

# September 2022 Meeting

**Schedule**

Thursday, September 22, 2022 10:00 AM — 2:00 PM CDT

**Organizer**

Sarah McCleary

## Agenda

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1. Call meeting to order

Presented by Chris Noak, Chair

 [Item #1 Summary.docx](#)

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2. Call roll of Trustees

Presented by Chris Noak, Chair

 [Item #2 Summary.docx](#)

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3. Review order of business and establish meeting objectives

Presented by Chris Noak, Chair

 [Item #3 Summary.docx](#)

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4. Receive System member and public comments

Presented by Chris Noak, Chair

 [Item #4 Summary.docx](#)

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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

 [Item #5 Summary.docx](#)

 [2022 06 23 Board Minutes.docx](#)

 [2022 07 21 Board Minutes Member Meeting.docx](#)

 [New Retirements June-August 2022.pdf](#)










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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



Presented by Chris Noak, Chair

-  Item #6 Summary.docx
-  06A Quarterly form.pdf
-  06B Calendar.docx
-  06C Legislative Committee Report .docx
-  06D Benefits and Services Committee Report.docx
-  06E Audit and Risk Committee Report.docx
-  06F Governance and HR Committee Report.docx
-  06G Policy Committee Report.docx
-  06H Investment Committee Report .docx

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7. Discuss and consider 2023 retiree annuity adjustment

Presented by Russell Nash




-  Item #7 Summary.docx
-  1-1-2023 Cola Recommendation.pdf

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8. Receive presentation on Asset/Liability Study

**\*\*This agenda item is considered in-house training provided by COAERS, an accredited sponsor of Minimum Educational Training (MET) for purposes of fulfilling the Pension Review Board's MET Program requirements.**



Presented by David Kushner and RVK

-  08A Summary.docx
-  08B RVK Asset Liability Education.pptx
-  08C Evaluation Form.docx

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


Presented by David Stafford


-  09A Summary.docx
-  09B Annual Review of Global Equities .pptx

10. Legislative Committee:

- A. Receive report on draft legislation for 88th Legislative Session – Christopher Hanson
- B. Receive update on long-term sustainability and pension legislation forum – Christopher Hanson

 Item #10A Summary.docx


 10A1 Pension Legislation Member Comments 9.15.22.pdf

 Item #10B Summary.docx

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11. Discuss and consider Communications Policy

Presented by Christopher Hanson


 Item #11 Summary.docx

 Board Communications Policy in Markup Mode.pdf

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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
- Presented by Christopher Hanson


 Item #12 Summary.docx

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13. Discuss and consider Benefits Administration Policy

Presented by Russell Nash

 Agenda Item #13 Summary.docx


 Benefits Administration Policy in Markup Mode 08 25 2022.pdf

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14. Discuss and consider Personnel Policy

Presented by Christopher Hanson

 Agenda Item #14 Summary.docx

 Personnel Policy 2022 08 25 in markup mode.pdf

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15. Receive Staff report on Executive Director evaluation process

Presented by Russell Nash


 Item #15 Summary.docx

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16. Receive report from Executive Director report on the following matters:
- A. Operational matters including staffing and budget
  - B. October Board Workshop
  - C. MET report and upcoming educational programs and conferences
- Presented by Christopher Hanson

 Item #16A Summary.docx

 16A1 COAERS 2022 Administrative Budget YTD Report.pdf


 16A2 Staff Report on Asset Disposal.docx

 Item #16B Summary.docx

 2022 10 17and18 Board Workshop.docx


 Item #16C Summary.docx

 COAERS 2022 MET Report.docx

 List of Upcoming Educational Events and Conferences.docx

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17. Review key meeting takeaways and call for future agenda items
- Presented by Chris Noak, Chair

 Item #17 Summary.docx

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# 1. Call meeting to order

Presented by Chris Noak, Chair

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

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

**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 short summary of the major agenda items which the Board will discuss and consider during its September meeting:

1. The Board will consider the recommendation of COAERS' consulting actuary regarding the possibility of a 2023 annuity adjustment for retirees.
2. The Board will receive an educational presentation on the upcoming Asset/Liability Study.
3. The Board will consider the recommendations of the Investment Committee regarding the approval of proposed changes to the Global Equities Premier List.
4. The Board will receive a report from Staff on the development of draft pension legislation for the 88<sup>th</sup> Legislative Session as well as an upcoming information forum regarding the System's long-term financial sustainability.
5. The Board will consider adoption of proposed changes to the Communications Policy as recommended by the Policy Committee.
6. The Board will discuss matters related to COAERS' long-term facility needs.
7. The Board will consider adoption of proposed changes to the Benefits Administration Policy as recommended by the Benefits and Services Committee.
8. The Board will consider approving proposed changes to the Personnel Policy as recommended by the Governance and Human Resources Committee.
9. The Board will receive a report on the Executive Director evaluation process.
10. The Board will receive a report from the Executive Director on operations and staffing, the 2022 Board Workshop, and current MET hours and upcoming educational events.

## 4. Receive System member and public comments

Presented by Chris Noak, Chair

AGENDA ITEM 4:  
Receive System member and public comments

AGENDA ITEM OBJECTIVE

The objective of the agenda item is to allow any System member or a member of the public a chance to provide comment to the Board.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

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

The Chair will recognize any person who wishes to comment, limiting comments to three minutes per person.

## 5. Consent items

All of the following items may be acted upon by one motion. No separate discussion or action on any of the items is necessary unless desired by a Trustee.

A. June 23, 2022 Board meeting minutes

B. July 21, 2022 Board meeting minutes

C. Ratification of June, July, and August 2022 retirements

**AGENDA ITEM 5:**  
**Consent items**

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

**AGENDA ITEM OBJECTIVE**

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

**RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES**

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

**RECOMMENDATION FOR BOARD ACTION**

Staff recommends the Board approve the consent agenda.

**BACKGROUND**

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

**ATTACHMENTS**

1. June 23, 2022 Board meeting minutes
2. July 21, 2022 Board meeting minutes
3. New retirements from June, July, and August 2022 (Confidential)



## MINUTES

### BOARD MEETING

Public Meeting held in-person and telephonically on June 23, 2022 at 10:00 am CT  
Pursuant to Texas Govt. Code 551.127

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#### Board Members Present

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

#### Board Members Absent

Leslie Pool

#### Guests:

Paige Saenz, General Counsel  
Ed Van Eenoo  
Corey Martin, Avison Young  
Matthew Featherston  
Joe Ebisa, WithIntelligence  
Spencer Hunter, RVK  
Ian Bray, RVK  
Eddie Solis, Hillco

#### 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 10:01 a.m.

#### **2 Call roll of Trustees**

Ms. Sarah McCleary called the roll. The following Trustees were present in person: Benson, Crook, Granof, Noak, Ross, and Sinclair. The following Trustees were present virtually: Lavine, Liu, and Thomas. Ms. Hunter arrived at the end of roll call.

*Ms. Hunter arrived at 10:03 a.m.*

### **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. While several Trustees indicated hard-stops, no change was made to the order of the agenda.

*Ms. Thomas was off-camera 10:06 a.m. to 10:07 a.m.*

### **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. March 31, 2022 Board meeting minutes**
- B. Ratification of March, April, and May 2022 retirements**
- C. Ratification, confirmation, and approval of Benefits and Services Committee recommendation on Disability Application #2201**
- D. Appointment of Nominating and Election Committee for 2022**

Mr. Brad Sinclair moved to approve the consent agenda. Mr. Michael Granof seconded, and the motion passed 10-0.

### **6 Receive reports on the following Board administrative matters including: - Board Chair**

- A. Ethics policy disclosure statements**
- B. 2022 meeting calendar**
- C. May 20, 2022 Investment Committee meeting**
- D. June 2, 2022 Governance and HR Committee meeting**
- E. June 2, 2022 Benefits and Services Committee meeting**
- F. June 2, 2022 Audit and Risk Committee meeting**

Chair Noak asked Trustees to complete their ethics disclosure forms if they had not already submitted those forms to Ms. McCleary. Ms. Amy Kelley reported receiving a swag bag from the Prism conference. Ms. Michelle Mahaini declared an in-person meeting with TLC Office Systems, Rocky Noska and consultant Chad James, regarding options on current postal machine and a possible new agreement, and a Zoom meeting with Quadient for a new postage meter lease agreement. Mr. David Stafford reported conference lunch at the Texas Alternative Investments Association Conference.

