



**MINUTES**  
**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM**  
**BOARD MEETING**  
**Tuesday, December 10, 2019 – 1:30 PM**  
**6850 Austin Center Blvd., Suite 320, Austin, TX 78731**

**Board Members Present**

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

**Board Members Absent**

Yuejiao Liu

**Guests:**

Paige Saenz, General Counsel  
Selena Xie  
Wale Odufuye  
Benjamin Warden, PRB

**Others Present**

**Staff:**

Christopher Hanson  
Russell Nash  
Donna Boykin  
David T. Veal  
David Stafford  
Ty Sorrel  
Kelly Doggett  
Julie Barschow  
Amy Kelley  
Sarah McCleary  
Yun Quintanilla  
Teresa Cantu  
Michelle Mahaini

**1. Call meeting to order – Chair Benson**

Chair Benson called the meeting to order at 1:31 p.m.

**2. Call roll of Trustees – Chair Benson**

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

**3. Review order of business and establish meeting objectives – Chair Benson**

Chair Benson reviewed the order of business and goals of the meeting. Mr. Anthony Ross indicated that he had to leave by 2:30 p.m. It was agreed to take item 9 before item 8 so that Mr. Ross could be present for the benefits discussion.

*Mr. Merriman arrived at 1:34 p.m.*

**4. Receive System member and public comments – Chair Benson**

There were no public comments.

**5. Receive reports on the following Board administrative matters including – Chair Benson:**

**A. Ethics Policy Disclosure Statement**

*Key Staff Declarations:*

Kelly Doggett declared meetings with Janus Henderson, PGIM, Pinebridge, Parametric, Rosemont, GMO, ISS, Alpha Engine, TOBAM, AlternativeSoft, River and Mercantile, Bloomberg, Bardin Hill, Martin Currie, Societe Generale, LIUNA, Pantheon, PRI, BlackRock, Walter Scott & Partners, Abel Noser, IFM, State Street Global Markets, Markets Group, CAIA, Cascade Compliance, Alperion, Ned Davis Research, S&P DJI, and Northern Trust.

Amy Kelley declared lunch with Trustwave and meetings with Zasio, KPMG, Freeit, NCC Group, Rubik, Gartner, Paladian, Granicus, LRS, RSM, Express Info Systems, Whitehat, Cothrons, Trustware, Artic Wolf, Flexential, and Microsoft, as well as a symposium pass and swag bag from Gartner.

Michelle Mahaini declared a meal provided at the TSLAC E-records conference and meetings with Rave Mobile Safety, Austin Automatic Doors, Maggie Messer Photography, GRM Document Management and Toshiba Business Solutions, Sam Cardereon/CBI Group, Medical Equation Group, STS Recycling & Safesite, Imagesoft, Hyland OnBase, Core Furnishings, and PBI Research.

Teresa Cantu declared meeting with PBI research to discuss their death audit services.

Donna Boykin declared meeting with Express Information Systems.

David Veal declared meetings with Chas Burkhart and Brad Mook from Rosemont Investment Group; Thomas Cosmer from PineBridge; Sanjay Muralidhar and Arun Muralidhar from AlphaEngine; David McIntyre, Tim Erskine-Murray, and Rebecca Watson from Baillie Gifford; Francis Verpoucke from TOBAM; Bill Kelly from CAIA Association; Dan Ransenberg from GMO; Kim Cash from Cascade Compliance; Drew Hermann and Will Geisdorf from Ned Davis Research; Garrett Glawe, Rupert Watts, and Craig Lazzara from S&P Dow Jones; Sunder Ramkumar, Kristine Dong, Michael Bowman from Capital Group; Tom Duffy from Fidelity; Jonathan Alden and Joe Gelly from BlackRock; George Simmons from Pageant Media; and Benjamin Lazarus from Parametric.

