1st degree (parent/child) receive any taxable income as a result of employment or business relationship, which have contracted or solicited business with the City of Austin Employees' Retirement System.

Signature of Key Staff member

Printed Name

VERIFICATION

STATE OF TEXAS §

COUNTY OF TRAVIS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____, known to me, and after being duly sworn, stated on oath that the foregoing and annexed Annual Financial Disclosure/Conflict of Interest Affidavit for Key Staff for the year 20__ is within the knowledge of affiant and is true.

SWORN TO AND SUBSCRIBED TO BEFORE ME on this _____ day of _____, 20_____.

Notary Public – State of Texas



ATTACHMENT G

Annual Ethics Policy Acknowledgement Statement

In compliance with Board Approved Policy C-3: Code of Ethics, I declare I have read, understand, and will comply with the provisions of the Code of Ethics.

Signature of Trustee or COAERS Key Staff

Date

Printed Name

ATTACHMENT H

The fiduciary responsibilities of a Trustee of a Public Retirement System in the State of Texas under Texas Government Code, Title 8, Section 802.203.

Sec. 802.203. FIDUCIARY RESPONSIBILITY. (a) In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

- (1) for the exclusive purposes of:
 - (A) providing benefits to participants and their beneficiaries; and
 - (B) defraying reasonable expenses of administering the system;
- (2) with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims;
- (3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (4) in accordance with the documents and instruments governing the system to the extent that the documents and instruments are consistent with this subchapter.

(b) In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of the participants and beneficiaries of the public retirement system.

(c) A trustee is not liable for the acts or omissions of an investment manager appointed under Section 802.204, nor is a trustee obligated to invest or otherwise manage any asset of the system subject to management by the investment manager.

(d) An investment manager appointed under Section 802.204 shall acknowledge in writing the manager's fiduciary responsibilities to the fund the manager is appointed to serve.

(e) The investment standards provided by Subsection (a) and the policies, requirements, and restrictions adopted under Section 802.204(c) are the only standards, policies, or requirements for, or restrictions on, the investment of funds of a public retirement system by an investment manager or by a governing body during a 90-day interim between professional investment management services. Any other standard, policy, requirement, or restriction provided by law is suspended and not applicable during a time, and for 90 days after a time, in which an investment manager is responsible for investment of a reserve fund. If an investment manager has not begun managing investments of a reserve fund before the 91st day after the date of termination of the

services of a previous investment manager, the standards, policies, requirements, and restrictions otherwise provided by law are applicable until the date professional investment management services are resumed.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 9 Governance and Human Resources Committee

B. Discuss and consider Diversity Policy

AGENDA ITEM OBJECTIVE

This agenda item is for the Board to review the Diversity Policy in accordance with its review cycle.

RELEVANCE TO STRATEGIC PLAN

This agenda item is part of **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to regularly review policies and update the policies as necessary for alignment with the organization's goals and objectives.

RECOMMENDATION FOR COMMITTEE ACTION

The Governance and Human Resources Committee recommends the adoption of the proposed revisions to the Diversity Policy.

BACKGROUND

The Board's Diversity Policy is required to be reviewed annually. Staff reviewed proposed revisions with the Governance and Human Resources Committee which referred the proposed changes to the Board for adoption. The proposed revisions are only minor grammatical changes.

ATTACHMENT

1. Proposed revisions to the Board Diversity Policy



Board Approved Policy

Subject: Diversity

Review Committee: Governance and Human Resources

Date Implemented: June 29, 2021

Date Updated: ~~December 15, 2022~~ September 21, 2023

Signature of Chairperson: _____

~~Chris Noak~~ Yuejiao Liu

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD APPROVED POLICY
DIVERSITY POLICY**

I. PURPOSE AND SCOPE

The City of Austin Employees' Retirement System ("COAERS" or "System") believes in diversity and values the benefits that diversity can bring to its Board of Trustees (the "Board"). Diversity promotes the inclusion of different perspectives and ideas, mitigates against groupthink, and ensures that the System ~~has the opportunity to benefit~~s from all available talent. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance.

The purpose of this policy is to help ensure that COAERS maintains a Board comprised of talented and dedicated trustees with a diverse mix of expertise, experience, skills, and backgrounds. The skills and backgrounds collectively represented on the Board should reflect the diverse nature of the communities it serves and the environment in which the System operates. For purposes of Board composition, diversity includes, but is not limited to, business experience, physical ability, age, gender, and ethnicity.

COAERS is committed to a merit-based system for Board composition within a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. When assessing Board composition or identifying suitable candidates for nomination or re-election to the Board, the System will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board.

II. RESPONSIBILITIES

- A. The Board of Trustees: The Board will periodically assess the expertise, experience, skills, and backgrounds of its Trustees considering the needs of the Board, including the extent to which the current composition of the Board reflects a diverse mix of knowledge, experience, skills, genders, and ethnic backgrounds.
- B. The Governance and Human Resources Committee: The Governance and Human Resources Committee ("the Committee") reviews and assesses Board composition on behalf of the Board, actively communicates the virtues and intent of this policy, and advocates for its full observance and adoption.
- In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity, including but not limited to those described above, to enable it to discharge its duties and responsibilities effectively.