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 System long-term sustainability including COAERS and City of Austin Working Group recommendations**

Mr. Christopher Hanson reported on discussions and decisions from the Governance and Human Resources Committee, the Benefits and Services Committee, and the COAERS and City of Austin Working Group.

*Ms. Yuejiao Liu was off-camera from 10:16 a.m. to 10:54 a.m.*

Trustees asked clarifying questions and discussed the risk-sharing valuation process. Trustees also discussed which active place would be converted to a City of Austin appointed position. During the conversation, trustee place seven was identified as the place which could be converted to a City position, if needed. Staff reported that the terms for both trustee places six and seven end on December 31, 2023 and therefore, either position could be converted to the City-appointed position. Staff were directed to have the legislative drafting team choose which trustee place (six or seven) would make the best sense from a drafting perspective.

Mr. Michael Benson moved to approve the recommendations of the Working Group and refer those recommendations to the Legislative Committee for the development of legislation to be filed during the 88<sup>th</sup> Legislative Session. Mr. Granof seconded, and the motion passed 9-0.

**8 Investment Committee:**

**A. Discuss and consider Premier List for Fixed Income and Cash & Equivalents including funding implementation plan**

Mr. David Stafford reviewed the Fixed Income portfolio including the disaggregated portfolio construction with mandates in US Treasuries, US MBS, and US Credit. He reviewed data which suggested that the portfolio was well constructed to meet the intended goals of hedging equity risk and providing liquidity despite inflationary headwinds. Mr. Stafford then reviewed proposed changes to the existing Premier List for Fixed income.

Mr. Stafford then discussed the current implementation of Cash & Equivalents portfolio and noted the layered approach to assure that both operational and investment needs are effectively met. Mr. Stafford explained that core cash is held in extremely high-quality, liquid strategies and incremental cash is invested in strategies which provide improved yields with small marginal risks. This discussion also included data which suggested that Cash & Equivalents were becoming an increasingly important allocation tool. Mr. Stafford then reviewed proposed updates to the Premier List for Cash & Equivalents.

Lastly, Mr. Stafford presented a proposed funding implementation plan.

Mr. Anthony Ross moved to approve proposed changes to the Premier Lists for both Fixed Income and Cash & Equivalents; and approve the proposed funding implementation plan. Mr. Benson seconded, and the motion passed 10-0.

**B. Discuss and consider Amendment #3 to the Service Agreement between RVK and COAERS and amendment to the 2022 Investment Budget**

Mr. Stafford reviewed the Staff evaluation of RVK performance, which he said continues to be well-aligned. Mr. Hanson explained that the asset liability study was originally planned for 2023 but because significant progress was made regarding COAERS long-term sustainability and pension legislation for the upcoming legislative session, COAERS would be able to begin the study earlier. Mr. Hanson noted that Staff had discussed the timeline change with the Investment Committee which supported completing the study in 2022.

*Ms. Kelly Crook stepped out from 11:03 a.m. to 11:07 a.m.*

Trustees discussed their satisfaction with RVK and the cost of the asset liability study compared to previous years.

Mr. Benson moved to approve Amendment No. 3 to the Service Agreement between RVK and the System, and an amendment to the investment budget to add funding of \$55,000 in 2022 for an asset liability study. Mr. Ross seconded, and the motion passed 10-0.

**C. Discuss results of the investment beliefs survey**

Mr. Stafford presented the results of the investment beliefs survey which was taken by Staff, Consultants, and Trustees. He noted strong agreement with the existing investment beliefs that are incorporated into the Investment Policy Statement. He also presented the more mixed results of prospective beliefs along with areas where Trustees had requested more information and educational opportunities. He noted that Staff will follow up with educational opportunities so Trustees can discuss the issues with common understandings.

*Trustees took a break from 11:37 a.m. to 11:53 a.m.*

**9 Discuss and consider Board Resolution 2022-0623**

Mr. Hanson reminded Trustees that with a new hire and a promotion, COAERS needed to update its resolution authorizing staff members to provide instructions to COAERS

investment managers. Mr. Granof moved to adopt resolution #2022-0623. Mr. Ross seconded, and the motion passed 10-0.

**10 Governance and Human Resources Committee:**

**A. Discuss and consider Election Policy**

Mr. Russell Nash presented the Election Policy, which he reported needs to be approved annually, and noted three proposed revisions. Mr. Brad Sinclair moved to adopt the Election Policy as proposed. Mr. Ross seconded, and the motion passed 10-0.

**B. Discuss and consider Emergency Succession Policy**

Mr. Hanson presented the Emergency Succession Policy which was amended at the request of the Governance and Human Resources Committee. Ms. Crook moved to adopt the Emergency Succession Policy as proposed. Ms. Amy Hunter seconded, and the motion passed 10-0.

**11 Discuss and consider acceptance of the financial statement audit report as of December 31, 2021**

Ms. Bhakti Patel of CliftonLarsonAllen (CLA) reported that CLA had issued an unqualified opinion on the December 31, 2021 financial statements. Ms. Patel reported that CLA found no significant corrected or uncorrected adjustments nor any unusual transactions. Ms. Patel reviewed significant accounting policies used by COAERS and reported that there were no unusual transactions.

Mr. Granof moved to accept the December 31, 2021 financial statements and auditor's report from CliftonLarsonAllen. Mr. Ross seconded, and the motion passed 10-0.

**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 12:13 p.m.

*Ms. Liu left the meeting at 1:03 p.m.*

The Board reconvened into public session at 1:06 p.m.

Ms. Crook moved to authorize Staff to proceed as discussed in Executive Session. Mr. Granof seconded, and the motion passed 9-0.

- 13 Discuss and consider performance for the Executive Director – Chair Noak**
- 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**

The Board convened into Executive Session at 1:09 p.m.

*Mr. Benson left the meeting at 1:30 p.m.*

The Board reconvened into public session at 1:31 p.m.

- 14 Receive report from Executive Director on the following matters:**
- A. Operational matters including staffing**

Mr. Hanson updated Trustees on staffing, introducing Mr. David Kushner as the newly hired Chief Investment Officer. Mr. Hanson also announced that Mr. David Stafford was promoted to Deputy Chief Investment Officer. Mr. Hanson also reported that the Chief Financial Officer position had recently been posted.

**B. Review of Member Meeting**

Mr. Hanson reminded Trustees that the member meeting in July will be held at the Austin Public Library and Staff would keep them apprised of logistics.

**C. Update on October Board workshop**

Mr. Hanson reminded Trustees that the Board Workshop in October will be held at the Archer Hotel at the Domain and Staff would report on the proposed agenda at the Board's September meeting.

**D. MET report and upcoming educational programs and conferences**

Mr. Hanson reported that training was on schedule for all Trustees to meet the Pension Review Board requirements and encouraged Trustees who were interested in upcoming conferences to reach out to Staff with questions or for registration and travel help.

- 15 Receive presentation of Fixed Income asset class and diversification of the Strategic Asset Allocation**

Trustees directed Staff to reschedule this training to another date.

- 16 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 1:47 p.m.



**MINUTES**

**BOARD MEETING**

Public Meeting held in-person on July 21, 2022 at 5:30 p.m. CT  
Austin Central Library Special Events Center – 710 W. Cesar Chavez, Austin, TX

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**Board Members Present**

Kelly Crook  
Michael Granof  
Dick Lavine  
Yuejiao Liu  
Chris Noak, Chair  
Leslie Pool  
Anthony B. Ross, Sr.  
Brad Sinclair

**Board Members Absent**

Michael Benson  
Amy Hunter  
Diana Thomas

**Guests:**

Ed Van Eenoo  
Zoey Sorrel  
Laura Anders  
Bruce Ngoc-Minh  
Peggy Clemons  
Karen Franks  
Richard Hauslein  
Leonard Hough  
Tamara Kurtz  
Henry Martinez  
Pauline McGraw  
Leslie Milvo  
Dong Nguyen  
Gail Ray  
Rosabella Severin  
Gustavo Soto  
Mark Stine  
Jim Williams

**Staff:**

Christopher Hanson  
Russell Nash  
David Stafford  
David Kushner  
Sarah McCleary  
Mehrin Rahman  
Jenni Bonds  
Teresa Cantu  
Ty Sorrel  
Kelly Doggett  
Jay Inghram  
Jackie Becker

4 members of the public dialed  
in

52 members of the public  
participated concurrently on  
Facebook

**1 Call meeting to order**

Chair Chris Noak called the meeting to order at 5:36 p.m.