David Stafford declared a conference lunch at the Texas Institutional Forum, and meetings with Stephen Mamay, Steve Ahrens, Alyssa Davis, Terence Wheat, and

Peter Taggart from PGIM; Thomas Cosmer, Michael Kelly, Agam Sharma, Joy Booker and Michael Ashman from PineBridge; Ben Lazarus from Parametric; Chas Burkhart from Rosemont; Dan Ransenberg and Rick Friedman from GMO; Sanjay Muralidhar and Arun Muralidhar from AlphaEngine; David McIntyre, Rebecca Watson and Tim Erskine-Murray from Baillie Gifford; Tom Duffy, Kristin Shofner, Jennifer Suellentrop, and Jackie Regan from FIAM; Francis Verpoucke at TOBAM; Jonathan Alden, Joseph Gelly, Charles Stoltze, John Simpson, Phil Green and Jonathan Karlson from BlackRock; Dennis Wyles and Alan Lander from Walter Scott; Chris Lazarro from Loomis Sayles; Kristine Dong, Michael Bowman and Sunder Ramkumar from Capital Group; Chris Fowle from PRI; Bill Kelly from CAIA; Michael du Jeu from GaveKal; Alexandria Shomber-Warner and Sorina Zahan from Aiperion; Drew Herman and Will Geisdorf from Ned Davis Research; Garrett Glawe, Rupert Watts and Craig Lazarra from S&P.

Chris Hanson declared meetings with Melissa Catania from NACD, Sam Cardreon from CBI Group, and Allix Jackson, Robin Goad, and Carrie Zoellner from Gartner. In addition, he declared attendance at the Fiduciary Investors Symposium with breakfast and lunch provided (dinner provided on October 7) and attendance at the Conference of Consulting Actuaries 2019 Annual Meeting.

Russell Nash declared meetings with Mr. Robert Pokashevsky from Carahsoft (Equifax), Medical Equation Group, and Hyland.

**B. Proposed 2020 Board and Committee calendar**

Mr. Christopher Hanson presented a Board and Committee calendar for 2020. He noted changes from 2019, made to avoid overlap with City Council. He mentioned that as part of the overall governance discussion, Trustees may want to discuss if Tuesdays continue to be the preferred day and if quarterly day-long meetings continue to be appropriate for the Investments Committee.

**6. Consent items – Chair Benson**

**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. September 24, 2019 Board meeting minutes**
- B. October 15, 2019 Board workshop minutes**
- C. Ratification, confirmation, and approval of September 2019 death benefits, refunds, and retirements**

Mr. Ross moved to approve the consent agenda as written. Ms. Stephanie Beach seconded, and the motion passed 10-0.

**7. Certification of Active Member Places 6 and 7 official election results as announced by the Nominating and Election Committee – Russell Nash**

Mr. Russell Nash thanked the members of the Nominating and Election Committee for their work, and introduced the Chair of that Committee, Mr. Adawale Odufuye,

who announced the results of the election as follows: Michael Benson received 458 votes, Amy Hunter received 443 votes, Albert Ortiz received 175 votes, and there were 5 write-in ballots received. Mr. Benson was named the apparent winner of Place 6, and Amy Hunter was named the apparent winner of Place 7.

Ms. Eyna Canales-Zarate moved to declare the official winners as reported by the Nominating and Election Committee. Ms. Leslie Pool seconded, and the motion passed 10-0.

**8. Discuss and consider the Executive Director's report on the following matters – Christopher Hanson:**

*This item was taken out of order and discussed after agenda item 9.*

**A. Revised 2018-2020 Strategic Plan**

Mr. Hanson presented a review of how COAERS compared to the Board's mission and vision for the organization at the end of 2015 compared to where it is today. Mr. Hanson also reviewed the overall administrative and investment costs of COAERS compared to certain peers, and reviewed the planning documents that guided the path forward. He introduced the revised 2018-2020 Strategic Plan based on conversations from the Board Workshop in October.

