




December 2022 Meeting


Schedule	Thursday, December 15, 2022 10:00 AM — 2:00 PM CST
Venue	6850 Austin Center Blvd., Suite 320, Austin, TX 78731
Organizer	Sarah McCleary




Agenda





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No separate discussion or action on any of the items is necessary unless desired by a Trustee.
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 - B. October 17 and 18, 2022 Board Workshop meeting minutes
 - C. November 10, 2022 Board meeting minutes
 - D. Ratification of September, October, and November 2022 retirements
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1. Call meeting to order

Presented by Chris Noak, 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 Chris Noak, 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 Chris Noak, 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 which the Board will discuss and consider during its December meeting:

1. The Board will receive the results of the election for Trustee Place 11 and consider certification and approval of those results as reported by the Nominating and Election Committee.
2. The Board will discuss matters related to COAERS' long-term facility needs.
3. The Board will consider adoption of a Board Governance Manual as recommended by the Governance and Human Resources Committee.
4. The Board will consider approving proposed changes to the Diversity Policy as recommended by the Governance and Human Resources Committee.
5. The Board will consider the recommendation of the Audit and Risk Committee related to the CliftonLarsonAllen (CLA) statement of work for the December 31, 2022 financial statement audit
6. The Board will discuss and consider approval of a governmental relations engagement with HillCo Partners for 2023.
7. The Board will consider the proposed 2023 administrative budget.
8. The Board will consider the recommendations of the Investment Committee regarding the approval of proposed changes to the Real Assets Premier List, 2023 Investment Budget, and the Investment Committee Charter. The Board will also consider approval of a funding implementation and rebalance proposal.
9. The Board will receive a preliminary report on COAERS' 2022 performance related to the Strategic Plan's key performance indicators, as well as consider potential changes to the Strategic Plan's key action item timelines.
10. The Board will receive a report from the Executive Director on the 2023 Board and Committee calendar, the process for Board Chair and Vice Chair nominations for 2023, and current MET hours and upcoming educational events.
11. The Board will conclude its annual review of the performance of the Executive Director.

4. Receive System member and public comments

Presented by Chris Noak, 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. September 22, 2022 Board meeting minutes

B. October 17 and 18, 2022 Board Workshop meeting minutes

C. November 10, 2022 Board meeting minutes

D. Ratification of September, October, and November 2022 retirements

E. Interest allocation on member accounts



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 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. September 22, 2022 Board meeting minutes
- B. October 17 and 18, 2022 Board Workshop meeting minutes
- C. November 10, 2022 Board meeting minutes
- D. Ratification of September, October, and November 2022 retirements
- E. Interest allocation on member accounts

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. September 22, 2022 Board meeting minutes
2. October 17-18, 2022 Board workshop minutes
3. November 10, 2022 Board meeting minutes
4. New retirements from September, October, and November 2022 (Confidential)
5. Interest allocation information sheet
6. Letter from GRS re: interest allocation on member contributions 2022



MINUTES

BOARD MEETING

Public Meeting held in-person and telephonically on September 22, 2022 at 10:00 am CT
Pursuant to Texas Govt. Code 551.127

Board Members Present

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

Board Member Absent

Brad Sinclair

Guests:

Paige Saenz, General Counsel
Corey Martin, Avison Young
Andrew Alizzi, Avison Young
Sam Bush, Avison Young
Joe Ebisa, WithIntelligence*
Spencer Hunter, RVK
Ian Bray, RVK
Eddie Solis, Hillco
John Goodell, PRB
Robert Munter, PRB*

Staff:

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

* present telephonically

† present via videoconference

1 Call meeting to order

Chair Chris Noak called the meeting to order at 10:02 a.m.

2 Call roll of Trustees

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

3 Review order of business and establish meeting objectives

Chair Noak reviewed the objectives of the meeting and asked if Trustees needed to take

any agenda items out of order. Though three Trustees had hard-stop times, no change was made to the order of the agenda.

4 Receive system member and public comments

Chair Noak 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. June 23, 2022 Board meeting minutes**
- B. July 21, 2022 Board meeting minutes**
- C. Ratification of June, July, and August 2022 retirements**

Mr. Anthony Ross moved to approve the consent agenda. Ms. Amy Hunter seconded, and the motion passed 9-0.

6 Receive reports on the following Board administrative matters including:

- A. Ethics policy disclosure statements**
- B. 2022 meeting calendar**
- C. Report from August 25, 2022 Legislative Committee**
- D. Report from August 25, 2022 Benefits and Services Committee**
- E. Report from August 25, 2022 Audit and Risk Committee**
- F. Report from August 25, 2022 Governance and HR Committee**
- G. Report from August 25, 2022 Policy Committee**
- H. Report from August 26, 2022 Investment Committee**

Russell Nash declared meeting with Chase Patton, Texas Municipal League Governmental Risk Pool.

Christopher Hanson declared attendance at the NCPERS Chief Officers Summit from June 28-29 with breakfast, lunch, and dinner provided. He also declared attendance at the NASRA Annual Conference from August 5-10 with breakfast and lunch provided.

Chair Noak also noted the presence of Committee reports and asked Trustees to contact Staff if they need additional information on the Committee meetings.

7 Discuss and consider 2023 retiree annuity adjustment

Mr. Russell Nash reported on the recommendation of COAERS' consulting actuary that the conditions had not been met to recommend an annuity cost of living adjustment for 2023. Mr. Lewis Ward of GRS was in attendance virtually to answer questions.

Mr. Ross moved to approve the recommendation for no cost-of-living adjustment. Ms. Leslie Pool seconded, and the motion passed 9-0.

8 Receive presentation on Asset/Liability Study

Mr. David Kushner, along with Mr. Spencer Hunter and Mr. Ian Bray of RVK, led an educational presentation on Asset/Liability (A/L) studies. The presentation covered both in A/L studies general as well as specifically what COAERS can expect to learn about its investment, benefit, and contribution policies.

For reporting purposes to the Pension Review Board, training began at 10:27 a.m. and ended at 11:11 p.m.

Ms. Diana Thomas joined the meeting at 10:39 a.m. and left the meeting at 11:03 a.m.

9 Discuss and consider Premier List for Global Equities including funding implementation plan

Mr. David Stafford shared the results from the annual review of the Global Equities asset class. He noted that despite a neutral allocation at just over half of Fund assets, Global Equities contribute to most expected Fund risk. As such, he discussed the importance of risk management in this asset class and shared ways in which the portfolio was structured to improve diversification including international equity exposure, diversified indices, and the prudent use of active management. Mr. Stafford then discussed current fund positioning and noted that the positioning remains appropriate in light of the upcoming Asset/Liability Study. Mr. Stafford then reviewed the proposed changes to the Premier List for Global Equities.

Mr. Michael Benson moved to approve the proposed changes to the Premier List for Global Equities. Ms. Hunter seconded, and the motion passed 9-0.

Ms. Thomas re-joined the meeting at 11:26 a.m.

10 Legislative Committee:

A. Receive report on draft legislation for 88th Legislative Session – Christopher Hanson

Mr. Christopher Hanson reported on the progress of the COAERS and City of Austin Working Group regarding proposed legislation.

B. Receive update on long-term sustainability and pension legislation forum – Christopher Hanson

Mr. Hanson reported on the upcoming Stakeholder Event and its communication strategy.

11 Discuss and consider Communications Policy

Mr. Hanson presented a draft of the Communications Policy which the Governance and HR Committee had revised to reflect how communications would be handled during the legislative session. Ms. Pool moved to adopt the policy with grammatical revisions. Mr. Michael Granof seconded, and the motion passed 10-0.

Trustees took a break from 11:53 a.m. to 12:10 p.m.

12 Facility options

A. Convene into executive session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property

B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property

The Board convened into Executive Session at 12:11 p.m.

The Board reconvened into public session at 12:56 p.m.

Ms. Pool moved to direct Staff to proceed as discussed in Executive Session. Mr. Ross seconded, and the motion passed 10-0.

13 Discuss and consider Benefits Administration Policy

Mr. Nash presented the proposed revisions from the Benefits and Services Committee reflecting the organizational changes of that Committee assuming the duties of the Disability Committee.

Ms. Pool left the meeting at 12:59 p.m.

Mr. Granof moved to adopt the Benefits Administration Policy as proposed. Mr. Ross seconded, and the motion passed 9-0.

14 Discuss and consider Personnel Policy

Mr. Hanson presented revisions to the Personnel Policy. Mr. Benson moved to adopt the Personnel Policy as proposed. Mr. Granof seconded, and the motion passed 9-0.

15 Receive Staff report on Executive Director evaluation process

Mr. Nash presented a report on the current procedure for the evaluation of the Executive Director which the Board will continue to follow through the end of 2022.

**16 Receive report from Executive Director on the following matters:
Operational matters including staffing and budget**

Mr. Hanson reported to the Board the year-to-date budget expenditures and reported on the recent asset disposal via auction.

Mr. Hanson also introduced Ms. Yun Quintanilla and informed the Board that she was recently promoted to the position of Chief Financial Officer.

October Board Workshop

Mr. Hanson discussed proposed ideas for the October Board workshop and requested asked for feedback from Trustees.

MET report and upcoming educational programs and conferences

Mr. Hanson reported on several upcoming programs and conferences and informed Trustees on the status of training requirements.

17 Review key meeting takeaways and call for future agenda items

Chair Noak 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 1:29 p.m.



MINUTES

BOARD MEETING

Public Meeting held in-person on October 17 and 18, 2022
At the Archer Hotel, 3121 Palm Way, Austin, TX 78758

<u>Board Members Present</u>	<u>Board Members Absent</u>	<u>Staff:</u>
Michael Benson	None	Christopher Hanson
Kelly Crook		Russell Nash
Michael Granof	<u>Guests:</u>	David Stafford
Amy Hunter	Paige Saenz, General Counsel	David Kushner
Dick Lavine	Ian Bray, RVK	Sarah McCleary
Yuejiao Liu	Ryan Sullivan, RVK	Jenni Bonds
Chris Noak, Chair	Eddie Solis, Hillco	Yun Quintanilla
Leslie Pool	Lewis Ward, GRS	Teresa Cantu
Anthony B. Ross, Sr.		Ty Sorrel
Brad Sinclair		Kelly Doggett
Diana Thomas		

1 Call meeting to order

Chair Chris Noak called the meeting to order at 9:05 a.m. on October 17.

2 Call roll of Trustees

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

3 Workshop introductions

Workshop attendees introduced themselves.

4 Discuss 2023 strategic plan activities

Mr. Christopher Hanson discussed proposed Strategic Plan actions for 2023 and noted which activities might be moved either forward or backward and the reasoning for such moves.

5 Discuss SWOT analysis

Trustees engaged in an exercise regarding Strengths, Weaknesses, Opportunities, and Threats (SWOT). Trustees decided to rename the Weakness category as Challenges. After Trustees completed their exercise, Mr. Hanson shared the results of the management team's exercise and compared the two. Trustees decided on the final output for the Strengths, Challenges, Opportunities, and Threats (SCOT) analysis.

Trustees took a break from 12:00 p.m. to 1:18 p.m.

6 Discuss Governance Manual

Mr. Hanson reported that the Governance and HR Committee had reviewed a draft governance manual and directed Staff to include discussion of the Manual's "Board Culture Statement" at the Workshop. Trustees reviewed the draft Culture Statement and provided input and directed Staff to incorporate their comments into the governance manual for review by the Governance and HR Committee.

7 Discuss Board self-evaluation process

Trustees reviewed the process, documents, and the timeline for self-evaluation. After discussion, Trustees indicated a preference to conduct the annual Board self-evaluation at the Board Workshop with Staff providing the necessary documents sufficiently ahead of time to allow for appropriate feedback and meaningful discussion at the Board Workshop.

Agenda Item #11 was discussed next.

Trustees also discussed the Board skills matrix and the development of individual Trustee education plans.

Ms. Pool left the room from 2:05 p.m. to 2:24 p.m.

Trustees took a break from 2:34 p.m. to 2:50 p.m.

8 Investment portfolio construction

Mr. David Stafford discussed key portfolio construction concepts in a mean-variance optimization framework. Mr. Stafford discussed the key inputs of expectations for risk, return, and correlations across asset classes. He discussed the way that these inputs are combined to produce an efficient frontier of portfolios which maximize returns per unit of risk.

Trustees were divided into teams and given the chance to put these concepts into practice by constructing portfolios based on similar assumptions and portfolio guidelines. Mr. Stafford then summarized key takeaways from this process and discussed the use of these and other techniques during the upcoming asset/liability study.

The Chair announced the meeting stood in recess at 4:13 p.m., noting that it would convene on October 18 at 9:00 a.m.

The meeting reconvened at 9:12 a.m. on October 18 with all Trustees in attendance.

9 Receive presentation on legislative process

Mr. Eddie Solis of HillCo gave an educational presentation on the Texas legislative process. For purposes of PRB reporting continuing credit hours, the presentation went from 9:12 a.m. to 10:38 a.m.

Trustees took a break from 10:43 a.m. to 11:01 a.m.

10 Receive presentation of initial draft Asset/Liability Study

Mr. Ryan Sullivan of RVK presented initial draft results of the asset/liability study, and Mr. David Kushner indicated next steps for the Board.

*Ms. Thomas left the meeting from 11:32 to 11:35 a.m.
Trustees took a break from 12:06 p.m. to 1:18 p.m.*

11 Discuss Trustee education and skills matrix

This agenda item was discussed at the time of agenda item #7.

12 Review of 2022 Board Workshop

13 Discuss 2023 Board Workshop

Trustees expressed their thoughts on the value of the workshop including time spent, facilities, and subject matters. The agenda items will vary next year but Staff will work to recreate the successful experience.

14 Facility options

A. Convene into executive session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property

B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property

The Board convened into Executive Session at 1:25 p.m.

The Board reconvened into public session at 1:52 p.m.

Ms. Pool moved to direct Staff to proceed as discussed in Executive Session. Mr. Ross seconded, and the motion passed unanimously.

As there were no other items to discuss, the meeting adjourned at 1:54 p.m.

DRAFT



MINUTES

BOARD MEETING

Public Meeting held in-person and telephonically on November 10, 2022 at 1:00 pm CT
Pursuant to Texas Govt. Code 551.127

<u>Board Members Present</u>	<u>Board Member Absent</u>	<u>Staff:</u>
Michael Benson	Brad Sinclair	Christopher Hanson
Kelly Crook		Russell Nash
Michael Granof	<u>Guests:</u>	Sarah McCleary
Amy Hunter†	Paige Saenz, General Counsel	Jenni Bonds
Dick Lavine		Cathy Edwards*
Yuejiao Liu		
Chris Noak, Chair		
Leslie Pool†		
Anthony B. Ross, Sr.		
Diana Thomas		

* present telephonically

† present via videoconference

1 Call meeting to order

Chair Chris Noak called the meeting to order at 1:19 p.m.

2 Call roll of Trustees

Ms. Sarah McCleary called the roll. The following Trustees were present in person: Benson, Crook, Granof, Liu, Noak, Ross, and Thomas. The following Trustees were present via teleconference: Hunter and Pool. Mr. Lavine joined the meeting at the end of roll call (1:20 p.m.)

3 Facility options

A. Convene into executive session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property

The Board convened into Executive Session at 1:22 p.m.

B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property

The Board reconvened into public session at 1:29 p.m.

4 Executive Session

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 1:30 p.m.

Mr. Benson left the meeting at 2:00 p.m.

Ms. Crook left the meeting at 2:32 p.m.

Ms. Pool left the meeting at 2:36 p.m.

B. Reconvene into public session and take action, if any, as determined appropriate

The Board reconvened into public session at 2:38 p.m.

5 Review key meeting takeaways and call for future agenda items

Chair Noak asked for future agenda items.

As there were no other items to discuss, the meeting adjourned at 2:38 p.m.



Interest Allocation Information Sheet

AGENDA ITEM 5E: Interest allocation on member deposits

Board Policy establishes the Board's responsibility for setting the annual interest allocation on member deposits. The Policy states:

"The System Actuary will provide an interest rate recommendation to the Retirement 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."

Interest credited to member accounts for the last ten years is provided below:

2012	1.85%
2013	2.17%
2014	2.63%
2015	2.14%
2016	1.83%

2017	2.32%
2018	2.81%
2019	2.32%
2020	1.04%
2021	1.35%

The System's Actuary, GRS, has provided the attached letter that recommends a **2.58%** rate for crediting interest on member contributions for the 2022 plan year.

ATTACHMENT

1. GRS Letter RE: Interest Credit Rate on Member Contributions 2022 Plan Year



November 7, 2022

Mr. Chris Hanson
Executive Director
City of Austin Employees' Retirement System
6836 Austin Center Blvd, Suite 190
Austin, TX 78731

Re: Interest Credit Rate on Member Contributions 2022 Plan Year

Dear Chris:

As provided for in Section 2, paragraph (1) of Article 6243n of the Vernon's Texas Civil Statutes, we are providing the Board our recommendation regarding the interest rate to be credited on member contributions for the 2022 plan year.

The System's Benefits Administration Operating Procedures document describes the procedure for determining the rate of interest to be credited to members' accounts. Article 24 of this document assigns responsibilities, guidelines, and procedures for the interest rate decision. Article 24 assigns the System Actuary the responsibility of providing a recommendation to the Retirement Board regarding the interest rate credited to member accounts.