## **2 Call roll of Trustees**

Chair Noak introduced the Trustees who were present in person: Lavine, Liu, Granof, Pool, Sinclair, Crook, and Ross.

## **3 Receive presentations regarding COAERS matters:**

### **A. Operations Updates and New Initiatives**

Mr. Russell Nash thanked City employees and retirees for their contributions to the community and gave an update on COAERS operations including Member Direct and a new option for online appointment scheduling. Mr. Nash reiterated that Staff was available to help all members by phone, in person, or virtually.

### **B. Investment Program Update**

Mr. David Stafford gave an update on the COAERS investment program including the importance of the Fund in the overall funding equation for the System. He discussed the highly principled approach to implementing the program in what was described as the “Austin Model” of investment management. Mr. Stafford noted the strong returns net of fees not only in 2021, but also over the past ten years. He emphasized the need to adapt in a changing world and to protect the Fund from emerging risks such as inflation and geopolitical risks.

### **C. Defined Benefit Funding and Plan Sustainability**

Mr. Christopher Hanson gave an update on the most recent actuarial valuation, and the steps that the City and COAERS are taking toward legislation for pension sustainability. He noted that liabilities have grown by approximately 10.5% over the past 20 years, outpacing the growth of the investments of the fund. He thanked the Board and the City for addressing this problem now, before it is mandated by the Pension Review Board and becomes harder and more difficulty to solve.

Ms. Kelly Crook and Mr. Ed Van Eenoo both added comments supporting the legislative effort.

## **4 Receive system member and public comments**

A number of questions were asked in advance from COAERS members, and Staff, Board, and the City answered them. One audience member asked a question about COLAs. Mr. Hanson encouraged other members who may have questions or concerns to please reach out and contact COAERS so that all concerns could be addressed.

## **5 Closing comments from Trustees**

Council Member Leslie Pool thanked the Board and the City for their commitment to the

defined benefit plan.

## **6 Adjournment**

As there were no other items to discuss, the meeting adjourned at 7:18 p.m.



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

Presented by Chris Noak, Chair

**AGENDA ITEM 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

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 March 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, March 31, 2022. Those who have nothing to declare may say so in writing to [Sarah.McCleary@coaers.org](mailto:Sarah.McCleary@coaers.org) or sign the form when sent by DocuSign.

ATTACHMENTS

1. Ethics policy disclosure statements
2. 2022 meeting calendar
3. Report from August 25, 2022 Legislative Committee
4. Report from August 25, 2022 Benefits and Services Committee
5. Report from August 25, 2022 Audit and Risk Committee
6. Report from August 25, 2022 Governance and HR Committee
7. Report from August 25, 2022 Policy Committee
8. Report from August 26, 2022 Investment Committee



CITY OF AUSTIN  
EMPLOYEES' RETIREMENT SYSTEM

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

For the period June 24, 2022 to September 22, 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:**

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**Meals:**

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**Other Declarations:**

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Signature of Trustee or COAERS Key Staff

Date

## 2022 Board and Committee Calendar

### **Friday, October 14, 2022 (optional for Trustees)**

Forum on COAERS Financial Sustainability and 88<sup>th</sup> Session Legislative Proposal

### **Monday-Tuesday, October 17-18, 2022**

Board Workshop

### **Thursday, November 10, 2022**

Beginning at 10:00 a.m.; order not set

Audit and Risk Committee

Benefits and Services Committee

Governance and HR Committee

Legislative Committee

Policy Committee

Full Board

### **Friday, November 18, 2022**

Investment Committee 10 a.m.

### **Thursday, December 15, 2022**

Full Board 10 a.m.

## **Report from Legislative Committee**

The August 25, 2022 Legislative Committee meeting included a review of the Committee's 2022 work plan; a report on draft legislation for the 88<sup>th</sup> Legislative Session; and discussion regarding the roles, responsibilities, and legislative priorities at COAERS during the 88<sup>th</sup> Legislative Session.

1. Staff provided the Committee with a report on the development of pension legislation for the 88<sup>th</sup> Legislative Session. Staff reported on efforts since the June 2022 Board meeting including the finalized contribution policy proposal, the status of the draft legislation, the timeline of action items leading up to the 88<sup>th</sup> Legislative Session, and next steps for COAERS.
2. The Committee discussed the proposed updates to the Board Communications Policy regarding communication during legislative sessions, delegating authority to the Legislative Committee Chair and Executive Director on potential amendments to the pension legislation, and establishing legislative priorities to provide guidance on other legislation that may be filed during the next session.

## **Report from Benefits and Services Committee Meeting**

The August 25, 2022, Benefits and Services Committee meeting included a review of proposed revisions to the Board's Benefits Administration Policy; a report on the Benefits Administration Operating Procedures; a discussion of the process for updating the Board's Funding Policy to meet the new statutory requirements for a joint Funding Policy of the System and plan sponsor; a report on the performance and relationship with COAERS actuarial service provider; and the consideration of disability application #2202.

1. The Committee reviewed proposed revisions to the Benefits Administration Policy reflecting the Benefits and Services Committee assuming the duties of the disbanded Disability Committee. The draft was referred to the Board for approval. In addition, changes to Benefits Administration Operating Procedures were reported for the Committee. The Committee had no further revisions, so the Staff moved forward with publishing the revised Procedures to the membership.
2. The Texas Legislature recently amended Texas Government Code to require all non-statewide public retirement systems and their associated governmental entities to jointly develop and adopt a written funding policy detailing a plan for achieving a funded ratio equal to or greater than 100%. Trustees suggested that the joint Funding Policy be drafted consistent with the pending legislation and instructed the Executive Director to work with the city management team on the next steps.
3. The Committee received an annual report on COAERS' actuary. The report was positive noting the responsiveness and experience of the actuarial service provider.
4. The Committee reviewed one new disability application; however, the Committee did not make recommendation to the Board on the application.

## **Report from Audit and Risk Committee**

The August 25, 2022, Audit and Risk Committee included a report on the status of four risk categories in the 2022 Enterprise Risk Management Report; a report on the second quarter unaudited financial statements; an update on COAERS cybersecurity program; and a report on the performance and relationship with COAERS financial statement auditor.

1. The Committee received a report on the COAERS Enterprise Risk Management program specifically focused on counterparty risk, physical risk, reputational risk, and the adaptability risk category. Staff discussed with Committee next steps related to preparing the 2023 risk management activities and possible updates to the Enterprise Risk Management programs risk categories.
2. As part of its oversight and monitoring responsibilities, the Committee received Staff reports on the first quarter 2022 unaudited financial statements and progress related to 2022 cybersecurity initiatives.
3. The Committee received a report on COAERS' financial statement auditor. The report discussed performance, costs, and the opinion of Staff that the relationship was positive in its first year. Staff also reported on discussion with the auditor of the Trustee interview process for the 12/31/22 audit. Lastly, Staff noted that an engagement letter for the 12/31/22 audit will be presented to the Committee in November.



## **Report from Governance and Human Resources Committee Meeting**

The August 25, 2022 Governance and Human Resources Committee meeting included a review of proposed changes to the Personnel Policy; discussion of a Board Governance Manual; review of the current Board self-evaluation process; and a report on the new Trustee onboarding program.