- In preparation of upcoming Trustee elections and/or appointments, the Committee will work with all stakeholder constituencies and stakeholder groups, including the City, Nominations and Elections Committee, and COAERS Board to actively educate and inform them on the intentions of this Policy and encourage them to consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.
 - As part of the annual performance evaluation of the effectiveness of the Board, Committees, and individual Trustees, the Committee will consider the balance of skills, experience, independence, and knowledge of the System on the Board and the diversity representation of the Board, how the Board works together as a unit, and other factors relevant to its effectiveness.
 - The Committee will also proactively market and oversee the development of a diverse pipeline of Trustees for succession for the Board.
 - The Committee will review this policy annually and assess its effectiveness in promoting a diverse Board.
- C. Constituency and Employer Representatives: All constituency and employer representatives positioned to assist the Board or a committee of the Board in identifying candidates for appointment or nomination to the Board will be specifically encouraged, to the best of their ability, to include diverse candidates.
- D. Executive Director: The Executive Director will work with the Committee to ensure this policy is adhered to during the Board nomination process.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 9: Governance and Human Resources Committee

C. Discuss and consider Emergency Succession Policy

AGENDA ITEM OBJECTIVE

This agenda item is for the Board to review the Emergency Succession Policy in accordance with its review cycle.

RELEVANCE TO STRATEGIC PLAN

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

RECOMMENDATION FOR COMMITTEE ACTION

The Governance and Human Resources Committee recommends adoption of the revised Emergency Succession Policy.

BACKGROUND

The Emergency Succession Policy was first approved in June 2021 and is scheduled to be reviewed annually. The Committee reviewed the Policy and referred the revision Policy to the Board for adoption. The only proposed revision is to the list of COAERS senior management positions as the Accounting Director position has been renamed Comptroller.

ATTACHMENT

1. Proposed revisions to the Board Emergency Succession Policy



Board Approved Policy

Subject: Emergency Succession

Review Committee: Governance and HR Committee

Date Implemented: June 29, 2021

Date Updated: ~~June 23, 2022~~ September 21, 2023

Signature of Chairperson: _____

~~Chris Noak~~ Yuejiao Liu

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD APPROVED POLICY
EMERGENCY SUCCESSION POLICY**

I. PURPOSE AND SCOPE

The City of Austin Employees' Retirement System ("COAERS" or "System") Board of Trustees ("Board") recognizes that this is a plan for contingencies due to the disability, death, or departure of the Executive Director. If the organization is faced with the unlikely event of an untimely vacancy, COAERS has in place the following emergency succession plan to facilitate the transition to both interim and longer-term leadership.

The COAERS Board has reviewed the job description of the Executive Director. The job description is attached. The Board has a clear understanding of the Executive Director's role in organizational leadership, System administration, operations, Board of Directors' relationships, investment activities, financial operations, and stakeholder relationship management.

II. PROCESSES AND RESPONSIBILITIES

A. In Event of a Temporary, Unplanned Absence: Short-Term

A temporary absence is one of less than three months in which it is expected that the Executive Director will return to their position once the events precipitating the absence are resolved. An unplanned absence is one that arises unexpectedly, in contrast to a planned leave, such as a vacation or a sabbatical. The Board of Trustees is authorized to implement the terms of this emergency plan in the event of the unplanned absence of the Executive Director.

In the event of an unplanned absence of the Executive Director, COAERS General Counsel is to immediately inform the Board Chair of the absence. The Board Chair shall temporarily designate a senior management member from Section III to perform such duties as are necessary for the administration of the System.

As soon as it is feasible, the Chair shall convene a meeting of the Board to designate a person succeeding the responsibilities and authority of the Executive Director on a temporary basis, known as the Acting Executive Director.

Authority and Compensation of the Acting Executive Director

The person appointed as Acting Executive Director shall have the full authority

for decision-making and independent action as the regular Executive Director.

The Acting Executive Director may be offered a temporary and appropriate salary increase within the Executive Director position salary range for the time spent in the Acting Executive Director role.

Board Oversight

The Board Chair and Governance and Human Resources Committee Chair will be responsible for monitoring the work of the Acting Executive Director and will be sensitive to the required needs of the Acting Executive Director in this temporary leadership role.

Communications Plan

Immediately upon transferring the responsibilities to the Acting Executive Director, the Board Chair will notify staff members and key stakeholders.

Completion of Short-Term Emergency Succession Period

The returning Executive Director and the Board Chair will collectively decide when the absent Executive Director returns to lead the System and establish a mutually agreed upon schedule and start date. A reduced schedule for a set period will be allowed, pending Board Chair approval, with the intention of working their way back up to a full-time commitment.

B. In Event of a Temporary, Unplanned Absence: Long-Term

A long-term absence is one that is expected to last more than three months. The procedures and conditions to be followed will be the same as for a short-term absence. However, in addition, the Board of Trustees will give consideration, in consultation with the Acting Executive Director, to temporarily filling the management position left vacant by the Acting Executive Director. This is in recognition of the fact that for a term of more than three months, it may not be reasonable to expect the Acting Executive Director to carry the duties of both positions. The position description of a temporary manager would focus on covering the priority areas in which the Acting Executive Director needs assistance.

Completion of Long-Term Emergency Succession Period

The returning Executive Director and the Board Chair will collectively decide when the absent Executive Director returns to lead the System and establish a mutually agreed upon schedule and start date. A reduced schedule for a set period will be allowed, by approval of the Board Chair, with the intention of working the way up to a full-time commitment.