Article 24 establishes the following guidelines for the process:

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

Article 24 establishes that the System Actuary will provide an interest rate recommendation to the Retirement Board. The recommendation will consider the following:

- 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 1st of the prior year through October 31st of the current year; and
- Historical interest rates established by the Board, and
- Any other factor relevant to the determination of that year's interest rate.

Mr. Chris Hanson
November 7, 2022
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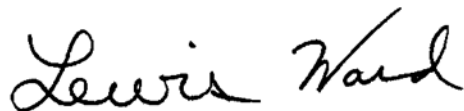
The average of the daily nominal yields on the constant maturity 10-year U.S. Treasury notes for the 12-month period beginning on November 1, 2021 and ending on October 31, 2022 was 2.58% per annum, with a daily high of 4.25% and a daily low of 1.35%.

The financial soundness of the System will not be negatively impacted if this interest rate, or another annual rate less than or equal to 6.00%, is selected. As you are aware, for valuation purposes we assume a rate of 6.00% will be credited on member contributions. Therefore, an actual annual rate of 6.00% or less will not adversely affect the current funded status of the System.

As would be expected with the Federal Reserve's increase in the borrowing rate, the yields on 10-Year Treasuries have increased significantly over the past year. Given the current funded status of the System, the current market interest rates, and the lack of any other relevant factors, we believe that the 2.58% rate would be an appropriate annual rate for crediting interest on members' contributions for the 2022 plan year (as a reminder, the Board decided on an interest credit rate of 1.35% for 2021).

Please do not hesitate to let us know if you have any questions or need additional information

Sincerely,



Lewis Ward
Consultant



R. Ryan Falls, FSA, MAAA, EA
Senior Consultant

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cc: Mr. Russell Nash



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

A. Ethics policy disclosure statements

B. Report from November 10, 2022

Legislative Committee

C. Report from November 10, 2022

Benefits and Services Committee

D. Report from November 10, 2022 Audit and Risk Committee

E. Report from November 10, 2022

Governance and HR Committee

F. Report from November 10, 2022 Policy Committee

G. Report from November 18, 2022

Investment Committee

Presented by Chris Noak, 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. Report from November 10, 2022 Legislative Committee
- C. Report from November 10, 2022 Benefits and Services Committee
- D. Report from November 10, 2022 Audit and Risk Committee
- E. Report from November 10, 2022 Governance and HR Committee
- F. Report from November 10, 2022 Policy Committee
- G. Report from November 18, 2022 Investment Committee

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 December Board meeting.

BACKGROUND

The COAERS Code of Ethics requires Trustees and Key Staff to file ethics statements within 30 days of each Board meeting. The period covered is since the last regularly scheduled Board meeting, September 22, 2022. Those who have nothing to declare may say so in writing to Sarah.McCleary@coaers.org or sign the form when sent by Docusign.



BOARD MEETING Agenda Item Information Sheet

ATTACHMENTS

1. Ethics policy disclosure statement
2. Report from November 10, 2022 Legislative Committee
3. Report from November 10, 2022 Benefits and Services Committee
4. Report from November 10, 2022 Audit and Risk Committee
5. Report from November 10, 2022 Governance and HR Committee
6. Report from November 10, 2022 Policy Committee
7. Report from November 18, 2022 Investment Committee



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

For the period September 23, 2022 to December 15, 2022

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



Report from November 10, 2022 Legislative Committee Meeting

The November 10, 2022, Legislative Committee meeting included an update on activities related to the development of proposed pension reform legislation; a report on the preliminary results of the November 8 Texas elections; discussion of a governmental relations contract for 2023; and review of the 2023 Committee Work Plan.

1. The Committee received a report related to the development of pension legislation for the 88th Legislative Session. Staff reported on the recent Stakeholder Forum and presentation to the PRB Actuarial Committee. Comments related to the legislative proposal submitted by members and stakeholders were presented and COAERS members in attendance also provided comments to the Committee.
2. The Committee received a report from HillCo Partners on the results of the November 8 Texas elections and potential impacts to the upcoming Legislative Session.
3. The Committee considered a proposed 2023 governmental relations contract with HillCo Partners and recommended its approval by the Board at its December 15 meeting.
4. The Committee reviewed the progress in 2022 relative to the Committee Work Plan and noted the impact of the upcoming legislative session on possible Committee meetings in 2023.



Report from November 10, 2022 Benefits and Services Committee Meeting

The November 10, 2022, Benefits and Services Committee meeting included a report on COAERS medical consultants; a report on disability continuation; and review of the 2023 Committee Work Plan.

1. The Committee received a report on COAERS medical consultants. The report reviewed the consultant's performance in 2022 and noted that the consultants provide consistent, fact-based medical opinions. Agreement terms and fees were also reviewed.
2. The Committee conducted its annual review of disability retirement benefit recipients. Staff reviewed criteria to remain an eligible disability benefit recipient and noted that there were no recommendations for discontinuance.
3. The Committee reviewed the progress in 2022 relative to the Committee Work Plan and noted key items for the Committee to consider in 2023.



Report from November 10, 2022 Audit and Risk Committee Meeting

The November 10, 2022, Audit and Risk Committee meeting included consideration of a statement of work for the 12/31/2022 financial statement audit; review of the Enterprise Risk Management Program; Staff reports on the third quarter unaudited financial statements and COAERS information and cybersecurity programs; and review of the 2023 Committee Work Plan.

1. The Committee discussed and considered the CliftonLarsonAllen (CLA) statement of work for the 12/31/2022 financial statement audit, recommending its approval by the Board of Trustees at its December 15 meeting.
2. The Committee reviewed risk category rankings for 2023 related to the COAERS Enterprise Risk Management Program and proposed risk management activities within each category for 2023. The Committee was briefed on risk trends within each category and provided feedback for improvements to the dashboard reporting.
3. The Committee received a report on the third quarter unaudited financial statements.
4. The Committee received a report on COAERS information and cybersecurity program, including year-to-date progress on key activities such as program maturity and assessments, risks, and disaster recovery.
5. The Committee reviewed the progress in 2022 relative to the Committee Work Plan and noted key items for the Committee to consider in 2023.



Report from November 10, 2022 Governance and HR Committee Meeting

The November 10, 2022, Governance and Human Resources Committee meeting included a presentation on the 2022 market compensation study; consideration of a Board Governance Manual; review of the Board Diversity Policy, and review of the 2023 Committee Work Plan.

1. The Committee received a presentation on the 2022 market compensation study including macro-level labor market trends such as labor force participation, job openings, unemployment, wages, and inflation. The presentation also included information on recommendations on structure updates and salary increases.
2. The Committee considered an updated draft of a Board Governance Manual which incorporated input from the prior Committee meeting as well as the Board Workshop. The Committee referred the Governance Manual to the Board for approval.
3. The Committee conducted its annual review of the Board Diversity Policy and referred the proposed revisions to the Board for approval.
4. The Committee reviewed the progress in 2022 relative to the Committee Work Plan and noted key items for the Committee to consider in 2023.



Report from November 10, 2022 Policy Committee Meeting

The November 10, 2022, Policy Committee meeting included a report on COAERS General Counsel; consideration of the 2023 administrative budget; review of the Board Policy review cycle; and review of the 2023 Committee Work Plan.

1. The Committee received a report on COAERS General Counsel. The report reviewed performance in 2022 as well as personnel changes at the firm that provided additional depth to COAERS legal team.
2. The Committee considered a proposed 2023 administrative budget. The Committee received information regarding notable proposed budget items including personnel, professional services, building and equipment, information technology, communications, capital projects, as well as other administrative areas. The Committee referred the proposed 2023 administrative budget to the Board for approval.
3. The Committee received a report on Board policies reviewed in 2022 and the policies scheduled to be reviewed in 2023.
4. The Committee reviewed the progress in 2022 relative to the Committee Work Plan and noted key items for the Committee to consider in 2023.



Report from November 18, 2022 Investment Committee Meeting

The November 18, 2022, Investment Committee meeting included a review of third quarter investment performance; a review of investment strategy including Investment Risk Framework; review of investment implementation, including consideration of Real Assets; review of the proposed 2023 Investment Budget; review of the Investment Committee Charter; and review of the 2023 Committee Work Plan.

1. The Committee reviewed performance data from RVK through September 30, 2022. Staff reported Fund investments lost 5.71% net of fees during the third quarter, lost 16.34% during the trailing one-year period, earned returns below the assumed rate of return over the trailing 3- and 5-, and 10-year periods. Staff reported that implementation of the Strategic Asset Allocation has delivered significant excess returns over relevant benchmarks, despite underperformance relative to peers which tend to have larger exposure to private markets strategies.
2. Staff provided a review of the Investment Risk Framework. Staff noted that markets implied elevated volatility and that the current drawdown ranks as the third largest for the Fund since inception. Staff discussed that the market environment continues to be highly unusual with both stocks and bonds performing poorly and showed data supporting a possible regime shift in the correlations between asset classes. Staff noted that other diversifying exposures continue to grow in importance and that a strategic rebalance of the Fund may be prudent to consider.
3. The Committee conducted its annual review of the Real Assets Premier List. Staff noted the expected portfolio roles with a risk-return profile in between equities and fixed income. Staff presented a review of the key implementation decisions noting that more than half of exposure in Real Assets is gained through open-ended private markets funds. Data was presented that showed the effect of these decisions on excess returns, tracking error, and volatility. Staff additionally noted that further review of the types of strategies available in private markets could be included during the upcoming Asset Allocation Study. The Committee recommended proposed changes to the Premier List be considered by the Board for approval.
4. Staff reviewed the proposed 2023 Investment Budget, noting that a strong alignment with the Board's adopted investment beliefs has led to a significant reduction in costs over time. The Committee recommended that the proposed 2023 Investment Budget be considered by the Board for approval.
5. The Committee reviewed proposed minor changes to the Investment Committee Charter and recommended that the revised Investment Committee Charter be considered by the Board for approval.

6. Staff reviewed the progress in 2022 relative to the Investment Committee Work Plan and noted key items for the Committee to consider in 2023, noting that an additional meeting may be necessary given the importance of the work planned.

7. Certification of election results as announced by the Nominating and Election Committee

Presented by Russell Nash



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 7:

Certification of election results as announced by the
Nominating and Election Committee

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to certify the election results and declare the official winner for Retired Place 11.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

The objective of this agenda item advances the core competency established in the **COAERS Strategic Plan** *“Dependable Operations: Managing the financial and operational commitments within appropriate measurable standards.”*

RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board certify the election results and declare the official winner of the election for Place 11 on the Board of Trustees as reported by the Nominating and Election Committee.

BACKGROUND

This year, COAERS conducted an election for Retired Member Place 11 on the COAERS Board of Trustees. The results of the election will be shared by Election Committee Chair Mr. Rod Ellis, a COAERS retiree. The official results are included in the Board materials.

ATTACHMENT

1. YesElections Official Declaration of the Vote – 2022 Retired Member Place 11

December 6, 2022

Michelle Mahaini
Senior Services Officer
City of Austin Employees' Retirement System

Dear Michelle Mahaini:

The attached report contains the results from the election for the City of Austin Employees' Retirement System for Retired Member Place 11.

Thank you. It has been a pleasure working with you.

Sincerely yours,



Chris Backert
CEO
Election-America, Inc.



Official Declaration of the Vote

Ballot Totals

Total number of postal ballots distributed: 6,719
 Number of e-ballots: 4,910

Total number of processed ballots: 1,290
 Online ballots: 555
 Paper ballots: 735

Total number of ballots received: 1,290
 Valid ballots: 1,290
 Blank ballots 3
 Ineligible Write-ins 8
 Overvote ballots: 0
 Nonprocessable: 0
 Damaged ballots: 0
 Ballots late/missing postmark: 0

Total number of votes cast: 1,279

Results

Race	Candidate/Choice	Votes
Retired Member Place 11	Anthony Ross, Sr.	1,272



Write-ins

Race	Writein	Votes
Retired Member Place 11	Dennis Crabill	2
	E. Stu Molina	1
	Kay Guedea	1
	Reginald Horton	1
	Sam Jones	1
	William Coll	1
	Total writeins	7



8. Facility Options

A. Convene into Executive Session

pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property

B. Reconvene into public session and

take action as determined appropriate by the Board regarding the purchase,

exchange, lease, or value of real property



BOARD MEETING
Agenda Item Information Sheet

AGENDA ITEM 8:
Facility Options

- A. Convene into executive session pursuant to 551.072, Texas Government Code to deliberate the purchase, exchange, lease, or value of real property
- B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property

9. Governance and HR Committee

A. Discuss and consider Diversity Policy

B. Discuss and consider Board

Governance Manual

Presented by Christopher Hanson



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 9: Governance and HR Committee

A. Discuss and consider Diversity Policy

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to conduct its annual review of the Board Diversity Policy.

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 BOARD ACTION

The Governance and HR Committee recommends the Board approve proposed revisions to the Diversity Policy.

BACKGROUND

As part of its 2020 Governance Effectiveness Assessment, the Board developed and adopted a Diversity Policy. The policy is required to be reviewed annually by the Governance and Human Resource Committee. The Governance and HR Committee has conducted a review and suggested technical edits to the Policy.

ATTACHMENT

1. Draft Diversity Policy



Board Approved Policy

Subject: Diversity

Review Committee: Governance and Human Resources

Date Implemented: June 29, 2021

Date Updated: ~~N/A~~ December 15, 2022

Signature of Chairperson: _____

Chris Noak

**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 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~~ 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, ~~and~~ , actively communicates the virtues and intent of this policy, ~~and~~ , 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~~ 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 HR Committee

B. Discuss and consider Board Governance Manual

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to review an updated draft of a Board Governance Manual.

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 BOARD ACTION

The Governance and HR Committee recommends adoption of the Board Governance Manual.

BACKGROUND

After the completion of the 2020 Governance Effectiveness Assessment, the ad-hoc Governance Committee discussed the possibility of creating a Board Governance Manual to memorialize concepts such as the Board's governance principles, Board culture, and Board member conduct.

The Board discussed key elements of the draft Governance Manual at its October Workshop. The Committee made changes based on this feedback. This agenda item is intended for the Board to review changes made to the draft manual incorporating the feedback from the October Board Workshop.

ATTACHMENT

1. Draft Board Governance Manual

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM BOARD GOVERNANCE MANUAL

I. PURPOSE AND SCOPE

This Governance Manual is established to give Trustees information relevant to the governance of the City of Austin Employees' Retirement System ("COAERS" or "System"). Governance is the process for making and implementing decisions. Governance is not about making the "correct" decision, but about the best possible process for making the decision. At its core, governance is the establishment of rules, practices, processes, and the monitoring of their implementation. Governance integrates the power, duties, and accountability of the Trustees to the System's mission. The Board may, at its discretion, delegate authority to carry out the administration of the System but may not delegate responsibility for the System. An essential prerequisite to success of the Board and the System is a well-designed governance structure.

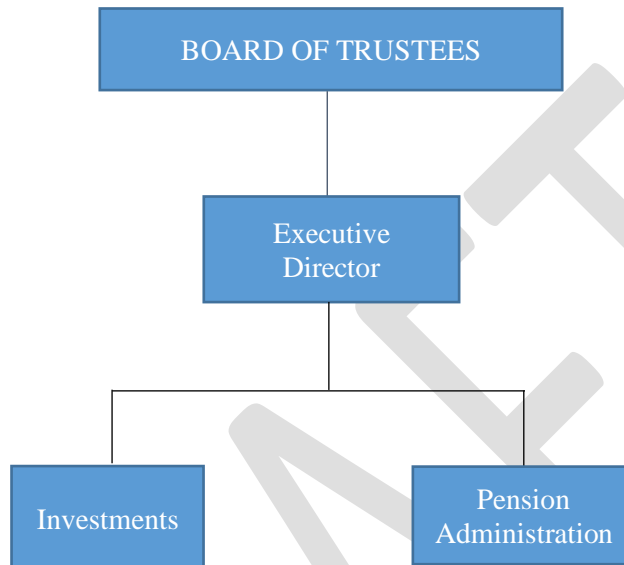
II. GOVERNANCE PRINCIPLES

The following governance principles guide the conduct, decision-making and behavior of the Board and provide a framework for the achievement of the Board's goals:

1. All Board members are fiduciaries and as such, must act solely in the best interest of all the participants in the plan.
2. Board members are to be effective and capable in fulfilling their fiduciary responsibilities, taking the time to understand COAERS' business and the role of the Board in conducting that business.
3. Successful governance requires competent Board members who can develop and oversee the implementation of strategies for achieving intended outcomes.
4. The Board is open in the way key decisions are made and has access to appropriate expertise and relevant information and data during the decision-making process.
5. The Board shares values about what is important and works together with mutual respect in a constructive partnership. The Board sets the tone at the top that permeates the organization.
6. The Board is engaged in establishing the long-term direction of the organization. Strategic choices are consciously made based upon analysis and long-term thinking.
7. The Board approves the risk preferences and tolerances of the organization to achieve long-term goals and objectives.

III. GOVERNANCE STRUCTURE

The Board utilizes the single fiduciary board model with an integrated investment and pension administration organization. The Board has authority, per its governing statute, for investments and pension administration and delegates its authorities through the Executive Director.



IV. DELEGATION

Many tasks are delegated to staff or outside experts; however, a Trustee cannot delegate away fiduciary responsibility. There remains an obligation to monitor and supervise those to whom one delegates. Trustees can delegate tasks and functions and rely on advice from internal and external professionals.