1. The Committee reviewed proposed changes to the Personnel Policy to transfer oversight of the Policy to the Governance and Human Resources Committee in accordance with the Board's committee restructuring as part of the 2020 Governance Effectiveness Assessment. The Committee also reviewed a proposed change to the Policy to ensure that the reporting of harassment was simple and streamlined. The Committee referred approval of the proposed Personnel Policy changes to the Board.
2. The Committee reviewed a draft of a Board Governance Manual and provided feedback to Staff. The Committee discussed having the Board review the Governance Manual and specifically the section titled "Board Culture" at the Board's October workshop.
3. The Committee reviewed the current Board self-evaluation process. The Committee discussed effective and timely methods for conducting self-evaluation and directed Staff to also include a review of the Board self-evaluation process on the agenda for the October Board workshop.
4. The Committee received a report on the new Trustee onboarding program. Staff also reported on a recent presentation at the National Conference on Public Employee Retirement Systems (NCPERS) regarding the COAERS new Trustee onboarding program.

## **Report from Policy Committee Meeting**

The August 25, 2022 Governance and Human Resources Committee meeting included a review of proposed changes to the Communications Policy; a report on the year-to-date 2022 administrative budget; and a report on upcoming priorities for the 2023 administrative budget.

1. The Committee reviewed proposed changes to the Communications Policy. Staff reported on a proposed addition to the Policy establishing communication procedures for the Board during legislative sessions. The Committee also reviewed technical edits to the Policy. Staff also reported on internal communications procedures related to staff communication and social media. The Committee referred the proposed changes to the Communications Policy to the Board for approval.
2. The Committee received a report from Staff on the year-to-date expenditures for the 2022 administrative budget.
3. Staff reported to the Committee on upcoming priorities for the 2023 administrative budget. The report included background on the areas of personnel, professional services, information technology, other administrative matters, and capital projects and events.

## Report from Investment Committee

The August 26, 2022 Investment Committee meeting included a review of second quarter investment performance; a review of the Investment Risk Framework; review of investment implementation, including consideration of the Premier List for Global Equities; an educational program on the role of the Global Equities asset class and private markets considerations; and a discussion of the process for completing the upcoming Asset Liability Study.

1. The Committee reviewed performance data from RVK through June 30, 2022. Staff reported Fund investments lost 11.08% net of fees during the second quarter, lost 12.04% during the trailing one-year period, earned returns below the assumed rate of return over the trailing 3- and 5-year periods and equal to the assumed rate of return over the trailing 10-year period.
2. Staff provided a review of the Investment Risk Framework. Staff noted that markets implied modestly elevated volatility for neutral Fund positioning. Staff discussed that the market environment continues to be highly unusual with both stocks and bonds performing poorly at the same time for the second consecutive quarter. Staff also noted that other diversifying exposures, such as Cash & Equivalents and Real Assets, remain important allocations.
3. Staff explained the difference between an Asset Allocation Study and an Asset Liability (AL) study. Staff discussed how modeling of the assets and liabilities looks at how different asset mixes impact the liability and cash flow needs of the Fund under different scenarios; and considers contribution and benefit policies; and how these may influence the System's investment policies. Staff provided the Committee with an outline of the steps of the AL Study process.
4. Staff and RVK gave an educational overview of the role of Global Equities in the total Fund context and an introduction to private equity. Staff shared data suggesting that Global Equities contribute most of both expected returns and risk for the Fund. As such, Staff discussed the need for risk management, diversification and how many peers use private equity to accomplish some of these needs. RVK discussed the goals of private equity, the broad strategy types, and the importance of manager selection.
5. Staff presented the annual review of the Global Equities Premier List, noting that this portfolio is generally well positioned to meet current portfolio goals and that the overall structure of this portfolio will be an important discussion during the AL process. The Committee recommended proposed changes to the Premier List be considered by the Board for approval.
6. The Committee discussed a few revised changes to the 2022 Investment Committee work plan to incorporate processes related to the AL study.

## 7. Discuss and consider 2023 retiree annuity adjustment

Presented by Russell Nash

**AGENDA ITEM 7:**

Discuss and consider 2023 retiree annuity adjustment

AGENDA ITEM OBJECTIVE

This agenda item is a statutory requirement of the Board to annually determine whether to authorize a cost-of-living adjustment for retirees.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item aligns with COAERS Strategic Plan “**Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system**”.

RECOMMENDATION FOR BOARD ACTION

Staff recommends the Board accept the recommendation of COAERS’ consulting actuary, GRS.

BACKGROUND

COAERS’ governing statute requires the Board to make an annual determination regarding a cost-of-living adjustment (COLA) or an additional payment for retirees. Prior to the Board authorizing a COLA or additional payment, COAERS’ actuary must first recommend such a COLA or additional payment to the Board and certify in writing that it is demonstrable that the System has and likely will continue to have the ability to pay such an amount after all other obligations of the System have been paid. The COAERS actuary (GRS) has provided their analysis and recommendation regarding an adjustment for 2023. GRS concludes that the thresholds required by the Pension Review Board and the Board’s Funding Policy are not currently being met, so GRS cannot recommend the authorization of a COLA for 2023.

ATTACHMENT

1. GRS Letter – Re: Analysis of Possible January 1, 2023 Retiree Increases



August 4, 2022

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

**Re: Analysis of Possible January 1, 2023 Retiree Increases**

Dear Chris:

As requested, we are providing the Board our recommendation regarding a possible January 1, 2023 cost of living adjustment (COLA) along with background information regarding our recommendation.

***Background Information***

The statutes governing the System give the Board the power to grant a cost of living adjustment once a year. The Board may consider the following factors when determining the amount of any COLA: the change in the Consumer Price Index for the prior 12-month period, the actuarial experience of the System, the investment experience of the System, and any other factors that might be considered appropriate. Considerations related to these factors are noted below.

- The CPI-W index increased 9.8% for the 12-month period ending June 30, 2022. It is also important to note that the System has not granted a COLA since January of 2002. The increase in the CPI-W since the last COLA has been 68.9%. Note that the end of the measurement period is six months earlier than the date of any possible COLA. However, as discussed later in this letter, the increase in the CPI is not currently the determining factor in whether or not to recommend a COLA.
- The System is underfunded as of the last actuarial valuation on December 31, 2021 by approximately \$1.7 billion and the funded ratio is 66.0%. Based on that valuation, the System's funding period was 33 years.
- The System is deferring \$245 million of investment gains.
- The Board has the authority to grant one-time payments that are not a permanent benefit increase.

Section 7, paragraph (h) of Article 6243n of the Vernon's Texas Civil Statutes states that "Prior to the Board authorizing the payment of an adjustment or an additional payment, the actuary must recommend such an adjustment or additional payment to the retirement board and certify in writing that, based on the sound application of actuarial assumptions and methods consistent with sound

actuarial principles and standards, it is demonstrable that the fund has and likely will continue to have the ability to pay such an amount out of its realized income after all other obligations of the fund have been paid”.

Beginning in 2007, for as long as the Supplemental Funding Plan agreement is in place, City approval will be required before COLAs can be granted.

### ***Our Recommendation***

The retiree liabilities of the System are approximately 54% of the total liabilities of the System. Granting a one-time permanent inflation-based COLA for retirees would cause only a relatively small decrease in the funded status of the System. Specifically, granting a 1.5% or 3% COLA for retirees would increase the Unfunded Actuarial Accrued Liability by approximately \$41 million or \$82 million, respectively. Based on all of the information discussed above and the actuarial assumptions incorporated into the December 31, 2021 actuarial valuation, we believe the System would have ability to pay for an adjustment or additional payment authorized by the Board in addition to all other obligations of the System as long as the current member and City contribution rates are not reduced.

In January 2017, the Texas Pension Review Board (PRB) adopted Pension Funding Guidelines. One of these guidelines deals with benefit increases. Guideline #4 states:

*Actual contributions made to the plan should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years, with 10 - 25 years being a more preferable target range. For plans that use multiple amortization layers, the weighted average of all of the amortization periods should not exceed 30 years. Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.*

While the PRB does not have any legal authority to prevent the System from increasing its benefits, we believe that it is important that the System comply with its guidelines when appropriate. Because the funding period of the System is already greater than 25 years, any additional liabilities would only increase the funding period and would therefore not be in compliance with the PRB Guidelines. (Similarly, a 13<sup>th</sup> check would also result in a funding period of more than 25 years.) Therefore, no payment could be made and still be within the PRB Pension Funding Guidelines.