Ms. Leslie Pool moved to adopt the revised 2018-2020 Strategic Plan. Mr. Chris Noak seconded, and the motion passed 9-0 (Mr. Ross had left the meeting.)

**B. Operational matters including facilities and staffing**

Mr. Hanson gave an update on COAERS facilities and new safety measures that will be in place by the January 2020 Board meeting.

**C. Upcoming educational programs and 2019 MET Report**

Mr. Hanson reviewed upcoming educational programs and noted that all Trustees had either finished or were very close to finishing their Pension Review Board (PRB) training requirements for the current two-year cycle.

*Trustees took a break from 3:30 pm to 3:53 pm*

**9. Benefits and Services Committee:**

*This item was taken before agenda item 8.*

**A. Receive report from November 12, 2019 Committee meeting – Committee Chair Van Eenoo**

Mr. Ed Van Eenoo presented the report from the November 12, 2019 Committee meeting.

**B. Discuss and consider recommended actuarial assumption changes for the December 31, 2019 actuarial valuation and future valuations – Lewis Ward, GRS Consulting**

Mr. Lewis Ward from GRS Retirement Consulting presented the full actuarial assumption set recommended by the Benefits and Services Committee as described on pages 83 through 90 of the Board packet. The set of assumptions includes these important new assumptions:

Core Inflation	2.5%
Real rate of Investment return net of expenses	4.5%
Investment rate of return	7.0%
Wage inflation	3.5%
New hires salary growth for funding period	3.5%
Mortality tables	Pub2010

Mr. Van Eenoo moved to accept the recommendation of the Benefits and Services Committee for setting the actuarial assumptions for December 31, 2019, and subsequent actuarial valuations. Mr. Ross seconded, and the motion passed 10-0.

**C. Discuss and consider the implementation of administrative changes related to new actuarial assumptions – Russell Nash**

Mr. Nash discussed the administrative impact of the actuarial assumption changes. He also noted a GRS Retirement Consulting memorandum describing certain approaches to the implementation of the assumption changes. Of note, he stated that the Board could consider the GRS recommendation of adding a “risk premium” to service purchases based upon the adopted investment rate of return assumption less 200 basis points. After the discussion, Ms. Canales-Zarate moved to (1) establish July 1, 2020, as the target date for the new set of actuarial assumptions to be operationally effective, (2) instruct Staff to prepare and test systems, revise communications, and notify the membership of operational changes due to actuarial assumption changes, and (3) instruct GRS Retirement Consulting to proceed with the implementation approach and service purchase risk premium of 200 basis points less than the investment rate of return assumption. Ms. Amy Hunter seconded, and the motion passed 9-1 with Mr. Ross dissenting.

- D. Discuss and consider Benefits Administration Policies including – Russell Nash:**
- 1. Board approved benefits administration policy**
  - 2. Benefits administration resolution 2019-1210**
  - 3. Repeal of current Board Approved Policies related to benefits administration**

Mr. Nash presented two documents that consolidated existing Board policies related to benefits administration: *Board Approved Policy – Benefits Administration*, establishing the Board’s role in benefits administration, and *Benefits Administration Operating Procedures*, which contains detailed administrative and operational provisions. Mr. Nash also presented a resolution with language recommended by COAERS’ Tax Counsel that codifies Plan documentation to be in line with current practice.

Mr. Ross moved to adopt *Board Approved Policy – Benefits Administration* and Resolution No. 2019-1210, and repeal the following Board policies: A-3 Annuitant Verification Policy, A-4 Appeals to Board of Trustees, B-3 Benefit Policies and Procedures, B-4 Benefit Selections under “Equivalent Benefit”, D-1 Disability Retirement, D-3 Death Benefit Distribution, D-4 Option Selection and Survivor Designation Policy, D-7 Backward Deferred Retirement Option Program, D-8 Annuity Deductions for Retirement Insurance, Q-1 Qualified Domestic Relations Orders, R-1 Retirees Working for the City of Austin, and I-3 Interest Allocation Determination. Ms. Beach seconded, and the motion passed 10-0.