Trustees can delegate tasks and functions to committees. Committees can consider options, conduct research, receive reports, and make recommendations to the Board. When Trustees lack sufficient expertise to make fully informed decisions, they can seek expert advice; however, the Trustees should assess the advice received and consider its quality and the qualifications, experience, and independence of those providing the advice.

V. COMMITTEES

Much of the preparation work for Board action takes place in committees. Each Board member is required to serve on at least one committee of the Board. Board members are encouraged to attend all Committee meetings, regardless of whether they are committee members. Any Board member attending a Committee meeting may participate fully in discussion; however, non-committee members are not considered

in determining a quorum and may not vote. Unless a committee has been specifically delegated powers by the full Board of Trustees, the actions of a committee are recommendations to the Board.

VI. BOARD AND COMMITTEE PACKETS

A Board or committee packet, including the agenda and all supporting material, is provided to Trustees in advance of a meeting to provide time for the Trustees to review the material and prepare for the meeting. Generally, materials will be provided the Friday before the meeting. Occasionally, additional materials are provided at the meeting, but that is kept to a minimum to allow trustees full opportunity to review materials to be discussed.

VII. PARLIAMENTARY PROCEDURE

Roberts Rules of Order are generally used as a guide for parliamentary procedures. The Board Chair will rule on issues of procedure with guidance from the General Counsel.

VIII. BOARD CONDUCT

Each Board member should commit to always conduct themselves with civility and courtesy, to both those with whom the Board interacts and their colleagues. Individual Board members should also endeavor to correct fellow Board members, should any of their conduct fall below this standard.

IX. ONE VOICE

Healthy discussion and differing points of view are encouraged in the decision-making process; however, once the Trustees vote, the Board speaks with “one voice”. This means once a decision or direction is achieved, all Trustees support the decision or direction and can provide clear and consistent direction to the Executive Director, stakeholders, or service providers.

X. BOARD SELF-EVALUATION PROCESS

The Board has adopted an annual self-evaluation process which assesses the whole Board, the Chair, Vice-Chair, and Committee Chairs; and includes the following areas for evaluation: governance, leadership, effectiveness, achievements, and areas for improvement.

Additionally, one or more techniques may be utilized for obtaining self-evaluation feedback, including:

1. Expert third-party facilitator to lead the self-evaluation process
2. Feedback from external key stakeholders on Board performance
3. Third-party evaluation of the Board's performance
4. Peer-to-peer evaluations

The Board also identifies the skills and capabilities required to fulfill its fiduciary roles and responsibilities and maintains an inventory of existing Trustee skills and capabilities, as well as strengths, weaknesses, gaps, and priority development needs.

XI. BOARD CULTURE

The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and committee level and between the Board and management. The Board strives to achieve a governing style that emphasizes:

1. Strategic leadership
2. Mission-driven action
3. A high level of professionalism and preparation
4. Focus on the future
5. Proactivity
6. Encouragement of collegiality
7. Civility and courtesy
8. Respect for diversity, valuing all input
9. Speaking with one voice
10. In cooperative partnership with COAERS management
11. Ethical conduct of Board business

XII. PERIODIC GOVERNANCE ASSESSMENTS

The Board recognizes that COAERS' system of governance needs to be reviewed periodically. The Board, in its sole discretion, will from time-to-time review its governance practices in whole or in part as necessary to maintain strong governance principles or incorporate new governance concepts.

XIII. NEW TRUSTEE TRAINING

New Trustees will attend governance training upon appointment or election. Staff will incorporate governance concepts into Trustee onboarding activities as applicable.

10. Discuss and consider
CliftonLarsonAllen (CLA) statement of
work for 12/31/2022 financial statement
audit

Presented by Russell Nash



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 10:

Discuss and consider CliftonLarsonAllen (CLA) statement of work for 12/31/2022 financial statement audit

AGENDA ITEM OBJECTIVE

This item is for the Board to consider a proposed statement of work for the 12/31/2022 financial statement audit.

RELEVANCE TO STRATEGIC PLAN

The objective of this agenda item advances **COAERS Strategic Plan Goal 2: Responsibly Manage the Risks of the System** and meets the core competency established in the **COAERS Strategic Plan** *“Dependable Operations: Managing the financial and operational commitments within appropriate measurable standards.”* Auditing the COAERS financial statements provides Trustees, members, and the public reasonable assurance that the financial statements are free from material misstatement.

RECOMMENDATION FOR BOARD ACTION

The Audit and Risk Committee recommends the Board approve the statement of work with CliftonLarsonAllen (CLA) for the 12/31/2022 financial statement audit.

BACKGROUND

On July 1, 2021, COAERS released a Request for Proposal (RFP) for financial statement audit services. After a due diligence process, CliftonLarsonAllen (CLA) was selected. This will be the second year that CLA has audited COAERS. A statement of work for the audit of the December 31, 2022 financial statements is attached.

ATTACHMENTS

1. CliftonLarsonAllen Statement of Work – Audit Services

SUPPLEMENTAL MATERIALS AVAILABLE VIA CONVENE APP

1. Communicating Key Audit Matters in the Independent Auditor’s Report



CliftonLarsonAllen LLP
<https://www.claconnect.com>

Statement of Work - Audit Services

October 7, 2022

This document constitutes a statement of work ("SOW") under the master service agreement ("MSA") dated December 14, 2021, or superseding MSA, made by and between CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") and City of Austin Employees Retirement System ("you," "your," or "the entity"). We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services CLA will provide for the entity as of and for the year ended December 31, 2022.

Bhakti Patel is responsible for the performance of the audit engagement.

Scope of audit services

We will audit the financial statements of the City of Austin Employees Retirement System, and the related notes to the financial statements.

The Governmental Accounting Standards Board (GASB) provides for certain required supplementary information (RSI) to accompany the entity's basic financial statements.

The RSI will be subjected to certain limited procedures, but will not be audited.

We will also evaluate and report on the presentation of the supplementary information other than RSI accompanying the financial statements in relation to the financial statements as a whole.

Nonaudit services

We will also provide the following nonaudit services:

- Preparation of the Schedule of Pension Amounts and related notes

Audit objectives

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered

material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our audits will be conducted in accordance with U.S. GAAS. Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Our audit will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions.

We will apply certain limited procedures to the RSI in accordance with U.S. GAAS. However, we will not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We will also perform procedures to enable us to express an opinion on whether the supplementary information (as identified above) other than RSI accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will issue a written report upon completion of our audit of your financial statements.

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue a report, or withdrawing from the engagement.

It is our understanding that our auditors' report will be included in your annual report which is comprised of the Introductory, Investment, Actuarial, and Statistical sections and that your annual report will be issued on the same date as the financial statements. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS.

Those standards require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and evaluate whether audit evidence obtained is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the amounts and disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on our evaluation of audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Although our audit planning has not been concluded and modifications may be made, we have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Investments
- Investment Income
- Employee and employee contributions

We plan to use an auditors' specialist to review the GASB 67 disclosure information prepared by the actuarial firm engaged by you.

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management responsibilities

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements and RSI in accordance with U.S. GAAP.

Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for 12 months beyond the financial statement date.

You are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities and safeguarding assets. You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations, and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including amounts and disclosures, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters, and for the accuracy and completeness of that information (including information from within and outside of the general and subsidiary ledgers); (2)

additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

Management is responsible for the preparation of the supplementary information in accordance with U.S. GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. You agree to provide us written representations related to the presentation of the supplementary information.

Management is responsible for the preparation of other information included in your annual report. You agree to provide the final version of such information to us in a timely manner, and if possible, prior to the date of our auditors' report. If the other information included in your annual report will not be available until after the date of our auditors' report on the financial statements, you agree to provide written representations indicating that (1) the information is consistent with the financial statements, (2) the other information does not contain material misstatements, and (3) the final version of the documents will be provided to us when available, and prior to issuance of the annual report by the entity, so that we can complete the procedures required by professional standards. Management agrees to correct material inconsistencies that we may identify. You agree to include our auditors' report in any document containing financial statements that indicates that such financial statements have been audited by us.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit and the presentation of the basic financial statements and RSI. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's activities, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Responsibilities and limitations related to nonaudit services

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

Use of financial statements

Should you decide to include or incorporate by reference these financial statements and our auditors' report(s) thereon in a future private placement or other offering of equity or debt securities, you agree that we are under no obligation to re-issue our report or provide consent for the use of our report in such a registration or offering document. We will determine, at our sole discretion, whether we will re-issue our report or provide consent for the use of our report only after we have performed the procedures we consider necessary in the circumstances. If we decide to re-issue our report or consent to the use of our report, we will be required to perform certain procedures including, but not limited to, (a) reading other information incorporated by reference in the registration statement or other offering document and (b) subsequent event procedures. These procedures will be considered an engagement separate and distinct from our audit engagement, and we will bill you separately. If we decide to re-issue our report or consent to the use of our report, you agree that we will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to re-issue our report or decide to withhold our consent to the use of our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our workpapers for those periods, we are under no obligation to permit such access.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

Engagement administration and other matters

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to

any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our audit engagement ends on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific SOW for that service.

Fees

Our professional fees will not exceed \$66,000. This estimate is based on anticipated cooperation from your personnel and their assistance with locating requested documents and preparing requested schedules. If the requested items are not available on the dates required or are not accurate, the fees and expenses will likely be higher. Our invoices, including applicable state and local taxes, will be rendered each month as work progresses and are payable on presentation.

Unexpected circumstances

We will advise you if unexpected circumstances require significant additional procedures resulting in a substantial increase in the fee estimate.

Changes in accounting and audit standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the SOW increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Agreement

We appreciate the opportunity to provide to you the services described in this SOW under the MSA and believe this SOW accurately summarizes the significant terms of our audit engagement. This SOW and the MSA constitute the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA related to audit services. If you have any questions, please let us know. Please sign, date, and return this SOW to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and the parties' respective responsibilities.

Sincerely,

CliftonLarsonAllen LLP

Response:

This letter correctly sets forth the understanding of City of Austin Employees Retirement System.

CLA
CLA

Client
City of Austin Employees Retirement System

SIGN:

Bhakti Patel, Assurance Principal

DATE:

SIGN:

Christopher Noak, Chairman of the Board of Trustees

DATE:

11. Discuss and consider Governmental Relations contract

Presented by Christopher Hanson



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 11: Discuss and consider Governmental Relations contract

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to consider an upcoming engagement with its governmental relations consultant.

RELEVANCE TO STRATEGIC PLAN

This agenda item is part of **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the fund.** The Board established action items in Goal 1 including enacting legislation related to long-term plan sustainability and engaging COAERS stakeholders leading up to the legislative session.

RECOMMENDATION FOR BOARD ACTION

The Legislative Committee recommends that the Board approve the consulting agreement with HillCo Partners.

BACKGROUND

Since 2018, COAERS has engaged HillCo Partners (HillCo) for governmental relations and public affairs consulting. During that time HillCo has maintained a flat fee for service at \$4,000 per month. The original agreement in 2018 ended at the conclusion of the 86th Legislative Session and has been extended three times by amendment. Given the increased scope of work by HillCo as COAERS seeks passage of pension sustainability legislation, the costs during the 88th Session will increase to \$10,000 per month during the months of January to June (coinciding with the legislative session) and then return to their standard rate of \$4,000 per month.

ATTACHMENT

1. Proposed HillCo agreement January 2023 through December 2023



**Government and Public Affairs Consulting Agreement
for
City of Austin Employees Retirement System
2023**

This is a consulting agreement effective **January 2023 through December 2023** (the "Agreement"), between HillCo Partners ("Consultant") and Austin Employees Retirement System, Inc. ("COAERS").

1. BASIC TERMS:

Consultant will provide knowledge and services (including research) in the following areas:

- A. During the 88th Regular legislative session, introduce and seek passage of the City of Austin Employees Retirement System Long Term Sustainability legislative proposal.
- B. Continue with implementation of the legislation upon passage with relevant legislative offices and agencies.
- C. Continue work started during 87th Interim to identify support and or opposition of the legislative proposal.
- D. Monitor relevant Texas State Senate and House committee hearings on related interim charges pertaining to Texas public retirement systems, specifically related to COAERS;
- E. Provide hearing summaries and material on matters related to Texas public retirement systems, specifically related to COAERS;
- F. Lobby and represent before Texas legislative members and state officials regarding issues indicated to be of importance including:
 - a. City of Austin legislative delegation
 - b. Members of the Texas Senate and Texas House
 - c. Members of the House Pensions Committee
 - d. Members of the Senate State Affairs committee
 - e. Texas Leadership offices; Governor, Lieutenant Governor, Speaker's Office
 - f. Texas Pension Review Board
- G. Advise of upcoming meetings, hearings, briefings and other formal or informal sessions in a timely manner;
- H. Communicate pertinent information;
- I. During legislative session, work to review legislation to identify impact and position on pertinent legislation;
- J. Advise of meetings, hearings, briefings and other formal or informal sessions in a timely manner;
- K. Comply with all pertinent Texas rules and regulations governing lobbying activities.

2. TERM OF AGREEMENT:

The Agreement is for 12 months, unless extended by both parties. Either party has the right to unilaterally terminate the Agreement upon 60 days with prior written notice.

3. PAYMENT RATES AND BILLING: The Consultant shall be compensated at the rate of \$10,000 per month during the 88th Texas Legislative Regular Session including the Legislative veto period. The term at that rate will run from January 1, 2023 through June 30, 2023 for services described in the scope of work with payment to be made after submittal of a billing statement on the first day of each month.

For the remainder of this agreement in non-legislative months, when the legislature is not in session, the rate will be \$4,000 per month.

Expenses will be reimbursed to Consultant for any direct expenses incurred by Consultant that have been approved in advance. For the purposes of this section, direct expenses may include any printing costs, express mail, and reasonable travel expenses not to exceed \$250 per month during the legislative interim and not to exceed \$500 per month during a regular legislative session.

4. STATUS AND RESPONSIBILITY OF CONSULTANT:

Consultant shall in all events perform services as an independent contractor. It shall be the responsibility of Consultant to perform all services in conformity and strict compliance with all applicable laws, rules and regulation of the United States and the State of Texas.

5. CONFLICTS OF INTEREST:

Consultant is not to be restricted in his business activities so long as he is reasonably available to perform services hereunder. The Consultant shall not engage in any activity on behalf of others, which would constitute a conflict of interest in light of the Agreement.

6. EXCLUSIVITY PRIORITY:

It is understood and agreed that Consultant may provide similar related services to any non-competitive organization.

Consultant agrees to immediate notification of any conflict of interest that arises in the representation of another entity.

7. SCOPE OF ENGAGEMENT:

Continue work started during the 87th Interim to introduce and seek passage of the COAERS Long Term Sustainability legislative proposal to be introduced during the 88th Texas Legislature regular legislative session.

It is expressly agreed by the parties hereto that the legislative services related to COAERS will also involve defensive efforts towards any legislation or amendment that, upon agreement between COAERS and Consultant, could have detrimental impact on the health of the COAERS system.

It is further agreed that support will be provided to Consultant in furnishing any testimony before legislative committees on behalf of COAERS and other reasonable efforts at the request of Consultant.

Work cooperatively with COAERS to implement legislation upon passage keeping relevant legislative and agency contacts informed and apprised of progress

8. EXPANSION OF SCOPE OF SERVICES:

All parties understand that the legislative process is subject to various circumstances which may be of such magnitude to exceed the services contemplated by the parties to be rendered by Consultant under this contract. Should that occur in the course of this agreement, Consultant shall promptly provide notification to COAERS of any such circumstances and the need for additional resources and compensation is addressed by the parties hereto.

If, during the course and scope of this contract, it becomes desirable or necessary to expand the scope of work in this Agreement and propose and work towards passage of legislation, both parties will mutually agree to discuss the role of the expanded services and agree, if necessary, to discuss the payment of additional compensation.

9. COMPLIANCE WITH LAW:

Consultant agrees to perform its obligations under this Agreement in compliance with all Texas applicable laws.

10. COUNTERPARTS:

This Agreement will be executed in two (2) counterparts, each of which shall be deemed an original, but all of which shall be considered one and the same instrument.

For HillCo Partners

(signature)

(printed name)

(date)

For COAERS

(signature)

(printed name)

(date)

12. Discuss and consider 2023 administrative budget

Presented by Christopher Hanson



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 12: Discuss and consider 2023 administrative budget

AGENDA ITEM OBJECTIVE

The objective of this agenda item is to review the proposed 2023 administrative budget.

RELEVANCE TO STRATEGIC PLAN

The objective of this agenda item advances **COAERS Strategic Plan Goal 2: Responsibly Manage the Risks of the System**. This agenda item also meets the core competency established in the **COAERS Strategic Plan** “Dependable Operations: Managing the financial and operational commitments within appropriate measurable standards.”

RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board approve the 2023 Administrative Budget as presented.

BACKGROUND

The proposed 2023 budget for all administrative expenses totals \$7,175,872. This represents an overall administrative expense increase of \$352,021 from the 2022 budget for administrative expenses, or an increase of 5.15%. The proposed budget continues to focus on investing in COAERS' internal resources including personnel and information technology, while supporting the overall strategic plan initiatives of plan sustainability, risk management, customer service, best practices, and innovation.

Staff presented a proposed 2023 administrative budget to the Policy Committee in November and the Committee recommended approval of the 2023 Administrative Budget.