C. In Event of a Permanent Change

A permanent change is one in which it is firmly determined that the Executive Director will not be returning to the position. If necessary, The Board Chair shall temporarily designate a senior management member from Section III to perform such duties as are necessary for the administration of the System.

As soon as it is feasible, the Chair should convene a meeting of the Board to designate a person succeeding to the responsibilities and authority of the executive director on an interim basis (“Interim Executive Director”). In addition, the Board of Trustees will appoint a Transition and Search Committee to plan and carry out a transition to a new permanent Executive Director. The Board will also consider the need for outside consulting assistance depending on the circumstances of the transition and the Board’s capacity to plan and manage the transition and search.

III. COAERS SENIOR MANAGEMENT

At the time this policy was approved, the positions of COAERS Senior Management are the following:

- Deputy Executive Director
- Chief Investment Officer
- Deputy Chief Investment Officer
- Chief Financial Officer
- Chief Information Officer
- ~~Accounting Director~~ Comptroller
- Benefits Manager
- Communications Director

IV. ONGOING REVIEW AND APPROVAL OF THIS POLICY

Annually, the Board or a committee of the Board will review this policy and assess its effectiveness in safeguarding the provision of management leadership within the System. The Executive Director will provide the Board or a committee of the Board with updates, as needed, on any changes made within senior leadership of the System that could impact the succession policy. This will include updates on the development needs and opportunities provided within the System for high potentials to advance their potential and further enhance their existing leadership skills.

10. Policy Committee:

A. Discuss and consider Communications
Policy

B. Discuss and consider 2023
administrative budget amendment

Presented by Christopher Hanson



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 10 Policy Committee:

A. Discuss and consider Board Communications Policy

AGENDA ITEM OBJECTIVE

The objective of this agenda item is for the Board to consider revisions to the Communications Policy.

RELEVANCE TO STRATEGIC PLAN

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

RECOMMENDATION FOR BOARD ACTION

The Policy Committee recommends adoption of the proposed revisions to the Board Communications Policy.

BACKGROUND

In 2021, the COAERS Board adopted the Board Communications Policy, which was recommended for creation as part of the 2020 Governance Effectiveness Assessment. The Policy requires an annual review. The Committee reviewed the proposed revisions to the Policy and referred those revisions to the Board for adoption.

ATTACHMENT

1. Proposed revisions to the Board Communications Policy



Board Approved Policy

Subject: Communications

Review Committee: Policy

Date Implemented: September 21, 2021

Date Updated: September ~~22, 2022~~21, 2023

Signature of Chairperson:

~~Chris Noak~~Yuejiao Liu

**City Of Austin Employees' Retirement System
Board Approved Policy
Communications Policy**

I. PURPOSE AND SCOPE

The City of Austin Employees' Retirement System ("COAERS" or "System") is committed to openness and transparency with its members, stakeholders, and the broader community it serves. The purpose of this Communications Policy is to codify the Board's communication principles and describe how the principles are met through the activities of every Trustee, manager, employee, intern, and individual employed under contract.

II. COMMUNICATION PRINCIPLES

COAERS Communications Policy principles are to provide accountability and transparency, through the provision of information about the Board and the System to its members, beneficiaries, plan sponsor, and community stakeholders. All communications will be clear and concise; accurate and consistent; timely, and accessible.

At all times and to the best of COAERS' capabilities, communications will:

1. Raise awareness and educate key stakeholders on how COAERS is funded, structured and managed;
2. Engage stakeholders and ensure that they feel confident about their continued involvement with the System;
3. Reassure stakeholders that the System is well managed and sustainable in the long-term;
4. Raise the collective level of pension understanding and dispel myths; and
5. Advocate on behalf of COAERS.

III. ROLES AND RESPONSIBILITIES

A. Board of Trustees

The COAERS Board is responsible for establishing the Communications Policy and has the sole authority to amend it. The Board is responsible for establishing the System's overall strategic communication plan and provides direction to the System with respect to communicating with System members, plan sponsor and other stakeholders. The Board may, at its discretion, delegate the approval of communications materials to the Executive Director.

B. Policy Committee

The Policy Committee will review this Policy annually and recommend to the Board any amendments, as necessary and is responsible for ensuring this Policy is properly followed by every Trustee, staff member, and individual employed under contract.

The Policy Committee is responsible ~~to approve~~for approving COAERS Operational Communications Procedures and COAERS Social Media Policy and Usage Guidelines. The Policy Committee may undertake quality assurance reviews of published materials.

C. Executive Director

The Executive Director shall provide advice and recommendations to the Policy Committee regarding any changes to this Policy. The Executive Director is responsible for ensuring operational compliance and reporting to the Board and the Policy Committee in accordance with this Policy.

The Executive Director or designee shall create Operational Communications Procedures. The Procedure cannot be inconsistent with this policy or applicable law. The Procedures will establish operational guidelines consistent with the Policy to ensure that COAERS Staff understand and adhere to the principles outlined in this policy, as well as the System adheres to all applicable reporting and disclosure requirements.

The Executive Director is responsible ~~to ensure~~for ensuring the production and distribution of the information as required by law to members and their beneficiaries. This includes but is not limited to:

1. *Member Handbook* – A detailed summary of plan provisions that provides members with general information and an overview of the System.
2. *System Reports and Accounts* – Details of the value of the System during the financial year, income, and expenditures, as well as other related details, for example, the current System membership numbers and related actuarial assessments.