*Mr. Ross left the meeting at 2:21 p.m.*

**10. Discuss and consider interest allocation on member deposits for 2019 – Russell Nash**

Mr. Nash reported that GRS Retirement Consulting recommends an interest rate allocation of 2.32% for member deposits. Ms. Beach moved to adopt the recommendation of GRS to set the interest rate allocation at 2.32% on member deposits. Ms. Canales-Zarate seconded, and the motion passed 9-0.

**11. Audit and Risk Committee**

**A. Receive report from November 12, 2019 Audit and Risk Committee meeting – Committee Chair Liu**

In the absence of Ms. Liu, Mr. Benson presented the report from the Audit and Risk Committee meeting.

**B. Discuss and consider KPMG LLP engagement letter – Donna Boykin**

Ms. Donna Boykin presented the KPMG engagement letter for audit services for the year ending December 31, 2019. She noted that this is the third year of a five-year engagement plan approved by the Board in 2017.

Ms. Canales-Zarate moved to approve the KPMG LLP 2019 engagement letter. Mr. Noak seconded, and the motion passed 9-0.

*Mr. Van Eenoo stepped out of the meeting.*

**C. Discuss and consider 2020 administrative budget – Christopher Hanson**

Mr. Hanson presented the budget discussed at the Audit and Risk Committee meeting noting an overall reduction of \$371,734 from the 2019 administrative budget. He outlined the major changes in the budget, compared the spending to peers based on the last CEM Benchmarking study, and tied the budget to the Strategic Plan.

Mr. Noak moved to approve the 2020 administrative budget. Ms. Pool seconded, and the motion passed 8-0.

*Mr. Van Eenoo returned to the meeting before agenda item 12.*

Trustees revisited this topic after agenda Item 15 (6:24 pm). Mr. Randy Spencer moved to adjust the 2020 administrative budget according to the salary and associated benefits discussed. Ms. Beach seconded, and the motion passed 8-0 (Mr. Eenoo had previously left the meeting).

**12. Investment Committee**

**A. Receive reports on the following matters:**

**1. November 15, 2019 Committee meeting – Committee Chair Canales-Zarate**

Ms. Canales-Zarate delivered a report from the November 15, 2019 meeting noting the dashboard.

**2. Update on investment governance and strategy initiatives – David Veal**

Mr. Veal delivered a report on the status of the investments initiatives since 2015.

**3. Update on investment risk framework – David Stafford**

Mr. Stafford delivered a report on the Investment Risk Framework (IRF). Trustees discussed having a plan in place for each of the quadrants in the system, noting that the data points are current indicators, not predictors.

**B. Discuss and consider revisions to Investment Policy Statement (IPS) and Investment Implementation Policy (IIP) – David Veal**

Mr. Veal outlined the Committee's proposed changes to the IPS and IIP. Ms. Canales-Zarate moved to approve the proposed revisions to the IPS and IIP. Ms. Hunter seconded, and the motion passed 9-0.

**C. Discuss and consider revised Committee Charter – David Veal**

Mr. Veal explained that the Investment Committee chose to review its charter ahead of the scheduled date. He stated that the new charter aligns with the current investment strategy and the roles that are set forth in the IPS. Mr. Randy Spencer moved to adopt the revised Committee Charter. Ms. Beach seconded, and the motion passed 9-0.

**D. Discuss and consider Premier List, investment manager agreements, side letters, and funding implementation plans for Multi-Asset – David Veal**

Mr. Veal noted that with the termination of AQR, BlackRock would be the sole allocation within the asset class. The current allocation for the asset class is 5.2% while the target is 10%. Mr. Veal reviewed the proposed Premier List for Multi-Asset as proposed by the Investment Committee. Ms. Canales-Zarate moved to (1) approve the Premier List for Multi-Asset including Baillie Gifford as a seed investment, (2) approve the Funding Implementation Plan, and (3) authorize the Executive Director to sign the associated investment management agreements and side letters pending final approval by legal counsel. Ms. Hunter seconded, and the motion passed 7-1-1 with Mr. Van Eenoo against and Ms. Pool abstaining.