For the 2023 budget, proposed increases over 2022 include an increase in base salary, as well as proposed costs associated with the 2022 Market Study and a proposed restructuring of the Member Services division. Associated costs such as payroll taxes, group insurance benefits, and retirement contributions are all proposed to increase. Costs for professional services related to work during the 88th Legislative Session are included for actuarial, legal, and governmental relations services. Savings are projected in certain areas of the proposed budget including audit services, certain professional services such as market study and governance, as well as from the pension administration database. The following is a description of some of the notable proposed budget items:

-
- Personnel:

The budget proposes a base salary adjustment for 2022 of 6.5%. This is supported by data from CBIZ Consulting, which provides COAERS with annual salary and market information as part of their engagement from the 2022 Market Study. The 2022 Market Study also identified several staff positions which are proposed for salary increases that total \$75,000. Additionally, management is proposing a restructuring of the Member Services division to provide better succession planning, cross-training, and career development at COAERS. Overall, the proposed increases to staff base salaries is \$310,315, or an increase of 10.44%. Considering the tightening of the labor market and the impact of staff departures on an organization the size of COAERS, management believes this proposal represents a sound investment in COAERS personnel and is consistent with the organization's compensation philosophy and Strategic Goal #5 related to talent management.
 - Professional Services:

The budget proposes level funding for actuarial and legal services, but at elevated levels to historic expenditures due to the expected use of these services during the 88th Legislative Session and related activities. Additionally, governmental relations consulting services are proposed to increase to cover the additional activities required of Legislative Session work. Savings are created by items such as the market study and governance review not being scheduled for 2023.
 - Building and Equipment

The proposed budget includes additional funding related to the expected contractual increases in rent and operating expenses for the COAERS offices at Northpoint. Additionally, small increases are proposed to cover costs related to property and casualty insurance.
 - Information Technology:

The budget proposes new funding related to cybersecurity initiatives related to penetration testing and third-party risk management for key COAERS vendors. COAERS managed service provider as well as many other subscription-based software providers have increased their prices due to inflation and these are represented in proposed increases in general computer support and cybersecurity initiatives. Lastly, utility-related taxes have increased on broadband internet service which is reflected in the proposed funding for telecommunications. Significant savings are realized in the pension administration licenses and support category as the PG3 license costs have been fully paid over the last five years. Additionally, the migration of PG3 servers from Flexential to a local provider has yielded other significant cost savings.

-
- Communications:
The proposed budget includes new funding for printing costs associated with 1099 tax forms, a required statutory notice for all COAERS members if the proposed legislation is enacted, and the post office increasing the cost of postage.

 - Other Administrative:
The proposed budget reflects continued year-over-year increases related to Board fiduciary insurance and D&O coverage. New funding is also proposed for meeting costs of a financial wellness event with other meetings and events level funded from 2022. Other proposed increases include additional funding in the awards and recognition budget for innovation related awards, the costs of additional memberships and subscriptions, as well as an increased use of delivery services due to the expanded use of hybrid work at COAERS.

 - Capital Budget:
The budget proposes additional funding for laptops, scanners, server licenses, and Board room AV upgrades.

ATTACHMENT

1. Proposed 2023 Administrative Budget

Proposed COAERS 2023 Administrative Budget: Summary					
		2021	2022	2023	2023 Increase (Decrease)
Total Personnel Budget					
	Total Salaries and Cash Compensation	2,898,292	3,016,584	3,327,899	311,315
	Payroll Taxes	209,458	227,326	265,954	38,628
	Group Insurance Benefits	471,248	450,000	473,493	23,493
	Retirement Contributions	542,886	573,151	632,301	59,150
	Retirement/Terminal Pay	50,000	50,000	60,000	10,000
	Contract labor	2,600	2,600	2,600	-
	Total personnel costs	4,174,483	4,319,661	4,762,247	442,586
	Total Approved FTEs: 24				
Professional Services					
	Total Professional Services costs	454,920	461,680	445,000	(16,680)
Building and Equipment					
	Total Building and Equipment costs	512,200	517,600	526,725	9,125
Information Technology Resources					
	Total Information Technology costs	754,774	768,850	764,550	(4,300)
Travel and Training					
	Total Travel and Training costs	78,000	85,000	85,000	-
Communications					
	Total Communications costs	142,250	110,000	124,250	14,250
Other Administrative					
	Total Other Administrative costs	275,810	335,060	353,500	18,440
Capital Projects and Events					
	Total Capital Projects and Events costs	206,500	226,000	114,600	(111,400)
Total Administrative Expense Budget					
		\$ 6,598,937	\$ 6,823,851	\$ 7,175,872	\$ 352,021

Proposed COAERS 2023 Administrative Budget: Detail					
	2021	2022	2023	2023 Increase (Decrease)	Notes and Explanation
Personnel					
Total Personnel Budget					
Total Salaries and Cash Compensation	2,898,292	3,016,584	3,327,899	311,315	
<i>Base Salary</i>	2,801,267	2,857,292	2,971,584	114,292	
<i>Base Increase of 6.5%</i>	56,025	114,292	175,315	61,023	Developed considering recommendation from CBIZ Consulting and increase in inflation
<i>Market Adjustments</i>	-	-	75,000	75,000	Recommendation per the 2022 Market Study
<i>MS Restructure</i>			60,000	60,000	Funding for proposed restructuring of the Member Services division
<i>Overtime</i>	27,000	30,000	30,000	-	
<i>SIP</i>	14,000	15,000	16,000	1,000	Annual increase for qualifying staff
Payroll Taxes	209,458	227,326	265,954	38,628	Increase in salary costs
Group Insurance Benefits	471,248	450,000	473,493	23,493	Rate increases across insurance plans; represents \$20K reduction since Committee presentation
Retirement Contributions	542,886	573,151	632,301	59,150	Related to salary cost increases
Retirement/Terminal Pay	50,000	50,000	60,000	10,000	Increase due to retirement eligibility of long-tenured staff
Contract labor	2,600	2,600	2,600	-	
Total personnel costs	4,174,483	4,319,661	4,762,247	442,586	
Total Approved FTEs: 24					
Professional Services					
Actuary	125,000	140,000	140,000	-	
Attorney: General Counsel	75,000	100,000	100,000	-	
Attorney: Tax Counsel	10,000	15,000	20,000	5,000	Increase to reflect actual expenditures which have run over budget
Audit: Internal and External	135,000	85,000	70,000	(15,000)	
Medical Review: Disability	10,000	10,000	11,000	1,000	
Governmental Relations	48,000	48,000	84,000	36,000	Increase to reflect governmental relations work during 88th Legislative Session
Market Studies	-	30,000	-	(30,000)	
Governance Review	31,920	15,680	-	(15,680)	
Benchmarking Services	20,000	-	-	-	
Other	-	18,000	20,000	2,000	Consulting for COAERS insurance program
Total Professional Services costs	454,920	461,680	445,000	(16,680)	
Building and Equipment					
Building Maintenance	31,200	25,600	25,600	-	
Northpoint Lease	460,000	470,000	480,000	10,000	Contractual rent increases
Equipment Maintenance & Leases	16,000	12,000	8,000	(4,000)	
Insurance: Property & Casualty	5,000	10,000	13,125	3,125	Rates increasing for all insurance
Total Building and Equipment costs	512,200	517,600	526,725	9,125	
Information Technology					
Business Continuity	62,200	62,200	71,200	9,000	Funding for disaster recovery activities and exercises
General Computer Support	115,574	128,650	138,150	9,500	Increase in cost for managed service provider and software subscription increases
Dynamics GP License and Support	30,000	20,000	30,000	10,000	Adding whistleblower administration and implementation of Dynamics with other finance
Pension Admin System Licenses and Support	277,000	270,000	157,000	(113,000)	Savings through new hosting setup, PG3 license costs expire
Cybersecurity Initiatives	220,000	225,000	299,200	74,200	Penetration Testing, Third Party Risk Management, and inflation on other subscriptions
Telecommunications	50,000	63,000	69,000	6,000	Utility taxes on broadband internet service will increase
Total Information Technology costs	754,774	768,850	764,550	(4,300)	

Proposed COAERS 2023 Administrative Budget: Detail					
	2021	2022	2023	2023 Increase (Decrease)	Notes and Explanation
Travel and Training					
Board Continuing Education	33,000	40,000	40,000	-	
Staff Continuing Education	45,000	45,000	45,000	-	
Total Travel and Training costs	78,000	85,000	85,000	-	
Communications					
Printing	45,150	49,500	61,250	11,750	Extra funding for 1099 costs, notice to COAERS members related to legislation
Postage and Mailing	43,500	32,000	34,500	2,500	Post Office charging more for postage
Member Education	-	10,000	10,000	-	
Digital Communications	53,600	18,500	18,500	-	
Total Communications costs	142,250	110,000	124,250	14,250	
Other Administrative					
Insurance: Fiduciary/D&O Liability	188,750	222,000	227,500	5,500	Small increase for Board insurance
Advertising	3,000	5,000	5,000	-	
Bank Fees	4,500	4,500	4,500	-	
Delivery Service	2,000	3,000	5,000	2,000	Reflects increase usage over few last years due to hybrid work
Memberships, Subscriptions, and fees	40,000	40,000	45,000	5,000	Additional subscription costs for new staff and inflation adjustments for current ones
Meetings and Events	12,000	35,000	40,000	5,000	Adding funding for an additional member event for financial wellness
Awards and Recognition	1,560	1,560	2,500	940	Proposed for additional innovation recognition
Mileage	2,000	2,000	2,000	-	
Miscellaneous	2,000	2,000	2,000	-	
Office Supplies	20,000	20,000	20,000	-	
Total Other Administrative costs	275,810	335,060	353,500	18,440	
Projects and Events					
Capital Projects					
Pension Administration System	45,000	50,000	54,600	4,600	Increase costs due to PG3 program for legislative benefit changes
Capital Improvements Program	161,500	70,000	60,000	(10,000)	
<i>Building</i>	25,000	-	-		
<i>Office furniture and equipment</i>	46,500	10,000	10,000	-	
<i>Computer hardware and software</i>	90,000	60,000	50,000	(10,000)	Funding for computer/laptops, server licenses, new scanners, and Board room AV
Events and One-Time Costs					
Long-Term Facilities		100,000	-		
Staff Transition	-	6,000	-		
Total Capital Projects and Events costs	206,500	226,000	114,600	(111,400)	
Total Administrative Budget	6,598,937	6,823,851	7,175,872	352,021	

13. Investment Committee:

A. Discuss and consider Premier List for Real Assets

B. Discuss and consider funding implementation plan

C. Discuss and consider 2023 investment budget

D. Discuss and consider Investment Committee charter

Presented by David Stafford and David Kushner



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 13: Investment Committee

A. Discuss and consider Premier List for Real Assets

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 proposed changes to the Premier List for Real Assets.

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 Real Assets allocation, including the associated Premier List.

ATTACHMENTS

1. Staff Report "Real Assets – Market & Portfolio Review 2022-Q3"
2. Real Assets Premier List Recommendations CONFIDENTIAL
3. Proposed Premier List CONFIDENTIAL

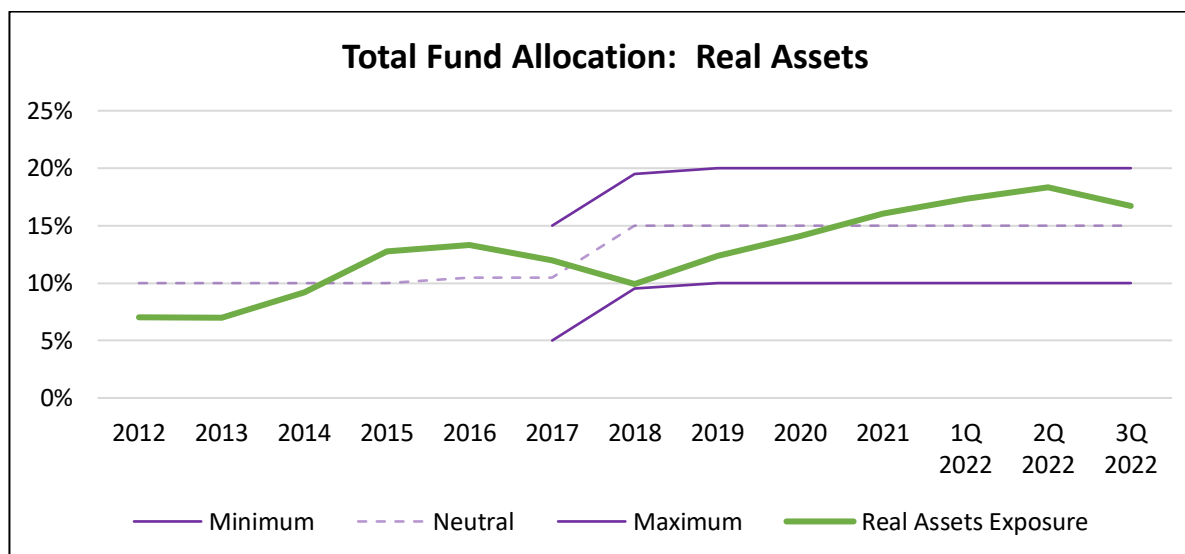


Real Assets Market and Portfolio Review - Q3 2022

Historical Context of Real Assets

The Fund has long maintained exposure to Real Assets strategies in varying forms over the years. Beginning in 2004, Real Estate was listed in the Strategic Asset Allocation as a standalone asset class and was represented by a single line-item mandate. In 2012, the Board adopted a new Strategic Asset Allocation which included a major asset class called Alternatives with Real Assets included as a sub-asset class. This new sub-asset class would hold commodities, master limited partnerships (MLPs), and private energy.

As part of a multiyear restructuring of the investment program, Real Assets was established as a standalone major asset class in the Strategic Asset Allocation in 2017, with Real Estate and Infrastructure as its sub-asset classes. Though the Infrastructure sub-asset class was adopted in 2017, initial allocations to managers would not be made until the first half of 2020. The below chart shows the target and allocation to Real Assets over time:

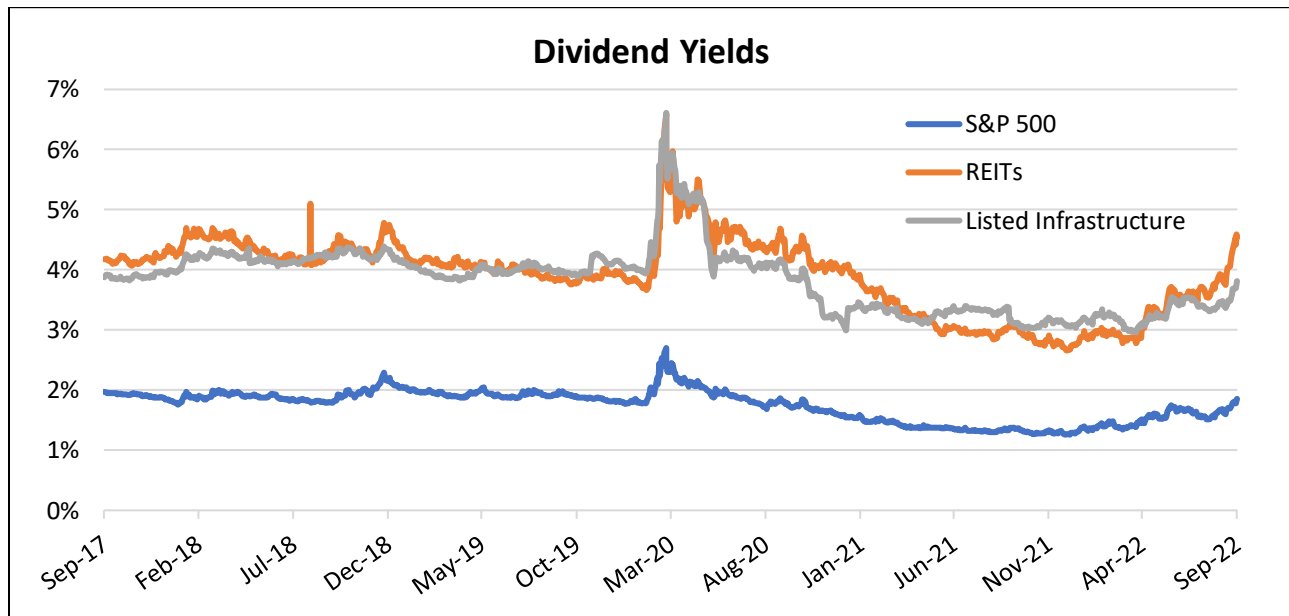


Portfolio Role

Diversification: Real Assets generally provides underlying exposure to hard assets, such as buildings or infrastructure assets, which provide a different risk and return profile than many other investments in the Fund. Given that many Fund investments are in financial assets, like stocks and bonds, the performance of Real Assets strategies tend to be driven by differentiated underlying return sources.

Inflation: Historically, Real Assets have outperformed other asset classes during periods of heightened inflation. The underlying assets tend to increase in value alongside inflation given their tangible nature, unlike many financial assets which do not. Additionally, oftentimes these investments have the ability to pass along inflation increases by raising rents to their tenants or users, thereby increasing revenues during inflationary times.

Income: Real Assets tend to exhibit higher yields than public equity securities as a higher proportion of income is typically passed along to investors. Therefore, these strategies tend to be less dependent on price appreciation and have a larger portion of their total returns coming from income. As such, the return profile for these investments is expected to fall in between that for equities, which are more dependent on price appreciation, and fixed income, which are more dependent on current yields.