It is important to note that the Board of Trustees has adopted its own Funding Policy and Guidelines (implemented November 25, 2014). The Funding Policy outlines guidelines for when the Board will consider future COLAs. Specifically, the policy states that the Board will consider supporting COLAs only when the following conditions exist:

1. A COLA can be financially supported on a regular, periodic basis preferably on an annual basis but no less frequently than every five years.
2. The funded ratio of the plan is greater than or equal to 80% after incorporating the COLA, assuming it to be regular and periodic.



Mr. Chris Hanson  
August 4, 2022  
Page 3

3. The amortization period for unfunded liabilities is less than or equal to 20 years after incorporating the COLA, assuming it to be regular and periodic.
4. The actual employer contribution rate is greater than or equal to the actuarially determined contribution rate after incorporating the cost of living adjustments, assuming it to be regular and periodic.

Based on the Board's Funding Policy, the thresholds are not currently being met to support the consideration of a COLA.

In summary, a COLA would not satisfy the PRB Pension Funding Guidelines for considering benefit enhancements. In addition, the considerations outlined in the Board's own Funding Policy indicate that the Board should not consider a COLA at this time.

Given the current funded status, the expectation that the dollar amount of the unfunded liabilities of the System will continue to grow for the next decade, and the Board's own Funding Policy, we believe it would be inappropriate for the Board to consider adding additional liabilities to the System at this time. Therefore, we recommend that the System grant neither a permanent adjustment nor an additional payment at this time.

Ryan Falls is a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

If you have any questions concerning this information or if you need additional information, please contact us.

Sincerely,



Lewis Ward  
Consultant



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

cc: Mr. Russell Nash





## 8. Receive presentation on Asset/Liability Study

**\*\*This agenda item is considered in-house training provided by COAERS, an accredited sponsor of Minimum Educational Training (MET) for purposes of fulfilling the Pension Review Board's MET Program requirements.**

Presented by David Kushner and RVK

**AGENDA ITEM 8:**  
Receive presentation on Asset/Liability Study

**AGENDA ITEM OBJECTIVE**

The Board will receive an educational presentation on the upcoming asset/liability study.

*\*\*This agenda item is considered in-house training provided by COAERS, an accredited sponsor of Minimum Educational Training (MET) for purposes of fulfilling the Pension Review Board's MET Program requirements.*

**RELEVANCE TO STRATEGIC PLAN**

This agenda item is central to **COAERS Strategic Plan Goal 1: Achieve and maintain a funding level that ensures the long-term sustainability of the retirement system.** The asset/liability study is one of the action items included in this goal.

**RECOMMENDATION FOR COMMITTEE ACTION**

For discussion and informational purposes only, no action required.

**BACKGROUND**

The Investment Policy Statement requires the Board to conduct an Asset/Liability Study at least every five years, or when there have been material changes to the contribution or benefit policy. The last Asset/Liability study was conducted in 2018. Instead of waiting until 2023 to conduct the next study, Staff believes it important to conduct this study now to model the effects of the agreed-to legislative framework COAERS can demonstrate to relevant parties the impact of the legislative proposal on the long-term financial sustainability of the System. Staff and RVK will lead an educational discussion on the process for completing the upcoming Asset/Liability study.

**ATTACHMENTS**

1. RVK presentation "Asset/Liability Study Education"
2. Course evaluation form for continuing education

September 22, 2022



# Asset/Liability Study Education

City of Austin Employees' Retirement System



# Asset/Liability Studies

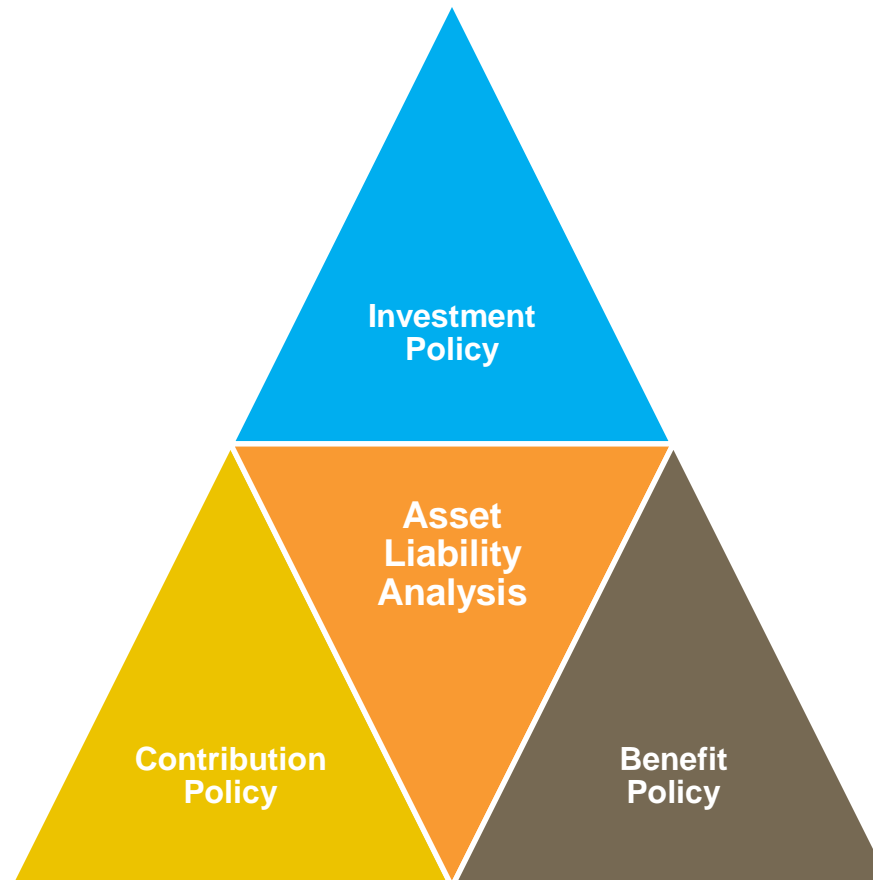
## What are they?

- **Asset/Liability Studies are...**
  - A tool to examine how well alternative investment strategies (differing asset allocations) address the objectives served by the fund – the fund “liabilities”
  - A “guidepost” for the target asset allocation of the Fund
  - The asset allocation chosen by the Board will likely reflect the nature of the liabilities but also numerous other factors including risk preferences, liquidity, implementation constraints, etc.
- **Asset Liability Studies are not...**
  - An actuarial study
  - A prescription for Fund benefits
  - An assessment of the affordability of contribution levels
  - The sole determinant of asset allocation adopted by a Fund

# Asset/Liability Studies

## What are they?

- Asset/Liability Studies are the only standard analysis that fully link all three aspects of a Retirement System's key financial drivers – Investment Policy, Contribution Policy, and Benefit Policy



# Asset/Liability Studies

## Why should a study be conducted?

- To help determine the appropriate risk and return levels the Retirement System should target when setting asset allocation targets
- If the Retirement System suffers a sustained period of lower returns in the capital markets (and thus for the Retirement System's assets)
- If the Retirement System experiences material changes in contribution policy or benefit levels
- If the Retirement System faces liquidity and cash flow issues

# Asset/Liability Studies

## What are the objectives?

- To present projected valuation results of the Retirement System with respect to the funded status of the Retirement System, including minimum required contributions, but particularly in the context of current and alternative expected long-term fund returns
- To present projected benefit payments of the Retirement System, but particularly in the context of current expected and alternative long-term fund returns
- To estimate liquidity demands on the Retirement System's assets in the context of current expected and alternative long-term fund returns
- To investigate asset allocation mixes to determine those which best serve to protect or increase funding levels, while providing adequate liquidity for benefit payments and minimizing associated risks