**E. Discuss and consider Premier List, investment manager agreements, side letters, and funding implementation plans for Global Equities and Fixed Income – Ty Sorrel**

Mr. Sorrel presented the proposed Premier Lists for Global Equity and Fixed Income, noting the concentration of counterparty risk by having Northern Trust as both the sole custodial bank and COAERS' largest investment manager. He noted that the addition of a passively managed portfolio of Treasury Inflation Protected Securities (TIPS) could mitigate inflation risk.

Mr. Noak moved to (1) approve the Premier Lists for Global Equity and Fixed Income, (2) approve the Funding Implementation Plan, and (3) authorize the Executive Director to sign the associated investment management agreements pending approval by Legal Counsel. Ms. Canales-Zarate seconded, and the motion passed 9-0.

**F. Discuss and consider Master Custody Agreement side letter and fee schedule – Christopher Hanson**

Mr. Hanson explained that in 2014 COAERS signed a five-year price agreement with Northern Trust for custody and other services that ends in 2019. With consideration of a 2020 Request for Proposal (RFP) for custodial banking, Northern Trust proposed a one-year extension of the price agreement for custodial services. Mr. Noak moved to approve the side letter to the Master Custody Agreement reflecting the 2020 fee schedule. Ms. Hunter seconded, and the motion passed 9-0.

**G. Discuss and consider 2020 investment resource budget – David Veal**

Mr. Veal presented the proposed 2020 investment resource budget. He stated that the budget continues a shift from reliance on external resources to developing best-in-class internal resources. He reported that investment expenses peaked in 2015 and continue trending down in dollar terms through 2020. Ms. Canales-Zarate moved to approve the 2020 investment resource budget as presented. Mr. Noak seconded, and the motion passed 8-0-1 with Mr. Van Eenoo abstaining.



**13. Receive report from November 12, 2019 Policy Committee meeting – Chair Benson**  
Mr. Benson presented the report from the November 12, 2019 Policy Committee.

**14. Receive report from November 12, 2019 Disability Committee meeting – Committee Chair Merriman**  
Mr. Merriman presented the report from the November 12, 2019 Disability Committee.

*Mr. Van Eenoo left the meeting at 5:20 p.m.*

**15. Executive Session – Chair Benson**

**A. Convene into executive session pursuant to Tex. Government Code 551.074 to deliberate the evaluation, employment, and/or duties of the Executive Director**  
The Board convened into Executive Session at 5:21 p.m.

**B. Reconvene into public session and take action, if any, as determined appropriate**  
The Board reconvened into public session at 6:21 p.m.  
Mr. Noak moved to increase the salary of the Executive Director to \$250,000 annually beginning on January 1, 2020. Ms. Pool seconded, and the motion passed 8-0.

Trustees directed Staff to create a salary range for the Executive Director with a midpoint of \$230,000. Trustees also discussed adding a budget amendment to the January 2020 agenda but was advised by Counsel that they could amend the budget that was passed during this meeting on agenda item 11-C. Trustees then returned to agenda item 11-C.

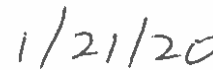
**16. Discuss and conduct annual Board self-evaluation – Chair Benson**  
Trustees asked to table this agenda item until January 2020.

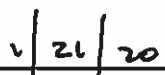
**17. Review meeting key takeaways and call for future agenda items – Chair Benson**  
Trustees indicated they wanted to discuss Board succession planning and evaluation, and the strength of Board governance at future meetings.

As there were no further items to address, the meeting adjourned at 6:27 pm.

  
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**Michael Benson, Board Chair**

  
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**Christopher Hanson, Executive Director**

  
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**Date**

  
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**Date**