D. The Chair and the Vice-Chair of the Board of Trustees

The Board Chair speaks on behalf of the Board. The Vice Chair will speak on behalf of the Board in the absence of the Chair. When deemed appropriate, the Board Chair may delegate this role, as required, to staff or another Board member.

E. Individual Trustees of the Board

Trustees recognize their sole and exclusive fiduciary duty to represent the interests of all System members. Trustees shall protect the integrity of the System and, at all times, adhere to the principles of this Communication Policy.

Trustees can only speak on behalf of the Board if they:

1. First contact the Board Chair to obtain the Chair's authorization to speak on matters related to the System.
2. Confirm that the presentation content will entail general information but not matters that are specific or confidential to the Board.
3. Provide copies of the speaking points and materials to be used, for preview by the Board Chair.

If Trustees are speaking to the media or other parties but not acting on behalf of the Board, they must make it clear that they are doing so in a capacity other than as a Trustee and that the information being provided is not information that the Trustee is aware of only because they are Trustees.

IV. COMMUNICATION GUIDELINES

A. Communication with the Media

In the interest of keeping Trustees abreast of issues involving the organization, the Board Chair and Executive Director will ensure that Trustees receive relevant media and other communication on the organization's activities and business.

Trustees shall refer any requests for media interviews to the Board Chair and Executive Director. Media requests for information usually require a speedy response and will be handled on a priority basis. In the event COAERS is required to respond during a crisis, the Incident Response Plan would outline overall organizational protocol in such a situation.

In instances where the issues are high profile and/or contentious, all information requests of any kind must be referred to the Board Chair and Executive Director and the Board Chair and Executive Director will ensure that Trustees are kept informed and up to date and receive key messages at an appropriate time via email.

B. Social Media Usage

Social media refers to online tools that provide individual users and organizations with the ability to create and share content with online communities. This may include, but is not limited to, Facebook, [X \(formerly known as Twitter\)](#), [Threads](#), LinkedIn, Instagram, YouTube, WhatsApp, TikTok, and Snapchat.

The System may use social media to disseminate information about COAERS. The Executive Director or designee is responsible for managing all social media accounts for this purpose and shall adhere to the COAERS Social Media Policy and Guidelines at all times.

The Board acknowledges that some Trustees may use social media tools for personal

or professional use in their capacity other than as a Trustee of the System. Trustees will ensure that their online activity does not conflict with their fiduciary obligations, the Ethics and Code of Conduct Policy or this Communications Policy.

Trustees may list or reference their official role on the COAERS Board of Trustees on any social media platform that is primarily recognized as a business and employment-oriented professional networking platform. To avoid being identified as a spokesperson for the Board and/or System, they shall refrain from engaging in any discussion about matters related to COAERS and are not permitted to use the platform to solicit, or field solicitations, pertaining to COAERS business activities. Trustees may share content or documents that are made publicly available by COAERS; however, in accordance with Board policy, may not comment on them without proper authorization from the Board prior to doing so. Trustees should contact the Executive Director if they have questions regarding compliance with this Policy.

Trustees who use social media tools for personal use will consider how it may affect the System and other Trustees, recognizing that social media content is pervasive, often permanent and in many cases out of personal control once posted. Trustees will ensure that no material is posted to their personal pages or sites that could jeopardize the reputation of the Trustee, the System, or the Board and, similar to all staff, are expected to adhere to the COAERS Social Media Policy and Usage Guidelines.

C. Communication with Government Officials

The Executive Director handles contact with governmental officials regarding the established positions or actions of the COAERS Board of Trustees. A governmental official includes anyone appointed or elected to a position in local, state, or federal government, including employees of governmental agencies, entities, or bodies; local, state, and federal legislative offices; and local, state, and federal agencies.

When governmental officials request the presence of a member of the Board, the Chair of the Board (or in his or her absence, the Vice-Chair) will normally attend with the Executive Director, unless in the opinion of the Executive Director, another Trustee would be better suited to the purpose of the meeting. If a Trustee has been specifically requested by a governmental official, that Trustee will attend with the Executive Director.

In the event a governmental official contacts a Trustee directly about COAERS business and/or operations, the Trustee shall inform the Executive Director to help ensure consistency and coherency of the information relayed to officials. When Trustees provide factual information about COAERS business and/or operations during such contacts, it should be information which COAERS has previously released to the public (or that COAERS has provided to Trustees for this purpose). The Executive Director will communicate information regarding Trustee contacts with governmental officials to other members of the Board.

D. Communication During Legislative Sessions

The Executive Director and the Chair of the Legislative Committee will serve as the designated spokespersons on all pending matters before legislative sessions. As the designated spokespersons, the Executive Director and the Legislative Committee Chair will oversee all communications surrounding legislation and related matters, including contact with government officials.

In the event that a Trustee is contacted about pending legislative matters, the Trustee shall inform and direct any inquiries to the Executive Director and the Legislative Committee Chair to help ensure consistency and coherency of the information relayed to officials.

E. Communication with Plan Members

Trustees shall mitigate the risk of miscommunication with plan members and third parties by not giving explicit advice, counsel, or education with respect to the technicalities of COAERS laws, policies, or processes. When receiving questions from a plan member, Trustees shall:

1. Refer the member to the main telephone number of COAERS or the COAERS website; or
2. Refer the member question directly to the appropriate COAERS management team member for handling and a response.