# Asset/Liability Studies

## Comparison with Asset Allocation and Experience Studies

	Asset/Liability Studies	Asset Allocation Studies	Experience Studies
<b>Objective</b>	Guide in the Selection of a Target Allocation	Select a Target Allocation	Set Demographic and/or Economic Actuarial Assumptions
<b>Portfolios Modeled</b>	Guideposts for Directionality Impact of Changing Risk/Return Profile of Portfolio	Specific Recommended Target Allocations	Target and/or Current Allocations (as they relate to investment return assumption)
<b>Liabilities Modeled</b>	Yes	No	Yes
<b>Range of Possible Outcomes Modeled</b>	Investment Returns, Funded Ratios, Contributions, Liquidity Demands	Investment Returns Only	Projected Change in Liabilities and Associated Costs
<b>Typical Frequency</b>	Every 3 to 5 Years	Every 1 to 3 Years	Every 3 to 5 Years
<b>Asset Allocation Implementation Specificity</b>	Low	High	None



# Asset/Liability Studies

## Components

- **Deterministic Forecast**
  - Provides an analysis of fund assets, liabilities, funded status, and benefit payments based on a fixed set of future assumptions
- **Stochastic Forecast**
  - Analyzes fund assets, liabilities, funded status, and benefit payments under many capital market environments based on expected asset returns and inflation, and their expected volatility, answering questions about the best/worst case outcomes along with the probability of such outcomes

## Comparison – Asset/Liability vs. Asset Allocation Studies

Asset/Liability Studies	Asset Allocation Studies
<ol style="list-style-type: none"><li>1. Fully strategic in nature – define strategic backdrop of the investment policy</li><li>2. Longer horizon</li><li>3. Detailed and explicit incorporation of fund liabilities</li><li>4. Gold standard for assessing the health of a benefit fund (or prefunded long-term financial commitment)</li></ol>	<ol style="list-style-type: none"><li>1. Strategic and Tactical – define the current execution of the strategic investment policy</li><li>2. Long horizon but frequent reassessment</li><li>3. Far more sensitive to changes in current capital market environment</li><li>4. Incorporate pragmatic considerations related to the implementation</li><li>5. Incorporate only a distant and indirect reference to fund liabilities</li></ol>

# Asset/Liability Studies

## Deterministic Analysis

- Uses the same assumptions as the Retirement System's actuary to project the future status of the Retirement System assuming no uncertainty
- **Some of the variables analyzed include:**
  - Demographics – Active and inactive participant counts
  - Benefit Payments
  - Contributions
  - Asset Values
  - Actuarial Liabilities
  - Payout Ratio
  - Funded Ratio
- **Benefits of Deterministic Analysis**
  - It is simple and the findings reflect what will happen if the future turns out to be precisely as forecasted - no better, but also no worse
  - It is useful for gauging the general direction of change and associated consequences
  - It allows for sensitivity analysis such as assuming lower returns or higher contributions

# Asset/Liability Studies

## Stochastic Analysis

- **Introduces uncertainty to the projections...**
  - Future rates of return and inflation based on RVK's most recent capital market assumptions
- Analyzes most likely outcomes based on Monte Carlo simulation as well as the likelihood and severity of worst case and best case outcomes
  - 4 to 6 potential target allocations identified for the System to consider
- Focuses on funding ratios and payout ratios
- Analyzes probability of full funding and insolvency in 20 years
- This analysis is helpful in making asset allocation decisions
- Stochastic analysis is more complex but also more realistic and offers insights into the range of potential outcomes

# Asset/Liability Studies

## Stochastic Analysis

A wide range of investment portfolios are tested because at the heart of the Retirement System's situation is a simple question that is difficult to answer -- *Whether the Retirement System would benefit following a strategy that:*

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

# Asset/Liability Studies

## Stochastic Analysis

Essential to answering this question is to ask precisely how the Retirement System's broader constituencies define what "better off" means. The metrics we use for each to determine whether the Retirement System is "better off" under one approach versus another are:

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

# Sample Asset/Liability Study

## Stochastic Analysis – Payout Ratio

- **Payout ratio** measures the percentage of Plan assets in any given year that must be converted to cash and expended to meet benefit payments due
- Increased payout ratios can impose liquidity constraints on the management of the portfolio (inhibiting the ability of the Plan to invest with a long term horizon), therefore limiting the opportunity to invest in less liquid asset classes regardless of the return or risk reducing diversification benefits they offer

PORTLAND

BOISE

CHICAGO

NEW YORK

**Disclaimer of Warranties and Limitation of Liability** - This document was prepared by RVK, Inc. (RVK) and may include information and data from some or all of the following sources: client staff; custodian banks; investment managers; specialty investment consultants; actuaries; plan administrators/record-keepers; index providers; as well as other third-party sources as directed by the client or as we believe necessary or appropriate. RVK has taken reasonable care to ensure the accuracy of the information or data, but makes no warranties and disclaims responsibility for the accuracy or completeness of information or data provided or methodologies employed by any external source. This document is provided for the client's internal use only and does not constitute a recommendation by RVK or an offer of, or a solicitation for, any particular security and it is not intended to convey any guarantees as to the future performance of the investment products, asset classes, or capital markets.



### Minimum Required Educational Training (MET)

**Course Name:** Asset/Liability Study Education

You have completed a Minimum Educational Training (MET) program offered by the City of Austin Employees' Retirement System (COAERS), a Pension Review Board accredited sponsor. All accredited sponsors must provide participants a process for evaluating the quality of the course.

**Course Objectives:**

The objective of this course was to provide an overview of the Asset/Liability Study process including key inputs and outputs.

**Evaluation:**

Please take some time to provide a rating on the items below. You may also leave any additional comments that you think may be helpful for future courses.

Please provide a rating on these items	I strongly agree	I agree	I disagree	I strongly disagree
1. These course objectives were met.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. The facilities and technology were satisfactory.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. The instructor was effective.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. The program content was relevant and up-to-date.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Additional Comments:**

Thank you for your feedback.



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

Presented by David Stafford

**AGENDA ITEM 9:**  
Discuss and consider Premier List for Global Equities  
including funding implementation plan

**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 Global Equities.

**BACKGROUND**

The Investment Implementation Policy (IIP) requires Staff to develop and maintain a Premier List of viable managers for potential inclusion within each allocation of the Fund. The IIP also requires the Premier List for each asset class to be reviewed with the Board via the Investment Committee on an annual basis.

Staff will lead the required annual review of the current construction and composition of the Global Equity allocation, including the associated Premier List.

**ATTACHMENTS**

1. Staff Presentation "Annual Review of Global Equities" [Portions CONFIDENTIAL]
2. Proposed COAERS Premier List [CONFIDENTIAL]