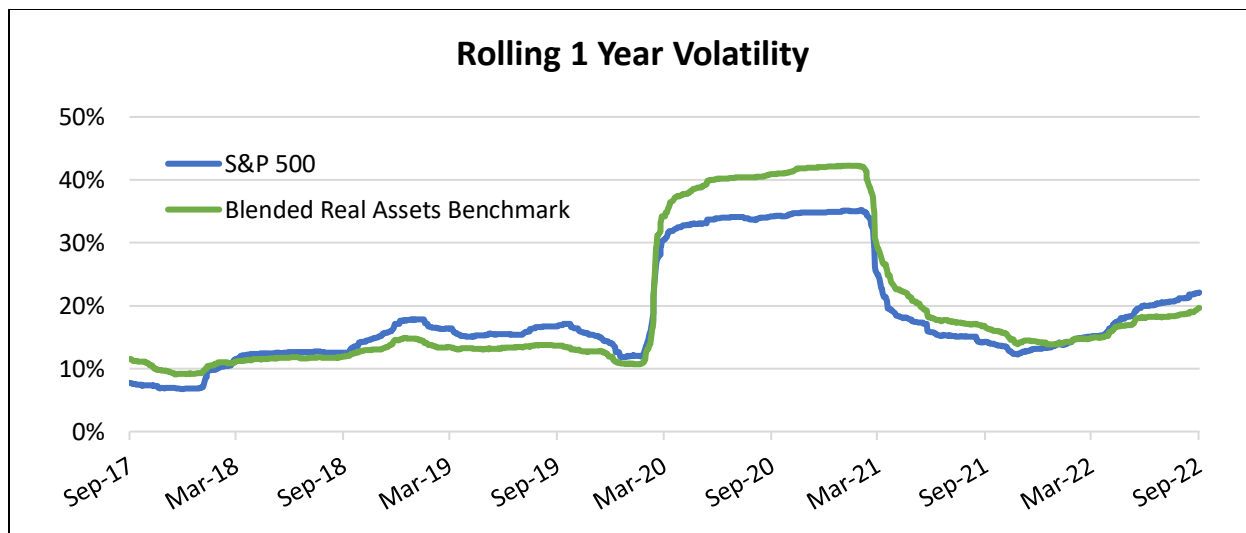


Benchmarking

The benchmark for Real Assets consists of a neutral-weighted blend of the two sub-asset class benchmarks and is comprised of 67% Real Estate and 33% Infrastructure. Consistent with the benchmarking approach across the total Fund and the Boards adopted investment beliefs, these benchmarks consist of the most widely used public markets indices for the desired asset class and give exposure to REITs (real estate investment trusts) and listed infrastructure companies.

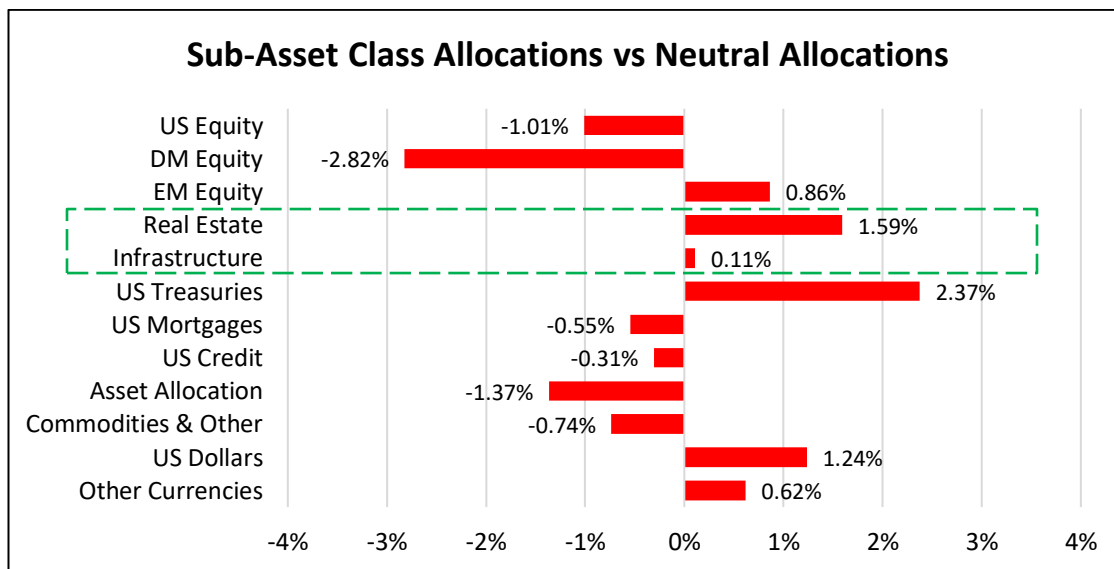
- Real Estate's benchmark is the FTSE NAREIT Equity REITs Total Return Index, which is a market cap weighted index of publicly listed US REITs, excluding timberland and infrastructure.
- Infrastructure's benchmark is the S&P Global Infrastructure Net Total Return Index, which represents 75 global infrastructure companies across the energy, utilities, and industrial sectors.

Given that these public markets benchmarks invest in publicly traded REITs and infrastructure companies, they tend to exhibit comparable levels of volatility to listed equities, with modest deviations above and below.



Real Assets Current Portfolio and Positioning

In the Strategic Asset Allocation, the Fund has a neutral allocation to Real Assets of 15%, which includes 10% in Real Estate and 5% in Infrastructure. As of the end of Q3 2022, Fund positioning was modestly overweight Real Assets at 16.7% given their significant relative outperformance year to date. This asset class overweight is mainly through Real Estate positioning at 11.6% of the Fund, while Infrastructure is roughly in-line with its neutral allocation at 5.1%.



The Fund has only two private markets strategies in the entire portfolio, both of which are contained in Real Assets. One of those investments is a core real estate fund, and the other is a diversified infrastructure fund. These strategies complement the public securities in each of the respective sub-asset classes by providing underlying exposures and valuation methodologies that are not available in the public markets. Approximately 60% of the total asset class is invested in these core, open-ended, private markets strategies.

The remaining ~40% of the asset class is implemented in public markets strategies which provide lower costs and higher liquidity for rebalancing purposes. These public markets strategies are all passively implemented as higher fees are common for actively managed strategies in this asset class.

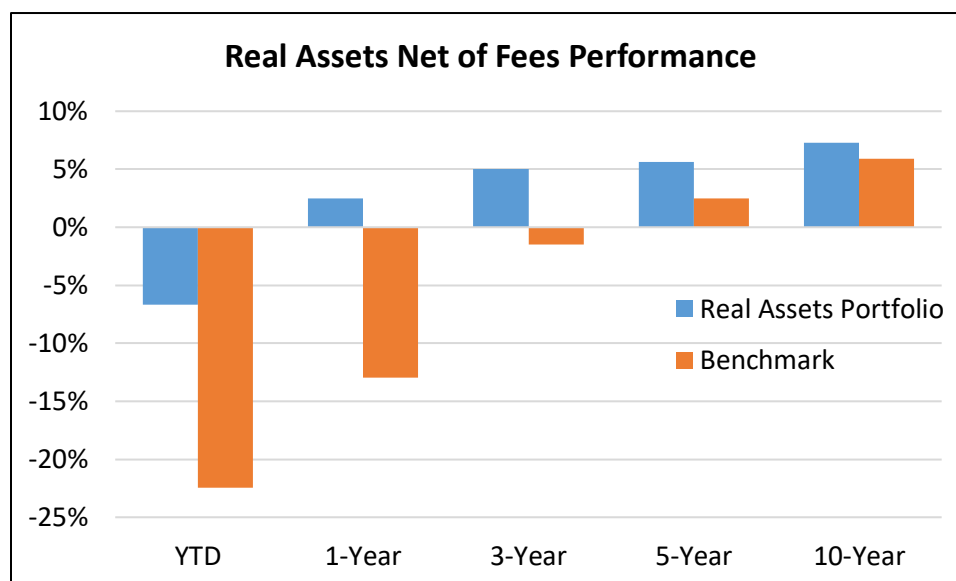
Risk and Return Characteristics

Market Commentary: In what has been a challenging year in 2022, every major asset class benchmark is down 20%+ for the year through the third quarter, with the exception of Cash & Equivalents.

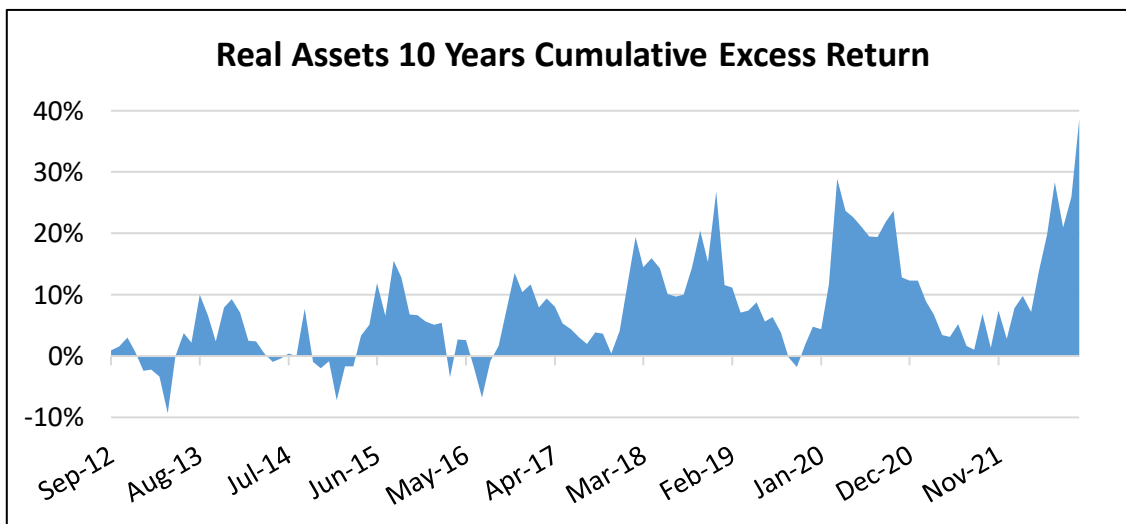
The Real Assets benchmark is no exception and is down -22% year to date. The sub-asset classes within Real Assets had mixed results with the Real Estate component down -28% and the Infrastructure component down -10%. Notably, exposure to infrastructure has offered better diversification benefits and has significantly outperformed both public equities and real estate. This outperformance is largely attributable to the energy sector exposure which has had a positive year and kept the rest of the index from being down further. In Real Estate most publicly traded REITs are down on the year as these securities have lost some of their hoped-for diversification benefits.

Private markets generally lag public securities in marking-to-market their holdings, and the Real Assets portfolio has experienced this. Both private funds in the portfolio have posted positive returns for the year through September, and future performance bears close monitoring.

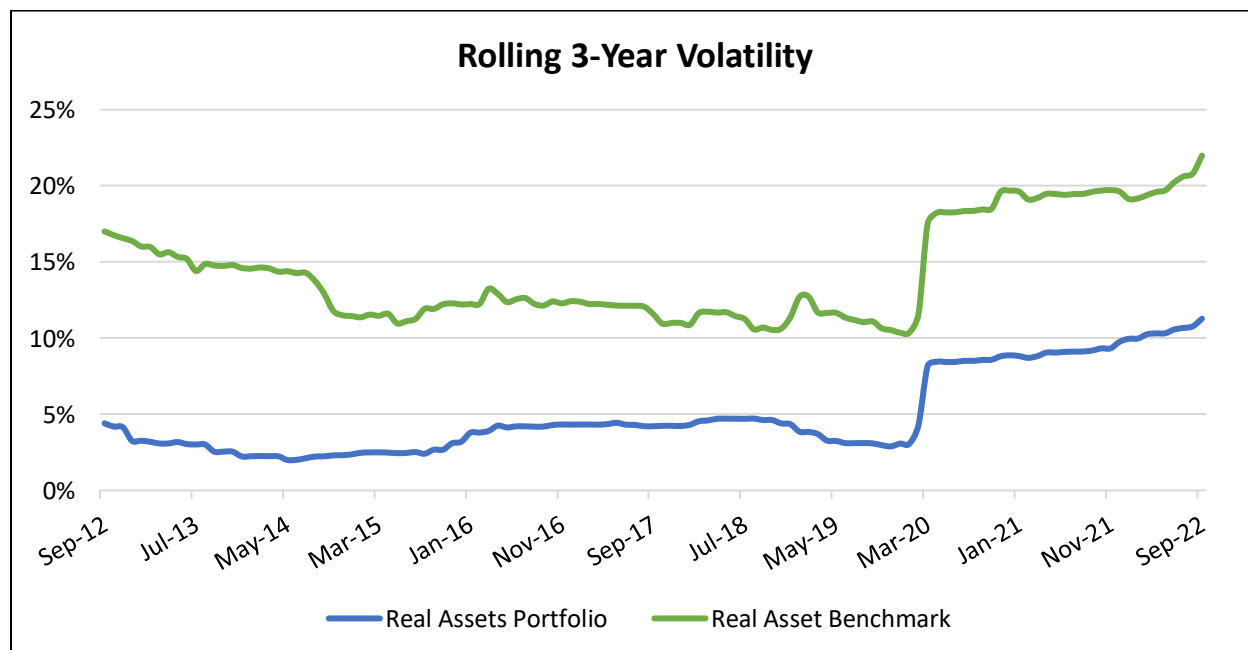
Returns: The Real Assets portfolio has experienced strong absolute returns over the longer term and has provided significant outperformance compared to its benchmark in the shorter term. This asset class has returned -6.7% year-to-date, exceeding its benchmark by a significant 15.8%.



This large outperformance is due nearly entirely to the choice to implement in private markets strategies as valuations in these strategy types are much slower to change during highly volatile markets. When looking at excess returns of the Real Asset portfolio over time, the cyclical patterns demonstrate how private markets can diversify the portfolio's return during public market volatility.



Volatility: As discussed previously, the benchmark for Real Assets exhibits volatility levels near to that seen in the public equity market as this benchmark also consists of publicly traded real estate investment trusts and infrastructure companies. Realized portfolio volatility for the Fund, however, has historically been less than half the volatility of its benchmark. This reduction in portfolio volatility is attributable to investments in private markets which experience much less observed volatility. This mismatch between implementation and benchmark contributes to significant levels of measured tracking error.



Summary

The Real Assets portfolio continues to provide diversification of returns and a differentiated risk profile to the Fund. This is primarily accomplished by gaining exposure to different investment vehicles, asset types, and management styles than cannot be found in the rest of the portfolio. The two private investments in this asset class are the only investments in such strategies across the Fund, and both investments continue to perform as expected by lowering overall volatility and offering competitive returns. The resulting allocation has provided significant value to the Fund in what has been a challenging market environment.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 13: Investment Committee

B. Discuss and consider the proposed funding implementation plan

AGENDA ITEM OBJECTIVE

The Board will review a proposed implementation plan to rebalance the Fund and implement changes to the Premier List for Real Assets

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

Staff recommends that the Board approve the proposed funding implementation plan.

BACKGROUND

Following the annual review of the Premier List for Real Assets alongside changing market conditions, Staff will propose a rebalance of the Fund detailed in the proposed implementation plan.

ATTACHMENT

1. Staff report “Proposed Funding Implementation Plan” CONFIDENTIAL



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 13: Investment Committee

C. Discuss and consider 2023 Investment Budget

AGENDA ITEM OBJECTIVE

This item supports the Board's fiduciary oversight of the Fund, including defraying reasonable expenses of administering the system.

RELEVANCE TO STRATEGIC PLAN

This item allows the Board to review Fund performance and assess the extent to which the System is meeting **COAERS Strategic Plan Goal 1: Maintain a Sustainable Retirement System** since long-term investment performance is reduced by costs incurred.

RECOMMENDATION FOR BOARD ACTION

The Investment Committee recommends that the Board approve the 2023 Investment Budget.

BACKGROUND

COAERS embarked on a multi-year transformation of its approach to investment governance and strategy. The effort supported the System's mission of providing reliable retirement benefits and its vision of being recognized as the standard of excellence in public pension plans. The effort, also built upon a long tradition of stewardship, has resulted in a significant reduction in investment costs alongside strong value add for the Fund.

Staff has developed a proposed investment resource budget for 2023 that is aligned with the organization's mission, vision, and goals. Staff will review these figures and items for consideration in 2023.