The Executive Director or designee will respond to all written communication from System members and other related parties and will respond to written communication which simply requires directing the member or interested party to publicly available information. The Executive Director shall ensure that appropriate written communications from members are presented to the Board during Board meetings under the agenda item "System Member and Public Comments".

F. Board Materials

All Board materials are available to external parties and the public at large, once they have been considered at a Board meeting, unless explicitly restricted. Standing restrictions include but are not limited to legal opinions and documents; due diligence and proprietary research; appeals material and personal information of individuals. Following each Board meeting, unrestricted materials may be shared by individual Trustees. Trustees should contact the Executive Director if they have questions regarding the dissemination of Board materials.

G. Third Party Requests to Service Providers

Service Providers of the Board, including but not limited to the actuary, legal counsel,

Plan Administrators, and Investment Managers and other consultants are occasionally approached by a third party to speak on matters related to the System. In this case, the service provider is asked to:

1. First contact the Executive Director to obtain the Board Chair's authorization to speak to the third party on matters related to the System.
2. Clearly establish with the third party and to the audience that the service provider does not speak on behalf of the Board.
3. Confirm that the presentation content will entail general information but not matters that are specific or confidential to the Board.
4. Provide copies of the speaking points and materials to be used, for preview by the Board Chair.
5. The Board Chair or the Executive Director will inform the Board when such authorization is granted.

H. Third Party Requests to Provide Information to System Members

The Board may approve a request from a third party to provide information to System members if the following conditions are met:

1. The Board remains in compliance with the Texas Penal Code Sec 16.02 and Title 109, Article 6243n, Section 13 Vernon's Texas Civil Statutes on the use of personal information.
2. In the opinion of the Board, the purpose, and values of the third party are consistent with those of the Board and System.
3. The information is not of a commercial or lobbying nature.
4. The information does not directly or indirectly imply that the Board endorses a product, service, or organization.
5. Any direct costs to provide the information to System members are not borne by the System.
6. New communication products and vehicles will not be created solely to disseminate third party information.

The Board will not charge a third party a fee for providing access to COAERS members through System-related communications products and vehicles, other than to recover any direct costs.

The Board may approve posting links to third party websites on the COAERS website subject to the criteria above.

V. REGULATORY FRAMEWORK

The System is administered in accordance with state law Title 109, Article 6243n,

Vernon's Texas Civil Statutes; Chapter 802, Texas Government Code; the Texas Administrative Code Title 40: Part 17; and various state statutes, including but not limited to tax and privacy legislation, the Texas Open Meetings Act and Texas Public Information Act, and all communication activities of the Board will be administered in compliance with that legal framework.

VI. ROUTINE DISCLOSURE OF INFORMATION

The System will make the following information available on the public website or on the request of interested parties:

1. COAERS foundation documents and Board policies: COAERS statute; COAERS Board Policies including the Code of Ethics, Investment Policy Statement, Investment Implementation Policy, the Funding Policy; and the Benefits Administration Operating Procedures.
2. Information including the requirements of Texas Government Code Section 801.209 regarding the System's membership, annual investment, actuarial and financial reports.
3. COAERS Annual Comprehensive Financial Report, COAERS Member Handbook, newsletters, forms for members and retirees, appeals process and website content on a wide range of pension information.
4. The names of the individuals on the Board and how to contact the Board.
5. Highlights of each Board and committee meeting including governance and policy decisions, through the publishing of approved meeting minutes.

The System will make available, on request, any other document or information that is not protected due to its personal, legal, or otherwise confidential nature.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 10: Policy Committee

B. Discuss and consider 2023 administrative budget amendment

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to consider a proposed amendment to the 2023 administrative budget.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 2: Responsibly manage the risks of the System**. One of the Strategic Objectives of Goal 2 is to identify, manage, and mitigate risks associated with cyber and information security.

RECOMMENDATION FOR BOARD ACTION

The Policy Committee recommends approval of the 2023 administrative budget amendment.

BACKGROUND

Adding 1 FTE (Total of 26)				
Start Date: October 9, 2023				
Categories		Pay Period Cost	# Pay Periods	Total 2023
Salary		3,770	5	18,848
Payroll Taxes		288	5	1,442
Group Insurance		1,015	5	5,077
Retirement Contributions		716	5	3,581
				28,948

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

A. 4700 Mueller

B. October Board Workshop

C. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 11:

Receive report from Executive Director on the following matters:

A. 4700 Mueller

AGENDA ITEM OBJECTIVE

The Executive Director will provide the Board a report on matters related to 4700 Mueller.