# Annual Review of Global Equities

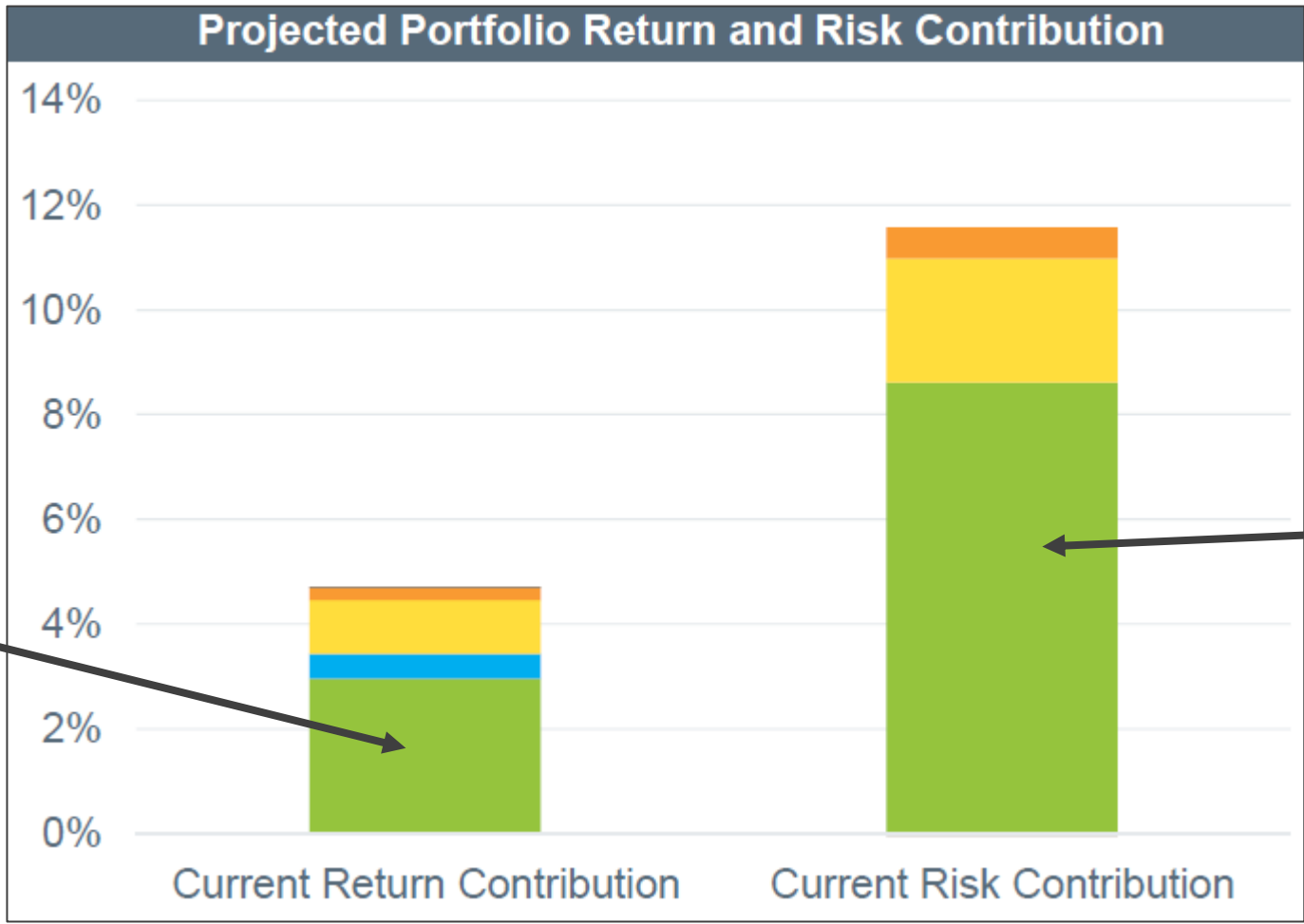
David Stafford

Deputy Chief Investment Officer

September 22, 2022

# Role of Global Equities in the Total Fund

- Global Equities represent the largest allocation in the Strategic Asset Allocation parameters at a neutral weight of 56% and effective structuring is key to successful outcomes for the total Fund
- Despite their weighting at just over half of Fund assets, Global Equities contribute to approximately ~65% of expected returns and ~80% of expected risk

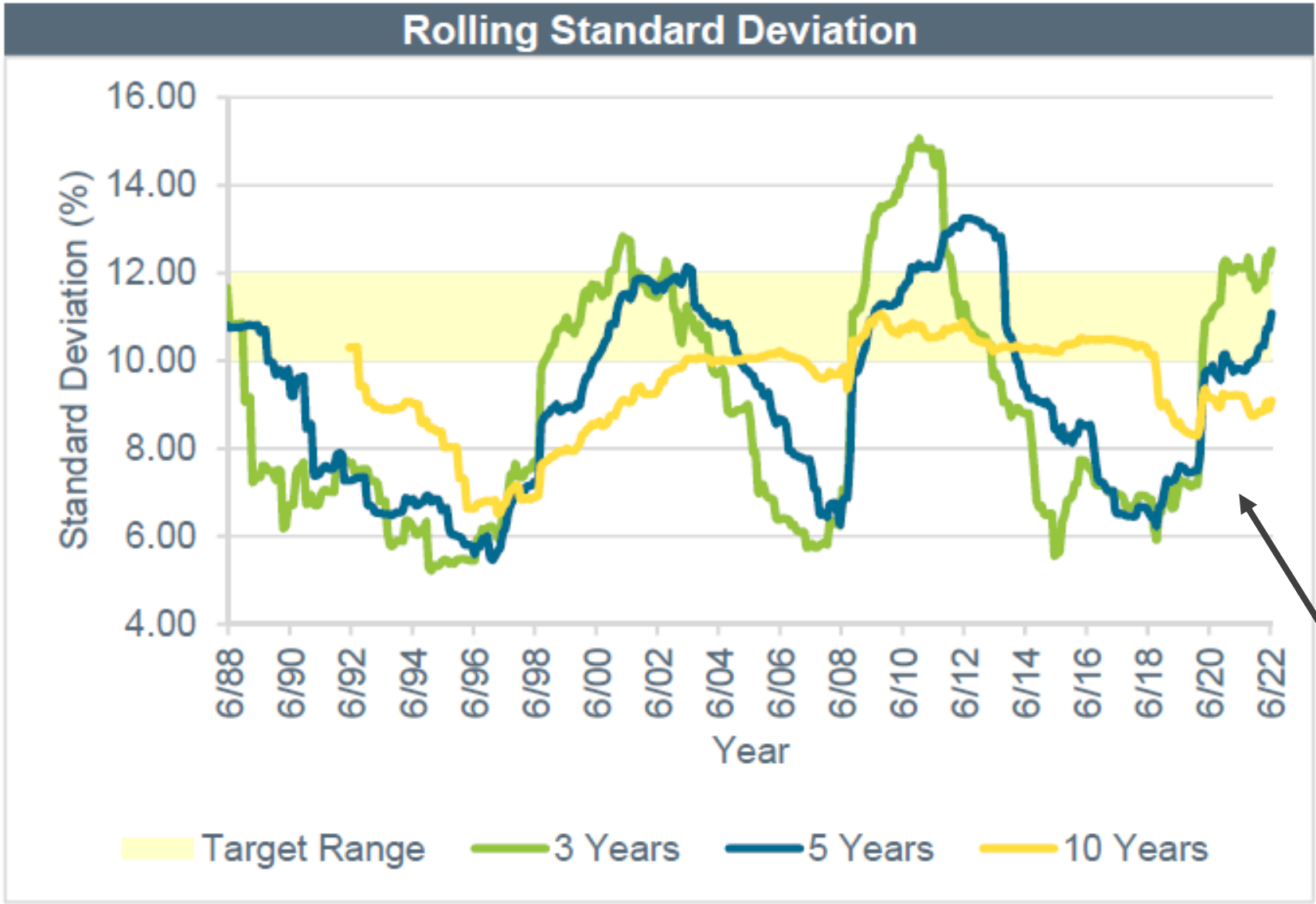


Using RVK capital market assumptions, equities contribute the vast majority of expected returns for the total Fund

This is even more so when considering Fund risk, as equities contribute **nearly all of the expected risk** when taking into account the equity beta inherent in Real Assets and Multi-Asset