ATTACHMENTS

1. Staff Presentation "Investment Resources"
2. Proposed 2023 Investment Budget
3. 2022 Investment Budget Progress



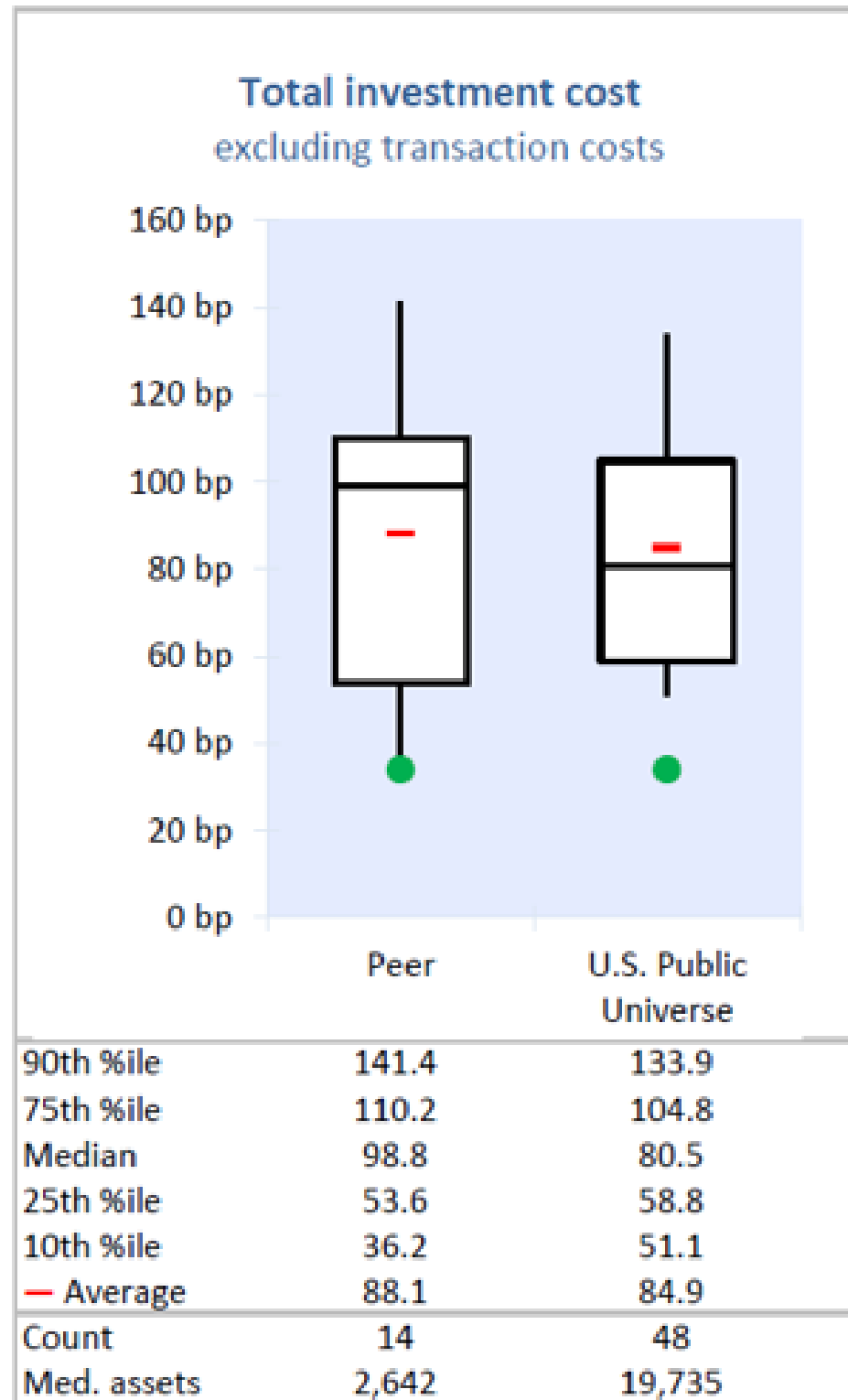
COAERS Investment Resources

David Stafford

Deputy Chief Investment Officer

December 15, 2022

2019 CEM Benchmarking – Key Points



- In its last major cost benchmarking exercise in 2019, COAERS ranked in the top 6-8% for total investment cost effectiveness
- Public plan universe
 - Median = 80.5 bps
 - Lowest quartile = 58.8 bps
- Peer plans:
 - Median = 98.8 bps
 - Lowest quartile = 53.6 bps

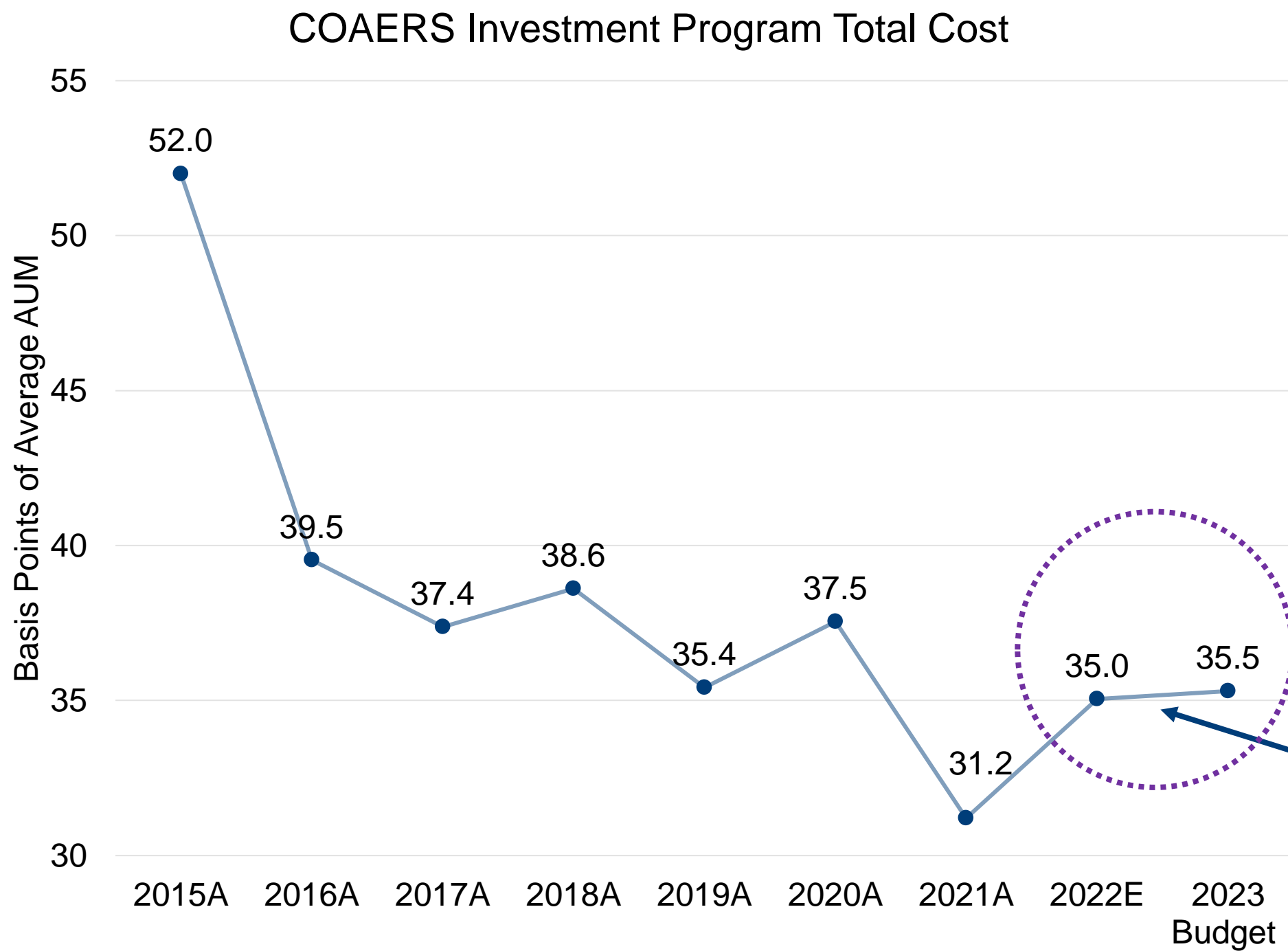
2019 CEM Benchmarking: COAERS \$3.2 Million Cheaper

- CEM data showed that if another plan were running our same allocation, the baseline cost expectation would be **\$3.2 million** higher than COAERS
- Substantial savings reflect the success of key initiatives including tough negotiation, the Premier List process, and prudent use of active management

Your cost versus benchmark

	\$000s	basis points
Your total investment cost	9,104	34.0 bp
Your benchmark cost	12,309	45.9 bp
Your excess cost	(3,205)	(12.0) bp

A Strong History of Good Stewardship

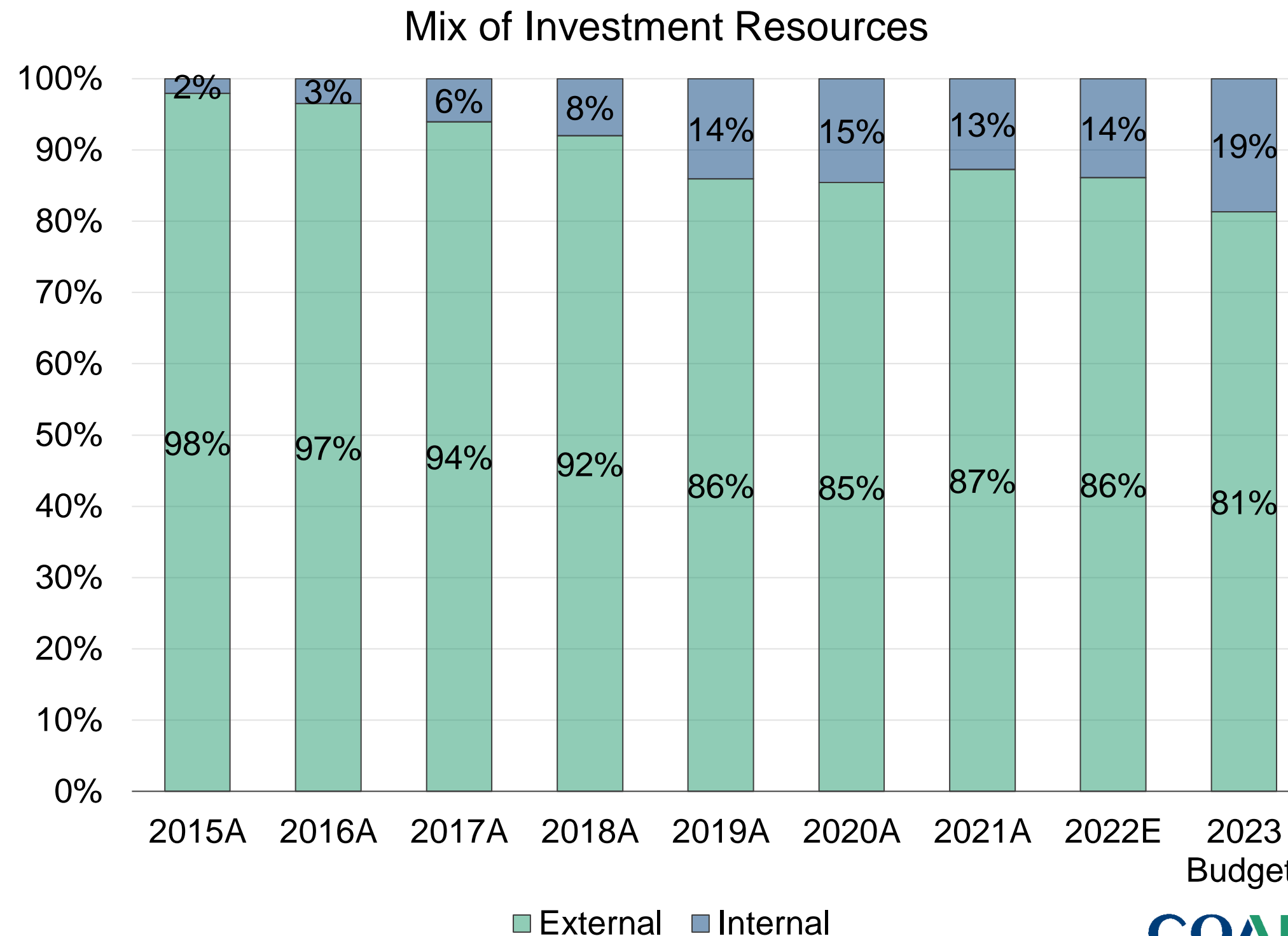


- A strong alignment with investment beliefs and consistent execution in manager selection has led to low investment costs over the past several years
- Maintaining prudent fee levels and defraying costs has significantly contributed to net of fees outperformance for the total Fund

Increases in costs as a percentage of Fund assets from 2021 are largely due to decreasing Fund AUM

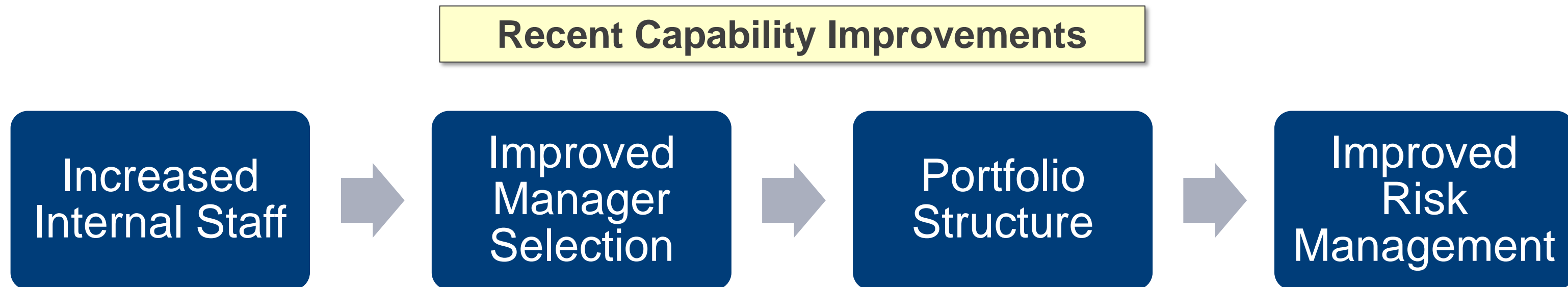
Mix Shift Toward Internal Resources

- Historically the vast majority (~98%) of investment expenses were paid to external managers, mostly to seek alpha within asset types
- A greater focus on Fund-level performance has shifted the mix toward internal resources to inform asset allocation and strategy with additional items in the proposed 2023 budget to improve risk management capabilities



Remember.... Cheapest ≠ Best

- Focusing on value added for fees paid should be the goal of budgeting processes – **to optimize, not minimize costs** for the System
- As such, it may be prudent to selectively build out key capabilities over the coming years, consistent with adopted Investment Beliefs, which are likely to add additional value to the System



Budgeting for 2023

- Proposed mix of investment resources modestly increases internal resources to improve upon some key capabilities:
 - Risk Management System
 - Due Diligence
- Adds in project-based items as set out in the Strategic Plan:
 - Asset/Liability Study Update
 - CEM Cost Benchmarking
 - Texas PRB Report
- Note that additional initiatives resulting from the Asset/Liability Study may have supplementary budgetary considerations

Proposed 2023 Investment Budget

	2023 Proposed Budget	2022 Budget	Change	Notes
Variable Cost Estimates¹	7,714,281	9,208,532	-1,494,251	
Investment Manager Fees	7,394,281	8,863,532	-1,469,251	
Total	7,394,281	8,863,532	-1,469,251	
Basis Points of Average AUM (estimated)	25.3	24.9	+0.4	
Other Variable Investment Costs	320,000	345,000	-25,000	
Investment Legal Counsel	50,000	75,000	-25,000	
Commissions & Other Transaction Costs	220,000	220,000	0	
Transition & Other Fees	50,000	50,000	0	
Budgeted Costs	2,673,733	2,380,150	+293,583	
Investment Consulting	410,908	329,431	+81,477	
Investment Consultant - Base Fees ²	310,908	274,431	+36,477	RVK retainer for general investment consulting
Investment Consultant - Project Fees	100,000	55,000	+45,000	PRB Report, CEM Cost Benchmarking, AL Study Update
Investment Personnel	1,397,825	1,305,719	+92,106	
Total Personnel Costs ³	1,397,825	1,305,719	+92,106	
Travel and Training	100,000	65,000	+35,000	
Due Diligence & Site Visits	50,000	30,000	+20,000	Existing and prospective manager diligence
Staff Continuing Education	50,000	35,000	+15,000	Professional designations, conferences
Staff Investment Resources	455,000	370,000	+85,000	
Investment Systems	300,000	175,000	+125,000	Bloomberg, Diligence Vault, eVestment, Risk System
Investment Research	125,000	160,000	-35,000	GaveKal, Variant Perception, Preqin, etc.
Memberships & Licenses	20,000	25,000	-5,000	ILPA, The Conference Board, index licenses
Subscriptions	10,000	10,000	0	Financial Times, Journal of Portfolio Management
Other Fixed Investment Costs	310,000	310,000	0	
Custodial Fees	260,000	260,000	0	Custody services
Reporting & Monitoring	50,000	50,000	0	Transaction cost analysis, proxy voting, GIPS compliance
Total Investment Costs	10,388,014	11,588,682	-1,200,668	
Basis Points of Average AUM (estimated)	35.5	32.6	2.9	

¹ Variable costs are provided for informational purposes and are based on Staff estimates. These items will fluctuate due to AUM based agreements and per transaction/mandate costs.

² Includes a mid-year inflation adjustment based on CPI.

³ Included for informational purposes and are included in the COAERS Administrative Budget.

2022 Budget Progress

	2022 Budget	Estimated 2022 Expenses	Variance from 2022 Budget
Variable Cost Estimates¹	9,208,532	8,667,739	-540,793
Investment Manager Fees	8,863,532	8,436,949	-426,583
Total	8,863,532	8,436,949	-426,583
Basis Points of Average AUM (estimated)	24.9	27.3	+2.4
Other Variable Investment Costs	345,000	230,790	-114,210
Investment Legal Counsel	75,000	20,104	-54,896
Commissions & Other Transaction Costs	220,000	176,383	-43,617
Transition & Other Fees	50,000	34,303	-15,697
Budgeted Costs	2,380,150	2,159,141	-221,008
Investment Consulting	329,431	338,754	+9,323
Investment Consultant - Base Fees ²	274,431	283,754	+9,323
Investment Consultant - Project Fees	55,000	55,000	0
Investment Personnel	1,305,719	1,184,050	-121,669
Total Personnel Costs ³	1,305,719	1,184,050	-121,669
Travel and Training	65,000	49,660	-15,340
Due Diligence & Site Visits	30,000	28,793	-1,207
Staff Continuing Education	35,000	20,867	-14,133
Staff Investment Resources	370,000	278,677	-91,323
Investment Systems	175,000	133,164	-41,836
Investment Research	160,000	120,599	-39,401
Memberships & Licenses	25,000	15,421	-9,579
Subscriptions	10,000	9,493	-507
Other Fixed Investment Costs	310,000	308,000	-2,000
Custodial Fees	260,000	260,000	0
Reporting & Monitoring	50,000	48,000	-2,000
Total Investment Costs	11,588,682	10,826,881	-761,801
Basis Points of Average AUM (estimated)	32.6	35.0	2.4

¹ Variable costs are provided for informational purposes and are based on Staff estimates. These items will fluctuate due to AUM based agreements and per transaction/mandate costs.

