



**MINUTES**  
**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM**  
**BOARD MEETING**  
**Tuesday, October 17, 2017 – 8:30 AM**  
**McCormick & Schmick's in the Domain**  
**11600 Century Oaks Terrace Suite 1000, Austin, TX 78758**

**Board Members Present**

Chris Noak, Chair  
Michael Benson  
Eyna Canales-Zarate  
Francine Gertz  
Frank Merriman  
Anthony B. Ross, Sr.  
Ed Van Eenoo  
Jim Williams

**Board Members Absent**

Leslie Pool  
Reagan David  
Elizabeth Gonzales

**Presenters**

Ian Bray, RVK, Inc.  
Spencer Hunter, RVK, Inc.  
Janelle Booth, RVK, Inc.  
Mike Mendelson, AQR

**Others Present**

**Staff:**  
Christopher Hanson  
Russell Nash  
Donna Boykin  
David Veal  
Sarah McCleary

**Guests:**  
Paige Saenz, General Counsel  
Iwan Djanali, AQR

Chair Chris Noak called the meeting to order at 8:45 a.m.

**1. Review order of business**

Chair Noak reviewed the agenda with the Board members and there were no changes to the order.

**2. Discuss strategic planning and organizational priorities**

Mr. Chris Hanson discussed the draft strategic plan document which outlined goals of maintaining a sustainable retirement plan, responsibly managing the risks of the system, enhancing the customer experience, identifying and implementing best practices, and identifying a competitive advantage. The new strategic plan incorporates elements of the old plan, which was last adopted in 2012. Staff will incorporate the input of the Trustees into an updated version for potential approval by the Board in December.

Mr. Hanson also sought feedback on near-term goals including changes in the way risk management is assessed and reported, and provided an update on bylaws and policy changes.

**3. Receive report on strategic partnerships**

Mr. Veal discussed the work done since July 2016 on creating strategic partnerships and reviewed how such partnerships could enhance the Board's decision-making process at a macro level. In their proposals the three potential partners each submitted three portfolio approaches, which were discussed at length during site visits in October. Trustees directed that the proposals be brought to the next Investment Committee meeting for further consideration with finalist interviews to be conducted by the Board in December.

*Trustees took a break at 10:44 and resumed at 11:00 a.m.*

**4. Receive presentation on private markets**

Janelle Booth, Spencer Hunter, and Ian Bray of RVK presented an educational report on private market investments, highlighting both the return potential of this approach and the organizational matters that COAERS should consider if it were to pursue such a program.

**5. Receive presentation entitled "An Interesting Time for Pension Managers"**

Michael Mendelson from AQR gave a presentation which discussed the historical returns of diversified portfolios and their relation to the risk-free rate. He highlighted the correlation of risk and return in relation to the strategic asset allocation.

*Francine Gertz arrived at 12:32 pm.*

The presentation included a discussion on what makes up a truly diversified portfolio and what strategies could be pursued to improve results in a low return environment.

**6. Receive presentation on governance and investment best practices**

Janelle Booth, Spencer Hunter, and Ian Bray of RVK presented a report on best practices and discussed the typical levels of delegation including a review of those functions which cannot be delegated. Operational and reporting duties are often delegated to Staff or outside vendors while the Board almost always retains authority in fiduciary leadership, Statement of Investment Policy, and asset allocation. Several common governance models were reviewed, each with varying levels of outsourcing with respect to investment decisions and authority for implementation.

**7. Discuss long-term plan sustainability**

Mr. Hanson and Mr. Veal outlined the basic formula for sustainability (contributions plus investment income equal benefits plus expenses) and Trustees discussed how each of these components could be considered in light of the low return environment. Various Board suggestions will be submitted to the actuary to determine impact.

**8. Call for future agenda items**

As there were no further items to address, the meeting adjourned at 4:09 p.m.



*Chris Noak, Board Chair*

12-14-17

*Date*



*Christopher Hanson, Executive Director*

12/14/2017

*Date*