RELEVANCE TO STRATEGIC PLAN

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

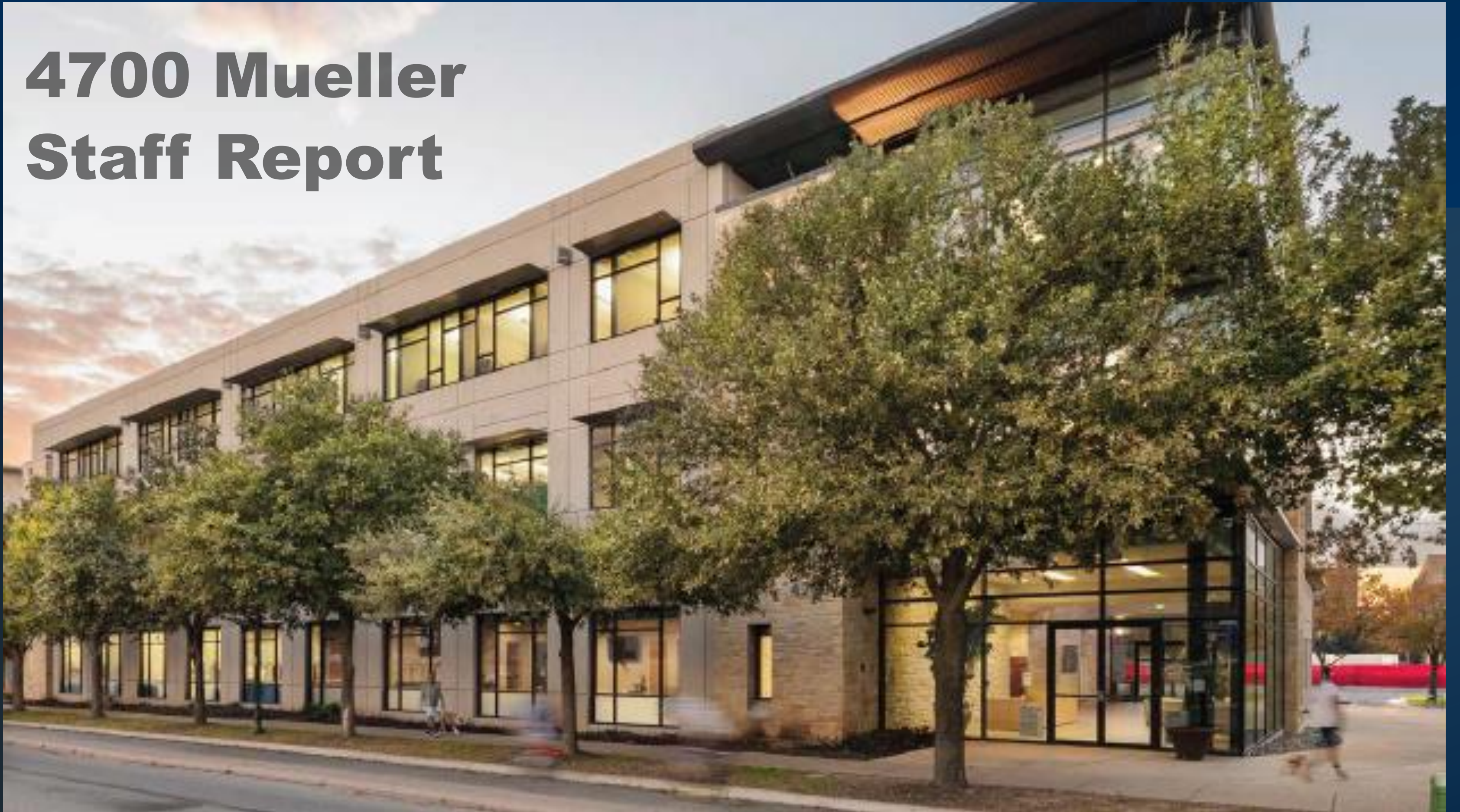
RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

ATTACHMENT

1. 4700 Mueller Report

4700 Mueller Staff Report



OVERVIEW

4700 Mueller Diligence
and Acquisition Budget

Highlight of Current
Activities

Next Steps



4700 MUELLER DILIGENCE AND ACQUISITION BUDGET

EXPENSE ITEM	BUDGET	EXPENDITURES
BUILDING INSPECTION/MEP	\$6,000	\$6,651
ENVIRONMENTAL, ASBESTOS, LEAD PAINT	\$6,000	\$4,010
CIVIL ENGINEERING SURVEY	\$7,000	\$7,760
ARCHITECT – TEST FITS AND PRICING NOTES	\$7,100	\$4,320
INDOOR AIR QUALITY	\$4,500	\$3,710
ADA & TEXAS ACCESSIBILITY	\$2,250	\$3,500
LEGAL FEES	\$60,000	\$49,395
CONTINGENCY	\$7,150	-
TOTAL	\$100,000	\$79,346