² Includes a mid-year inflation adjustment based on CPI.

³ Included for informational purposes and are included in the COAERS Administrative Budget.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 13 Investment Committee

D. Discuss and consider Investment Committee Charter

AGENDA ITEM OBJECTIVE

The objective of this agenda item is for the Board to conduct its regularly scheduled (at least every three years) review of the Investment Committee charter.

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 periodically review governing documents.

RECOMMENDATION FOR BOARD ACTION

The Investment Committee recommends that the Board approve proposed changes to the Investment Committee charter.

BACKGROUND

The Investment Committee charter requires that it be reviewed every 3 years for continued relevancy and appropriateness. The charter was last reviewed in December 2019.

ATTACHMENT

1. Proposed Investment Committee Charter - Redline

City of Austin Employees' Retirement System Charter for the Investment Committee

Introduction

- 1) **Purpose** - The purpose of the Investment Committee is to assist the Board of Trustees in fulfilling its fiduciary oversight responsibility for the investment assets of the System ("the Fund").
- 2) **Authority** - The Investment Committee will consider all matters relating to the Fund; and will make specific recommendations to the Board to achieve the investment goals and objectives of the System. All recommendations shall be subject to approval by the Board of Trustees.
- 3) **Composition** - The Investment Committee will consist of at least five members of the Board of Trustees and the composition shall be consistent with COAERS Bylaws. Training may be obtained as needed to enhance members' knowledge of investments to fulfill the prudent person standard.
- 4) **Meetings** - The Investment Committee will meet at least quarterly, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting. The committee may invite investment managers, professional advisors, and others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Duties and Responsibilities

- 1) **Make Recommendations:**
 - Establish the investment strategy and governance framework including the approach to asset allocation considering the risk and return objectives of the Fund and the System's liability stream.
 - Formulate and maintain investment policies, processes, and guidelines of the System regarding investment strategy, asset allocation, investment implementation, benchmarking, and other investment issues.
 - ~~Review investment-related contracts including those~~ Recommend to the Board service providers for professional services for investment consulting, investment management, and custodial banking.
- 2) **Oversee Activities:**
 - Monitor the management of the portfolio for meeting performance objectives over time and for compliance with the investment policies and guidelines.
- 3) **Review Performance:**
 - Assess regularly the effectiveness of investment strategy, governance, asset allocation, risk budgeting and other long-term criteria as well as the allocation of investment resources.
 - Monitor the performance of Staff, investment managers, investment consultant, custodians, and other key relationships relative to contractual obligations and other criteria as appropriate.

Monitoring and Reporting

- 1) The Investment Committee will establish in policy the reporting and monitoring practices necessary to provide the Board with the information it requires to effectively oversee the Fund.
- 2) The Investment Committee will report to the Board on its activities. The Investment

Committee will keep minutes of its meetings and make these materials available to Trustees.

Charter Review and History

- 1) This Charter will be reviewed at least every three years for continued relevancy and appropriateness.
- 2) The Board adopted this Charter on December 1~~5~~⁰, 20~~22~~¹⁹.

14. Discuss and consider 2022-2026 Strategic Plan

Presented by Christopher Hanson



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 14: Discuss and consider 2022-2026 Strategic Plan

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to receive a preliminary report on 2022 Strategic Plan key performance indicators and to consider proposed changes to the 2022-2026 COAERS Strategic Plan related to key action item timelines.

RECOMMENDATION FOR BOARD ACTION

At the Board's discretion.

BACKGROUND

The Board adopted the COAERS 2022-2026 Strategic Plan at its December 2021 meeting, establishing a range of key performance indicators (KPIs) for each strategic plan goal and objective. Staff will present a preliminary report on performance related to those KPIs. Additionally, Staff will review proposed changes to the 2022-2026 COAERS Strategic Plan key action items timelines. These proposed changes were discussed at the October Board workshop.

ATTACHMENTS

1. COAERS 2022 Key Performance Indicator Preliminary Report
2. Draft Revised 2022-2026 COAERS Strategic Plan

Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system

	Objective	KPI Measure	Target	Frequency	2022 Status	
Actuarial Funding	Ensure the System is actuarially sound, and long-term funding aligns with the Board's Funding Policy.	Number of years to amortize unfunded actuarial accrued liability	25 or less	Annual	33 years	
		Long-term funded status of 100%	12/31/2045	Annual	12/31/2054	
		% of the ADC rate contributed	100%	Annual	86.84%	
Investment Program	Achieve an annualized net return equal to the targets for the following: (A) 5-year relative to passive benchmark (B) 20-year relative to the actuarially assumed rate of return.	Annualized 5-year returns relative to passive benchmark	Meet or exceed	Quarterly	+1.31% as of Q3	☑
		Annualized 20-year returns relative to actuarially assumed rate of return	Meet or exceed	Quarterly	+0.21% as of Q3	☑
Plan Sponsor and Stakeholder Relationships	Provide education on System's current funding, risk, and mitigation strategies to maintain communication and relationship with Plan Sponsor and stakeholders.	Stakeholder information session	Annual information session	Annual	Held on October 14, 2022	☑
		Stakeholder assessment survey	90%	Annual	95.38%	☑

Goal 2: Responsibly manage the risks of the System

	Objective	KPI Measure	Target	Frequency	2022 Status	
Enterprise Risk	Ensure management of risk functions throughout the organization.	Implementation of annual enterprise risk management activities	100%	Annual	95.45%	
		Independent auditor findings of COAERS annual audited financial statements	Unmodified audit opinion	Annual	Received	☑
		Maintain operational risk and asset allocation guidelines at approved policy levels	Maintain operational risk and asset allocation guidelines at approved policy levels	Quarterly	100% Compliant as of Q3 report to IC	☑
Cyber and Information Security	Identify, manage, and mitigate risks associated with cyber and information security.	NIST Cybersecurity Framework Score	100% alignment	Annual	100%	☑
		Maintain maturity posture and score assessment of information security program	Maturity score of 3.5	Annual	Maturity score of 4	☑
		Disaster recovery system is available and configured to meet continuity of operations plan requirements for essential functions	100%	Annual	100%	☑
Risk Awareness	Cultivate a risk-intelligent organization.	Employee compliance awareness survey	Maintain 90% positive response rate	Annual	100%	☑
		Employee cybersecurity training and phishing testing	100% deployment with all employees	Annual	100%	☑
		Number of events which compromise assets, mission, or data	Zero	Annual	Zero	☑

Goal 3: Provide high-quality stakeholder services, education, and experience

	Objective	KPI Measure	Target	Frequency	2022 Status	
Service Delivery	Ensure excellent stakeholder benefit and service delivery.	% of stakeholders satisfied with service delivery	95%	Annual	98%	☑
		% of monthly retirement benefit claims paid on time	100%	Annual	100%	☑
Education	Ensure retirement information resources are accessible to stakeholders.	Number of seminars and education events	7 events	Annual	22 events	☑
		Launch "Financial Wellness" event	2023	Annual once launched	N/A	
Engagement	Expand outreach with stakeholders and increase usage of technology.	Annual increase in subscribers across communications channels	3%	Annual	13%	☑
		Annual increase in "MemberDirect" enrollment	2%	Annual	9%	☑

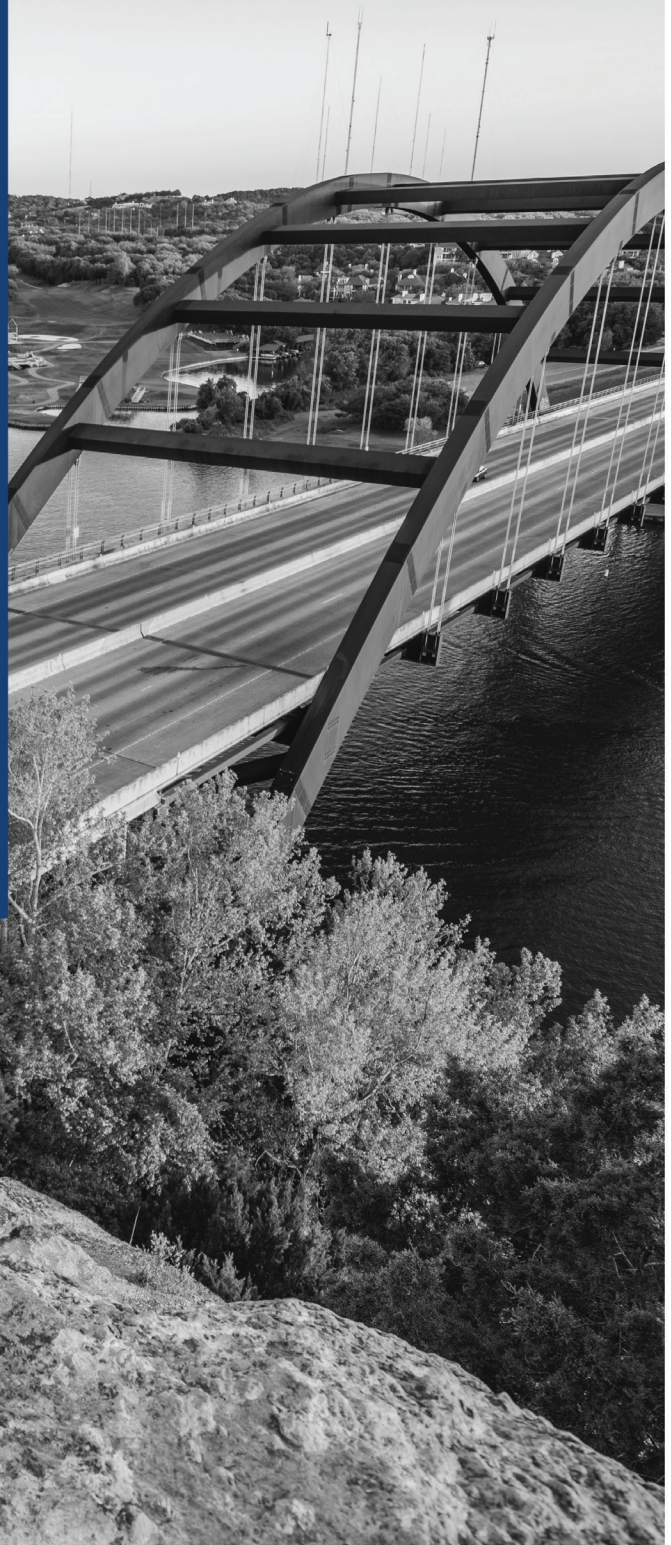
Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management

	Objective	KPI Measure	Target	Frequency	2022 Status	
Governance	Promote engaged, effective, and independent-minded Trustees by utilizing appropriate and effective governance structures and decision-making processes.	Board governance self-assessment	Majority of Trustee responses are positive	Annual	Discussed at Board Workshop	☑
		Effective and efficient Board meetings	Majority of Trustee responses are positive	Annual	96% responses were positive when asked if meetings were run efficiently and effectively	☑
		Board Governance Manual	Create in 2022	Review and approve at least every three years	Pending 12/15/22	
Administration	Optimize operational effectiveness and ensure ability to support evolving pension administration needs.	Progress toward rapid assessment "Optimizer" pension administration stage	Stair-step each category every two years	Biennial	Selected vendors for HRIS & Travel Expense software for implementation in 2023	
		CEM Benchmarking of service score ranking versus peers	Above median peer service score	Every three years	N/A	
Investment Management	CEM Benchmarking of service score ranking versus peers.	Performance versus similarly sized peers (\$1B-\$5B) on three, five, and 10-year net returns	Top-quartile	Quarterly	As of Q3: 3Y: 91st percentile 5Y: 86th percentile 10Y: 78th percentile	
		CEM Investment Cost Benchmarking	Below peer median costs	Every three years	As of 2020 report: 8th percentile; Next benchmarking planned in 2023	☑
		Implementation of investment practices and performance report recommendations	100%	Every three years	Completed in 2020; Next report scheduled for 2023-2024	

Goal 5: Identify opportunities to capitalize on organizational strengths						
	Objective	KPI Measure	Target	Frequency	2022 Status	
Assessment	Periodic assessment to develop plans to take advantage of organization's strengths and improve areas of weakness.	Completion of organizational assessment	Conduct in 2022	Every five years	Completed in 2022	<input checked="" type="checkbox"/>
		Address areas of organizational weakness	2023	Annual	N/A	
		Utilize strengths to add value to organization	2023	Annual	N/A	
Talent Management	Recruit and empower a high-performing and engaged workforce.	Market compensation and performance management	Alignment with compensation philosophy	At least every three years (next in 2022)	Completed in 2022	<input checked="" type="checkbox"/>
		Staff culture assessment	80% alignment	Annual	92.82%	<input checked="" type="checkbox"/>
		% of staff with professional development plans	100%	Annual	100%	<input checked="" type="checkbox"/>
Austin Model	Continue to develop the Austin Model within the investment program and explore application possibilities in other areas of the organization.	Underwrite existing processes and/or vendors to determine value-add proposition to the System	3-5	Annual	6	<input checked="" type="checkbox"/>
		Number of innovation ideas created	10	Annual	23	<input checked="" type="checkbox"/>
		Number of ideas mobilized for execution	0-3 as applicable	Annual	6	<input checked="" type="checkbox"/>

CITY OF AUSTIN
EMPLOYEES'
RETIREMENT SYSTEM

STRATEGIC PLAN 2022 - 2026



MISSION, VISION, CORE VALUES, & CORE COMPETENCIES



MISSION

The mission of COAERS is to provide our members their promised benefits.

VISION

Our vision is to be a best-in-class public pension plan through excellence in financial stewardship, plan administration, and investment management.

CORE VALUES

Accessibility	Integrity
Accountability	Open
Cooperation	Communication
Ethical Behavior	Respect
Fairness	Responsiveness
Innovation	

CORE COMPETENCIES

We believe our proficiency in the following enables the organization to deliver on its mission:

- **DEPENDABLE OPERATIONS:** Managing the financial and operational commitments of the system within appropriate measurable standards.
- **PRUDENT INVESTMENT MANAGEMENT:** Fulfilling fiduciary duty through monitoring performance within adopted process and stated goals.
- **TRANSPARENCY:** Complying with open meeting and public information laws to ensure the decision-making process is clear to members and the public.
- **CUSTOMER SERVICE:** Treating customers fairly and respectfully. Utilizing effective communication and recognizing the customers changing needs.
- **EDUCATION:** Promoting educational opportunities that enhance knowledge and develop appropriate skill sets for Trustees, Staff, and customers.



STRATEGIC GOALS 2022 - 2026

TO ACHIEVE BOTH OUR MISSION AND VISION, THE ORGANIZATION SETS FORTH THE FOLLOWING GOALS:

1. Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.
 2. Responsibly manage the risks of the System.
 3. Provide high-quality stakeholder services, education, and experience.
 4. Identify and implement leading practices in board governance, pension administration, and investment management.
 5. Identify opportunities to capitalize on organizational strengths.
-

GOAL 1:

Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system

GOAL 1 STRATEGIC OBJECTIVES					
ACTUARIAL FUNDING	INVESTMENT PROGRAM	PLAN SPONSOR AND STAKEHOLDER RELATIONSHIPS			
Ensure the System is actuarially sound, and long-term funding aligns with the Board's Funding Policy.	Achieve an annualized net return equal to the targets for the following: a. Five-year relative to passive benchmark b. Twenty-year relative to the actuarially assumed rate of return	Provide education on System current funding, risks, and mitigation strategies to maintain communication and relationship with Plan Sponsor and stakeholders.			
KEY PERFORMANCE INDICATORS					
<p>①</p> <p>Measure: Number of years to amortize unfunded actuarial accrued liability Target: 25 or less Frequency: Annual</p> <p>②</p> <p>Measure: Long-term funded status of 100% Target: December 31, 2045 Frequency: Annual</p> <p>③</p> <p>Measure: Percent of the Actuarially Determined Contribution (ADC) rate contributed Target: 100% Frequency: Annual</p>	<p>①</p> <p>Measure: Annualized five-year returns relative to passive benchmark Target: Meet or exceed Frequency: Quarterly</p> <p>②</p> <p>Measure: Annualized twenty-year returns relative to actuarially assumed rate of return Target: Meet or exceed Frequency: Quarterly</p>	<p>①</p> <p>Measure: Stakeholder information session Target: Annual information session Frequency: Annual</p> <p>②</p> <p>Measure: Stakeholder assessment survey Target: 90% Frequency: Annual</p>			
STRATEGIC OBJECTIVES ACTION ITEMS					
Actuarial Funding	2022	2023	2024	2025	2026
Conduct and adopt annual actuarial valuation	X	X	X	X	X
Review and update Funding Policy		X	X		X
Actuarial analysis of long-term sustainability proposals	X	X			
Conduct actuarial experience study			X		
Investment Program	2022	2023	2024	2025	2026
Conduct annual review of Investment Policy Statement	X	X	X	X	X
Annual review of COAERS Premier List	X	X	X	X	X
Conduct Asset-Liability Study		X			
Conduct Strategic Asset Allocation Study		X			
Plan Sponsor and Stakeholder Relations	2022	2023	2024	2025	2026
Coordinate efforts with City to enact legislation related to long-term plan	X	X			
Engage stakeholders in work related to long-term plan sustainability	X	X			
Conduct annual stakeholder "State of Pension" briefing	X	X	X	X	X
Deploy stakeholder assessment survey	X	X	X	X	X

GOAL 2:

Responsibly manage the risks of the System

GOAL 2 STRATEGIC OBJECTIVES

ENTERPRISE RISK	CYBER AND INFORMATION SECURITY	RISK AWARENESS
Ensure management of risk functions throughout the organization.	Identify, manage, and mitigate risks associated with cyber and information security.	Cultivate a risk-intelligent organization.