HIGHLIGHT CURRENT ACTIVITIES



Construction

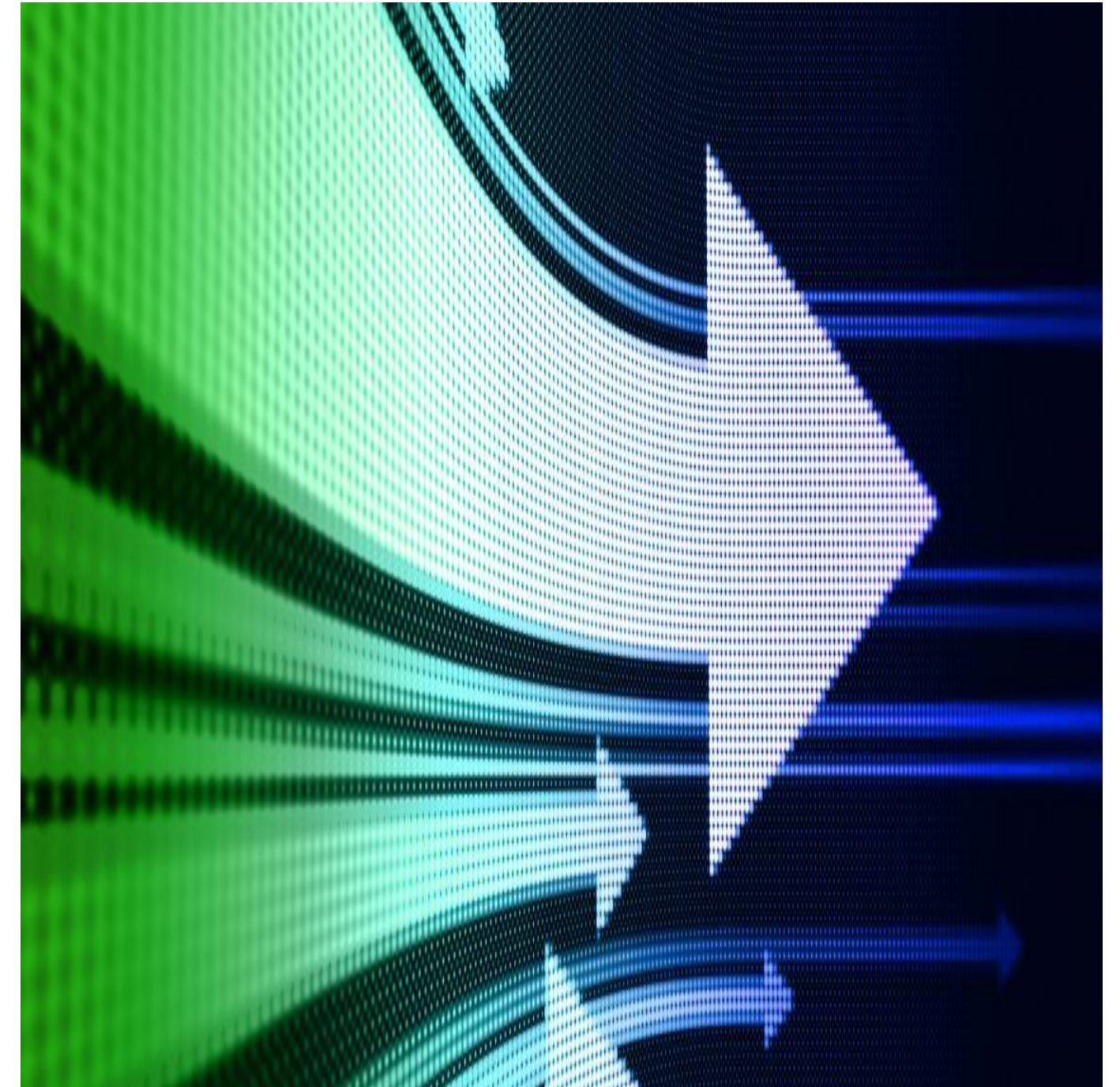
- Contractor selected – Flintrock Construction
- Construction began in July
- Weekly meetings between Staff and Flintrock
- Project completion expected in November

Property Management

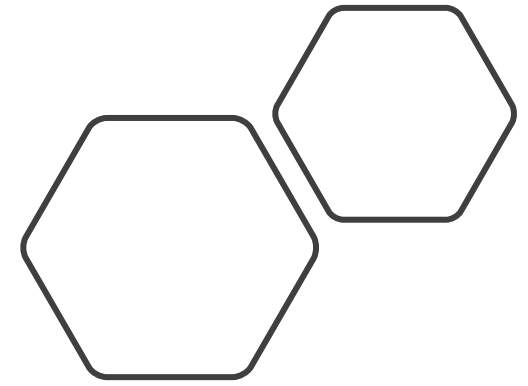
- All three tenants are occupying their space
- Weekly meetings with property management group
- Monthly financial reports (Audit and Risk financial statement report included Mueller income and expenses)

NEXT STEPS

- Establish 4700 Budget for Operating Expenses
- Finalize plans to move from Northpoint to Mueller
 - Contingent on construction completion and operational functionality (IT and A/V Equipment)
 - Target Date is tentatively mid-January with January 2024 Board meeting at 4700 Mueller
- Communication to COAERS Members
 - Official opening date for customer service
 - Messaging across communication channels (digital and paper)
- Winding Down Northpoint Operations



QUESTIONS





**BOARD MEETING
Agenda Item Information Sheet**

AGENDA ITEM 11:

Receive report from Executive Director on the following matters:

B. October Board Workshop

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board a report on the plans for the October Workshop.

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

BACKGROUND

The Executive Director will preview for the Board a draft agenda for the upcoming Board workshop.

ATTACHMENT

1. Draft agenda for October Workshop



Draft 2023 Board Workshop Agenda

Monday, October 9 Day One	
8:30 a.m.	Coffee and breakfast outside the Atrium Suite
9:00 a.m.	2023 Board Workshop Introductions
9:15 a.m.	Investment Goals and Philosophy
10:30 a.m.	Building a Private Markets Program
12:00 p.m.	Lunch served outside Atrium Suite
1:15 p.m.	SCOT Analysis (Strengths and Challenges)
2:30 p.m.	Private Markets Governance
3:45 p.m.	Education and Team Exercise: COAERS Trivia Feud
4:30 p.m.	Social Time
6:30 p.m.	Social Event: Dinner at Paul Martin's

Tuesday, October 10 Day Two	
8:30 a.m.	Coffee and breakfast outside the Atrium Suite
9:00 a.m.	How to Measure Success in Investments
10:00 a.m.	Deeper Dive into Private Credit
11:15 a.m.	COAERS 2030 (Part One)
12:00 p.m.	Lunch served outside Atrium Suite
1:15 p.m.	COAERS 2030 (Part Two)
2:15 p.m.	Board Self-Evaluation
3:00 p.m.	Review of 2023 Workshop and 2024 Planning



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 11:

Receive report from Executive Director on the following matters:

C. MET report and upcoming educational programs/conferences

AGENDA ITEM OBJECTIVE

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

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item 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.*”

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

BACKGROUND

The Executive Director will review the current report on compliance with the Pension Review Board’s Minimum Educational Training requirements, as well as upcoming education and professional development opportunities.

ATTACHMENTS

1. COAERS 2023 MET report
2. Upcoming Educational Programs and Conferences



COAERS 2023 MET Report

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

Accredited Sponsor

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

PRB Terms

COAERS does not have any Trustees in the first-year cycle. Nine Trustees have already completed their current cycles; four are enrolled in learning opportunities that have not yet completed.

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 2023 MET Report

Continuing Ed Training 2-year cycle Cycles are PRB terms, not the full range of Board elections/assignments	Core	Non-core	Total	Completed
M. Benson 01/01/2023-01/01/2025		4	4	√
Kelly Crook 08/30/2022-08/30/2024	1.5	15.75	17.25	√
C. Hanson 01/01/2023-01/01/2025	6.75	27.25	34	√
A. Hunter 01/30/2023-01/30/2025		19.5	19.5	√
Y. Liu 01/01/2023-01/01/2025		39.5	39.5	√
C. Noak 01/01/2023-01/01/2025		3.75	3.75	
L. Pool 02/21/2022-02/21/2024		2.25	2.25	
A. Ross 01/01/2023-01/01/2025	1.5	29.5	31	√
Brad Sinclair 01/01/2022-01/01/2024	1.5	35.25	36.75	√
Diana Thomas 03/24/2022-03/24/2024	1.5	3.75	5.25	√
Dick Lavine 01/01/2023-01/01/2025		6.25	6.25	√
Michael Granof 01/19/2023-01/19/2025		5	5	√
Core Training 1-year cycle	Core	Non-core	Total	Completed
No Trustees are in the first-year cycle				

Registered or attending but not yet counted:

Chris Hanson Global Arc

Leslie Pool NCPERS Fall Conference

Anthony Ross IFEBP

Yuejiao Liu Harvard Business School

Diana Thomas NCPERS Fall Conference (travel not through COAERS)



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)
- [IFEBP](#)
 - September 30-October 1, 2023, Certificate of Achievement in Public Plan Policy (CAPPP) Pensions Part 1 – Boston, MA
 - September 30-October 2, 2023, New Trustee Institute Level 1: Core Concepts – Boston, MA
 - September 30-October 1, 2023, Trustee Institute Level 2: Concepts in Practice – Boston, MA
 - September 30-October 1, 2023, Trustees Masters Program (TMP) – Boston, MA
 - October 1, 2023, TMP Advanced Leadership Summit – Boston, MA
 - October 1-4, 2023, 69th Annual Employee Benefits Conference – Boston, MA
 - February 10-11, 2024, Trustee Institute Level 2: Concepts in Practice – Orlando, FL

- February 12-14, 2024, New Trustee Institute Level 1: Core Concepts – Orlando, FL
- February 12-14, 2024, Advanced Trustees and Administrators Institute – Orlando, FL
- March 6-7, 2024, Investments Institute – Rancho Mirage, CA
- March 8-9, 2024, Investment Basics – Scottsdale, AZ

- [NACD](#)
 - October 8-11, 2023 NACD Annual Summit – Washington, DC
 - December 12, 2023 Compensation Committee Series Webinar (online)
 - 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](#)
 - February 24-26, 2024, Winter Meeting – Washington, DC
 - August 3-7, 2024, Annual Conference – Pittsburgh, PA

- [NCPERS](#) (pre-approved for PRB, Continuing Education only)
 - October 22-25, 2023 FALL (Financial, Actuarial, Legislative & Legal) – Las Vegas, NV
 - January 22-24, 2024, Legislative Conference – Washington, DC
 - May 19-22, 2024, Annual Conference and Exhibition (ACE) – Seattle, WA
 - May 18-19, 2024, Trustee Educational Seminar (TEDS) – Seattle, WA
 - May 18-19, 2024, NCPERS Accredited Fiduciary (NAF) Program – Seattle, WA

- [HBS](#)
 - November 8-11, 2023 Making Corporate Boards More Effective – Cambridge, MA
 - November 12-14, 2023 Compensation Committees: New Challenges, New Solutions – Cambridge, MA

- November 15-17, 2023 Audit Committees in a New Era of Governance – Cambridge, MA
- [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

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

Presented by Yuejiao Liu, Chair

AGENDA ITEM 12:

Receive key meeting takeaways and call for future agenda items

AGENDA ITEM OBJECTIVE

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

RELEVANCE TO STRATEGIC PLAN

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

RECOMMENDATION FOR BOARD ACTION

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