KEY PERFORMANCE INDICATORS

<p>① Measure: Implementation of annual enterprise risk management activities. Target: 100% Frequency: Annual</p> <p>② Measure: Independent auditor findings of COAERS annual audited financial statements. Target: Unmodified audit opinion Frequency: Annual</p> <p>③ Measure: Maintain operational risk and asset allocation guidelines at approved policy levels. Target: 100% Frequency: Quarterly</p>	<p>① Measure: NIST Cybersecurity Framework Score Target: 100% Alignment Frequency: Annual</p> <p>② Measure: Maintain maturity posture and score assessment of information security program Target: Maturity score of 3.5 Frequency: Annual</p> <p>③ Measure: Disaster recovery system is available and configured to meet continuity of operations plan requirements for essential functions Target: 100% Frequency: Annual</p>	<p>① Measure: Employee compliance awareness survey Target: Maintain 90% positive response rate Frequency: Annual</p> <p>② Measure: Employee cybersecurity training and phish testing Target: 100% deployment with all employees Frequency: Annual</p> <p>③ Measure: Number of events which compromise assets, mission, or data Target: Zero Frequency: Annual</p>
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STRATEGIC OBJECTIVES ACTION ITEMS

Enterprise Risk	2022	2023	2024	2025	2026
Annual review of the risk management program	X	X	X	X	X
Implementation of action items in risk management program	X	X	X	X	X
Conduct financial statement audit	X	X	X	X	X
Annual review of Investment Risk Framework	X	X	X	X	X
Cyber and Information Security	2022	2023	2024	2025	2026
Test disaster recovery system and plans	X	X	X	X	X
Build out IT program maturity	X	X	X	X	X
Third-party vendor risk assessment	X	X	X	X	X
Penetration testing		X			
Risk Awareness	2022	2023	2024	2025	2026
Employee compliance awareness survey	X	X	X	X	X
Cybersecurity training and phish testing	X	X	X	X	X

GOAL 3:

Provide high-quality stakeholder services, education, and experience.

GOAL 3 STRATEGIC OBJECTIVES

SERVICE DELIVERY	EDUCATION	ENGAGEMENT
Ensure excellent stakeholder benefit and service delivery.	Ensure retirement information resources are accessible to stakeholders.	Expand outreach with stakeholders and increase usage of technology.

KEY PERFORMANCE INDICATORS

<p>①</p> <p>Measure: Percent of stakeholders satisfied with service delivery Target: 95% Frequency: Annual</p> <p>②</p> <p>Measure: Percent of monthly retirement benefit claims paid on time. Target: 100% Frequency: Annual</p>	<p>①</p> <p>Measure: Total number of seminars and education events Target: 7 events Frequency: Annual</p> <p>②</p> <p>Measure: Launch "Financial Wellness" event Target: 2023 Frequency: Annual once launched</p>	<p>①</p> <p>Measure: Annual increase in subscribers across communications channels Target: 3% Frequency: Annual</p> <p>②</p> <p>Measure: Annual increase in "MemberDirect" enrollment Target: 2% Frequency: Annual</p>
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STRATEGIC OBJECTIVES ACTION ITEMS

	2022	2023	2024	2025	2026
Service Delivery					
Evaluate customer service model and allocation of staffing and resources	X	X			
MemberDirect enhancements	X	X			
Customer service surveys	X	X	X	X	X
Education					
Develop and plan Financial Wellness event	X				
Host annual Financial Wellness event		X	X	X	X
Plan and conduct retirement group events	X	X	X	X	X
Utilize digital tools to expand education for stakeholders	X	X	X	X	X
Engagement					
Market MemberDirect to key stakeholder groups	X	X	X	X	X
Develop content for targeted stakeholder outreach	X	X	X	X	X

GOAL 4:

Identify and implement leading practices in board governance, pension administration, and investment management.

GOAL 4 STRATEGIC OBJECTIVES

GOVERNANCE	ADMINISTRATION	INVESTMENT MANAGEMENT
Promote engaged, effective, and independent-minded Trustees by utilizing appropriate and effective governance structures and decision-making processes.	Optimize operational effectiveness and ensure ability to support evolving pension administration needs.	Maintain investment management program that aligns investment beliefs, program implementation, and long-term performance goals.

KEY PERFORMANCE INDICATORS

<p>① Measure: Board governance self-assessment Target: Majority of Trustee responses are positive Frequency: Annual</p> <p>② Measure: Effective and efficient Board meetings Target: Majority of Trustee responses are positive Frequency: Annual</p> <p>③ Measure: Board Governance Manual Target: Create in 2022 Frequency: Review and approve at least every three years</p>	<p>① Measure: Progress toward rapid assessment "Optimizer" pension administration stage Target: Stair-step each category every two years Frequency: Biennial</p> <p>② Measure: CEM Benchmarking of service score ranking versus peers Target: Above median peer service score Frequency: Every three years</p>	<p>① Measure: Performance versus similarly sized peers (\$1B-\$5B) on three, five, and 10-year net returns Target: Top-quartile Frequency: Quarterly</p> <p>② Measure: CEM Investment Cost Benchmarking Target: Below peer median costs Frequency: Every three years</p> <p>③ Measure: Implementation of investment practices and performance report recommendations Target: 100% Frequency: Every three years</p>
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STRATEGIC OBJECTIVES ACTION ITEMS

Governance	2022	2023	2024	2025	2026
Board Governance Manual	X			X	
Board governance self-assessment	X	X	X	X	X
Board meeting follow-up survey	X	X	X	X	X
Foster candidates for future Board positions	X	X	X	X	X
Administration	2022	2023	2024	2025	2026
Develop the IT roadmap for pension and financial administration	X				
Implement roadmap to optimizer		X	X	X	X
Evaluate personnel structure to meet the future demands of customers	X				
Conduct CEM Pension Administration Benchmarking			X		
Actuarial Consultant RFP				X	
Investment Management	2022	2023	2024	2025	2026
Board Survey of Investment Beliefs	X				X
Investment consultant RFP		X	X		
Conduct CEM Investment Cost Benchmarking		X			X
Conduct Investment Practices and Performance Report		X			X

GOAL 5:

Identify opportunities to capitalize on organizational strengths.

GOAL 5 STRATEGIC OBJECTIVES					
ASSESSMENT	TALENT MANAGEMENT	AUSTIN MODEL			
Periodic assessment to develop plans to take advantage of organization's strengths and improve areas of weakness.	Recruit and empower a high-performing and engaged workforce.	Continue to develop the "Austin Model" within the investment program and explore application possibilities in other areas of the organization.			
KEY PERFORMANCE INDICATORS					
<p>①</p> <p>Measure: Completion of organizational assessment Target: Conduct in 2022 Frequency: Every five years</p> <p>②</p> <p>Measure: Address areas of organizational weakness Target: 2023 Frequency: Annual</p> <p>③</p> <p>Measure: Utilize strengths to add value to organization Target: 2023 Frequency: Annual</p>	<p>①</p> <p>Measure: Market compensation and performance management Target: Alignment with compensation philosophy Frequency: At least every three years (next in 2022)</p> <p>②</p> <p>Measure: Staff culture assessment Target: 80% alignment Frequency: Annual</p> <p>③</p> <p>Measure: Percent of staff with professional development plans Target: 100% Frequency: Annual</p>	<p>①</p> <p>Measure: Underwrite existing processes and/or vendors to determine value-add proposition to the System Target: 3-5 Frequency: Annual</p> <p>②</p> <p>Measure: Number of innovation ideas created Target: 10 Frequency: Annual</p> <p>③</p> <p>Measure: Number of ideas mobilized for execution Target: 0-3 as applicable Frequency: Annual</p>			
STRATEGIC OBJECTIVES ACTION ITEMS					
Assessment	2022	2023	2024	2025	2026
Conduct organizational assessment	X				X
Analyze strengths and weaknesses		X	X	X	
Develop and implement plans to build on strengths and improve weaknesses		X	X	X	
Talent Management	2022	2023	2024	2025	2026
Conduct market compensation study	X			X	
Conduct employee culture assessment	X	X	X	X	X
Develop and implement staff professional development plans	X	X	X	X	X
Austin Model	2022	2023	2024	2025	2026
Establish internal innovation committee	X				
Review existing processes and vendor/third-party relationships to identify areas for enhancement	X	X			
Engage staff in promoting innovative ideas for COAERS	X	X	X	X	X

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

A. 2023 Board and Committee calendar

B. Call for nominations Chair and Vice Chair

C. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson



BOARD MEETING
Agenda Item Information Sheet

AGENDA ITEM 15:

Receive report from Executive Director on the following matters

- A. 2023 Board and Committee calendar

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to discuss possible 2023 Board and Committee meeting dates. The Executive Director will also review with the Board any feedback provided by Trustees in advance of the meeting.

RECOMMENDATION FOR BOARD ACTION

At the Board's discretion.

ATTACHMENT

- 1. Draft 2023 Board and Committee Calendar

2023 DRAFT Board and Committee Calendar

2023

January						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

May						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

June						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August						
S	M	T	W	T	F	S
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

September						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

November						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

CIRCLED COAERS/City Holiday
 PINK Investment Committee
 YELLOW Non-IC Committees
 DARK BLUE Board Workshop and Member Meeting
 BLUE Board Meetings

2023 DRAFT Board and Committee Calendar

Wednesday, January 11, 2023 – 10 am

Called Board Meeting: Facilities

Thursday, January 19, 2023 – time tbd

Benefits and Services Committee

Legislative Committee

Tuesday, January 31, 2023 – 10 am

Full Board Meeting

Friday, February 24, 2023 – 10 am

Investment Committee

Thursday, March 9, 2023 – time tbd

Audit and Risk Committee

Benefits and Services Committee

Legislative Committee

Policy Committee

Thursday, March 30, 2024 – 10 am

Full Board

Friday, April 21, 2023 – 10 am

Investment Committee

Friday, May 19, 2023 – 10 am

Investment Committee

Thursday, June 15, 2023 – time tbd

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Legislative Committee

Thursday, June 29, 2023 10 am

Full Board

Thursday, July 27, 2023 – evening time tbd

Full Board (Member Meeting)

Friday, August 25, 2023 – 10 am

Investment Committee

Thursday, August 31, 2023 time tbd

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Policy Committee

Thursday, September 21, 2023 – 10 am

Full Board

Monday & Tuesday October 9-10, 2023

Full Board (Workshop)

Thursday, November 16, 2023 time 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

Monday, December 18, 2023 – 10 am

Full Board



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 15:

Receive report from Executive Director on the following matters

B. Call for nominations of Chair and Vice-Chair

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide notice to the Board regarding the call for nominations for Chair and Vice-Chair for the Board in 2023.

RECOMMENDATION FOR BOARD ACTION

For informational purposes only; no action required.

BACKGROUND

In accordance with the Board Bylaws, Staff will notify Trustees when nominations are open for the Board Chair and Vice Chair positions for 2023. The Board will meet in January and at that meeting, the Board will elect the Chair and Vice-Chair for 2023.

Nominations for Chair and Vice Chair will be due no later than two weeks prior to the date of the January Board meeting. Trustees may self-nominate or nominate a fellow Trustee for either position. The table below lists all Trustees and their eligibility for the Chair and Vice-Chair positions.

Trustee Name	Eligible for Chair and/or Vice-Chair
Michael Benson	Chair and Vice-Chair
Kelly Crook	Chair and Vice-Chair
Michael Granof	Chair and Vice-Chair
Amy Hunter	Chair and Vice-Chair
Dick Lavine	Chair and Vice-Chair
Yuejiao Liu	Chair and Vice-Chair
Chris Noak	Vice-Chair
Leslie Pool	Chair and Vice-Chair
Anthony Ross	Chair and Vice-Chair
Brad Sinclair	Chair and Vice-Chair
Diana Thomas	Chair and Vice-Chair

All nominated Trustees will be notified and can prepare a written statement to the Board to be included in the January meeting materials. Trustees also may provide a statement at the January meeting. Trustees may decline the nomination at any point prior to the Board vote in January.



BOARD MEETING Agenda Item Information Sheet

AGENDA ITEM 15:

Receive report from Executive Director on the following matters:

C. MET report and upcoming educational programs and conferences

AGENDA ITEM OBJECTIVE

The objective of the agenda item is for the Executive Director to provide the Board a report on 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 2022 MET report
2. Upcoming Educational Programs and Conferences



COAERS 2022 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

All Trustees were current at the end of 2021. Several Trustees have begun new terms.

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.

(COAERS has two Trustees in this cycle: Dr. Granof and Mr. Lavine)

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 2022 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 January 1, 2021-December 31, 2022		6.75	6.75	√
Kelly Crook August 30, 2022 – August 29, 2024		1.5	1.5	
C. Hanson January 11 2022 – January 10, 2024	5.25	17.5	22.75	√
A. Hunter January 30, 2022 to January 29, 2024		3.25	3.25	
Y. Liu January 1, 2022 to December 31, 2023		34.5	34.5	√
C. Noak January 1, 2022-December 31, 2023		4.25	4.25	
L. Pool Feb 19, 2022 – Feb. 18, 2024		6.25	6.25	√
A. Ross January 1, 2022-December 31, 2023		17.5	17.5	√
Brad Sinclair January 1, 2022 – December 31, 2023		1	1	
Diana Thomas January 19, 2022 – January 18, 2024		1.5	1.5	
Core Training 1-year cycle	Core	Non-core	Total	Completed
Dick Lavine January 1, 2022 – December 31, 2022	7	4.25	11.25	√
Michael Granof January 1, 2022 – December 31, 2022	7	3.25	10.25	√

*Ms. Crook successfully finished her first year of training; IFEBP multi-day training did not carry over into new term

*Mr. Hanson also attended Nasra and completed the NACD Cybersecurity program, but those hours were not counted (PRB does not approve 'unneeded' hours)

*Mr. Ross had an online course and a multi-day IFEBP course that were not counted (PRB does not approve 'unneeded' hours)

*Mr. Lavine also attended NCPERS but those hours were not counted (PRB does not approve 'unneeded' hours)

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. We 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](#)
- www.BoardSmart.com virtual training for Pension Trustees (contact Sarah if you need help logging in; COAERS has a subscription)
- [CAIA Association Fundamental of Alternative Investments](#) (self-study)(pre-approved for PRB)
- [IFEBP](#)
 - February 11-12, 2023 Trustees Institute – Orlando, FL
 - February 13-15, 2023 Advanced Trustees and Administrators Institute – Orlando, FL
 - April 24-25, 2023 Investments Institute – New Orleans, LA
 - June 19-21, 2023 Advanced Trustees and Administrators Institute – San Diego, CA
 - July 24-25, 2023 Certificate of Achievement in Public Plan Policy (CAPPP) Pension Part 1 – Chicago, IL
 - July 26-27, 2023 Certificate of Achievement in Public Plan Policy (CAPPP) Pension Part 2 – Chicago, IL
 - September 20-21, 2023 Certificiate Series – Investment Basics – Las Vegas, NV
- [NACD](#)
 - Virtual Director Professionalism (online)
 - Cyber Risk Oversight Certificate - helping governance professionals understand how to identify cybersecurity threats and provide oversight of critical digital assets (online)
 - Director Essential Series (online)

COAERS Board Meeting
December 15, 2022

- [NASRA](#)
 - February 25-27 2023 Winter Meeting – Washington, DC
 - August 5-9, 2023 Annual Conference - Broomfield, CO

- [NCPERS](#) (pre-approved for PRB, Continuing Education only)
 - January 23-24, 2023 Pension Communications Summit – Washington, DC
 - May 21-24, 2023 Annual Conference and Exhibition (including optional NCPERS Accredited Fiduciary (NAF) Program – New Orleans, LA
 - August 21-23 Public Pension Funding Forum – Los Angeles, CA
 - October 22-25, 2023 FALL (Financial, Actuarial, Legislative & Legal) – Las Vegas, NV

- [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

16. Executive Session

- 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



BOARD MEETING
Agenda Item Information Sheet

AGENDA ITEM 16:
Executive Session

- 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

AGENDA ITEM OBJECTIVE

This agenda item is for the Board to complete the evaluation of the Executive Director.

ATTACHMENTS AVAILABLE VIA CONVENE APP AND VIA EMAIL

- 1. CBIZ Exhibits ED Market Study (Confidential)
- 2. ED Market Study Data (Confidential)

17. Review key meeting takeaways and call for future agenda items

Presented by Chris Noak, Chair

AGENDA ITEM 17:

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.