■ Global Equity ■ Fixed Income ■ Real Assets ■ Multi-Asset ■ Cash

# Need for Risk Management



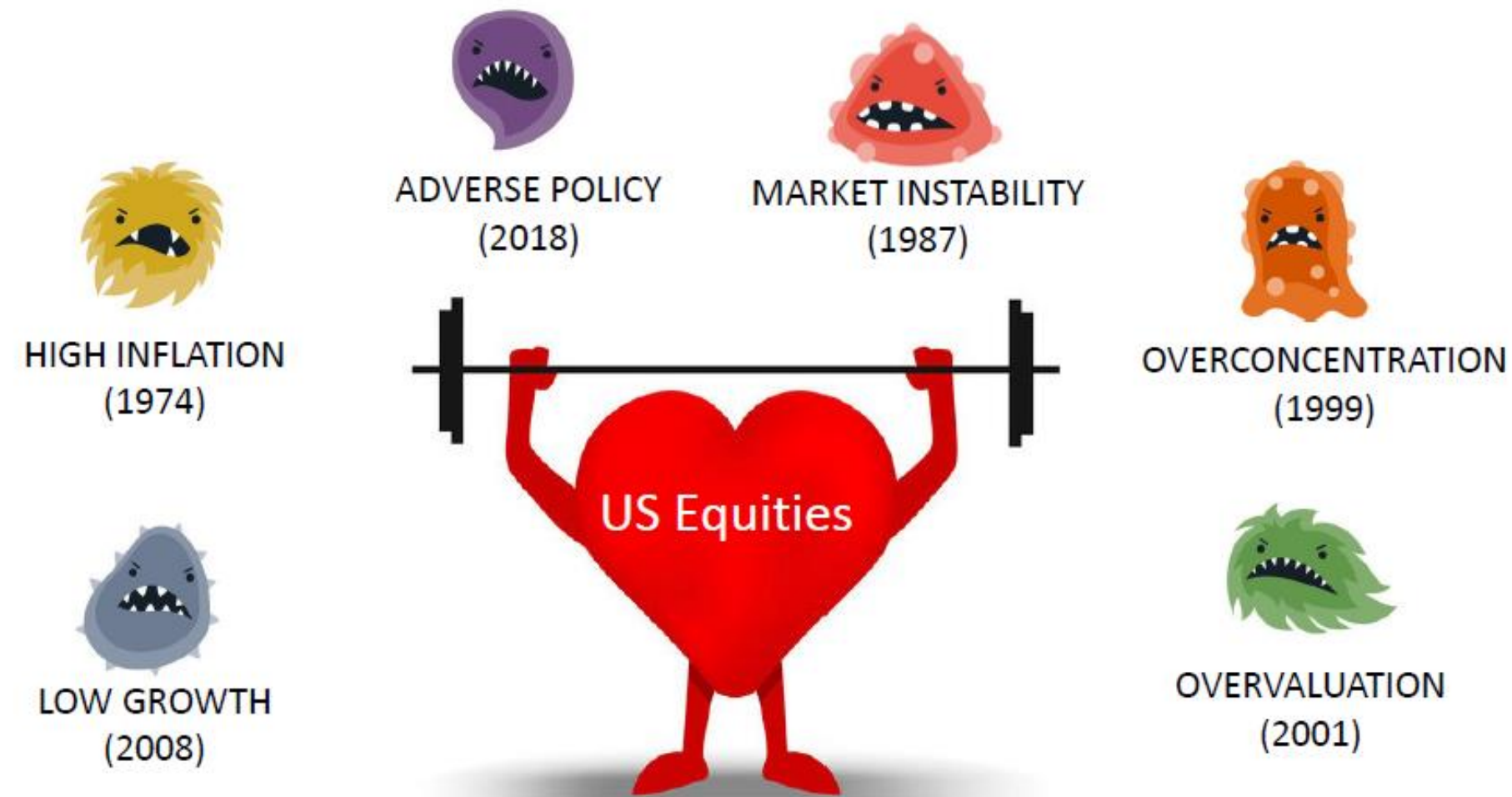
- Given the large volatility contribution from Global Equities, the IPS requires that Staff maintain a risk framework to inform the total Fund profile
- This **Investment Risk Framework** helps inform the right mix of asset classes (Strategic Asset Allocation) and the right types of strategies to employ within Global Equities (implementation choices such as DM, EM, etc.)
- A key component of this framework and the Fund’s overall strategy is **maintaining prudent levels of diversification** in order to increase returns and reduce risk

Given the potential for large drawdowns (below) and higher standard deviation, equity exposures cause total Fund volatility (above) to fluctuate significantly

Notable Equity Drawdowns	Drawdown (%)	Duration (months)
COVID Pandemic	-34%	1
Global Financial Crisis	-56%	17
Dot-Com Bubble	-51%	31

# Maintaining Diversification within Equities

- Passive, publicly listed US equities are the core of the Fund since they provide long-term growth to help fund the System's liabilities, consistent with adopted investment beliefs
- In addition to allocating across different asset classes, other equity exposures seek to **complement and/or diversify that core**, such as current implementations in international developed markets equities and emerging markets equities



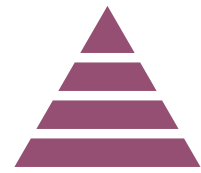
# Select Risk Management and Diversification Examples

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- Considering this, the Fund implements diversifying exposures within Global Equities including:



**International** Developed and Emerging Market exposures help mitigate geographic risk of US equities and US economic growth



**Diversified indices**, such as equal weight, in US equities limit exposure to the tech-heavy, market capitalization weighted benchmark



**Active Management** in international equities where there is a higher probability of successfully outperforming on a net of fees, risk-adjusted basis



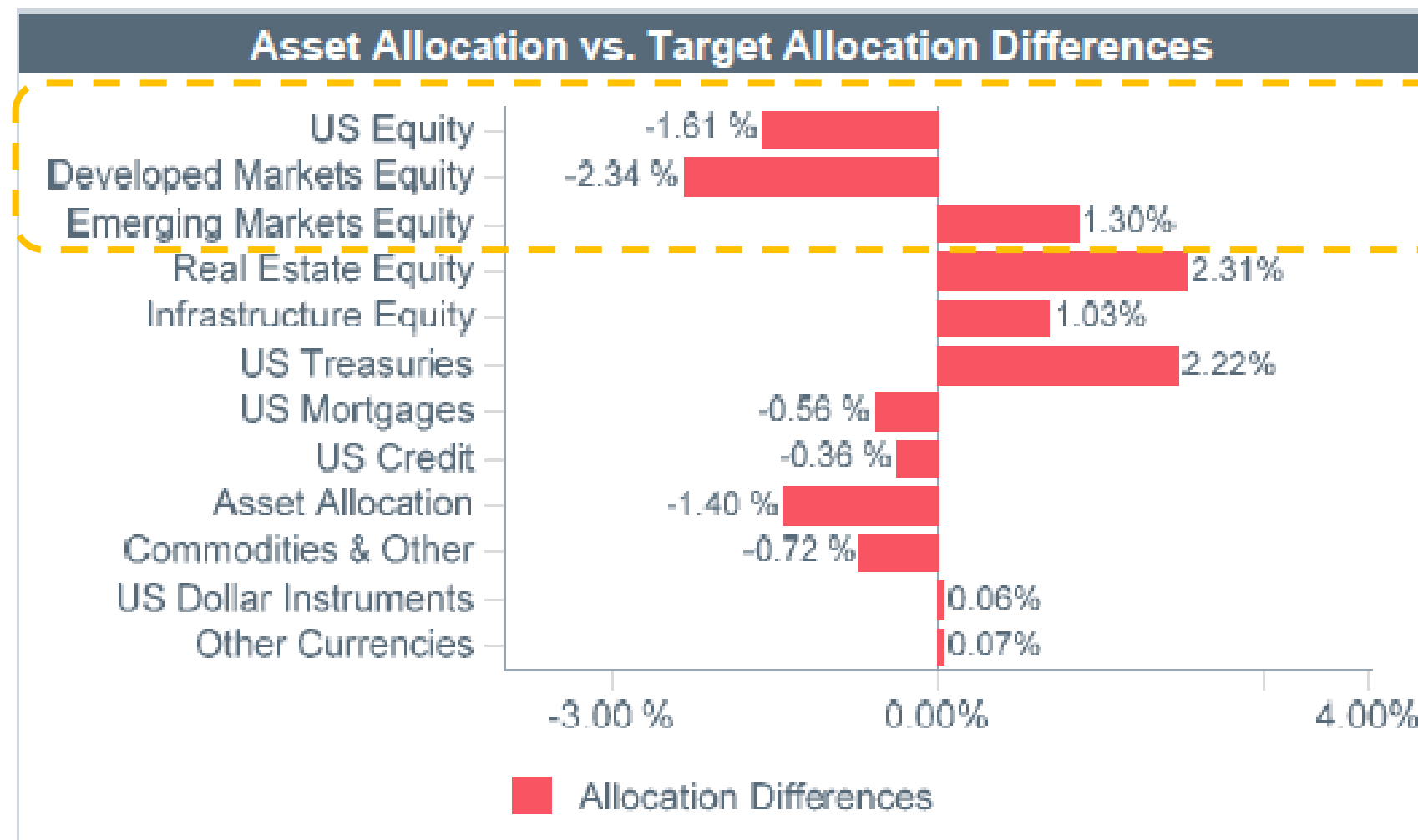
**Currency Hedged** mandate in developed markets equities limits the foreign currency risk that comes along with these investments

# Current Implementation and Performance



# Global Equity – Current Allocation

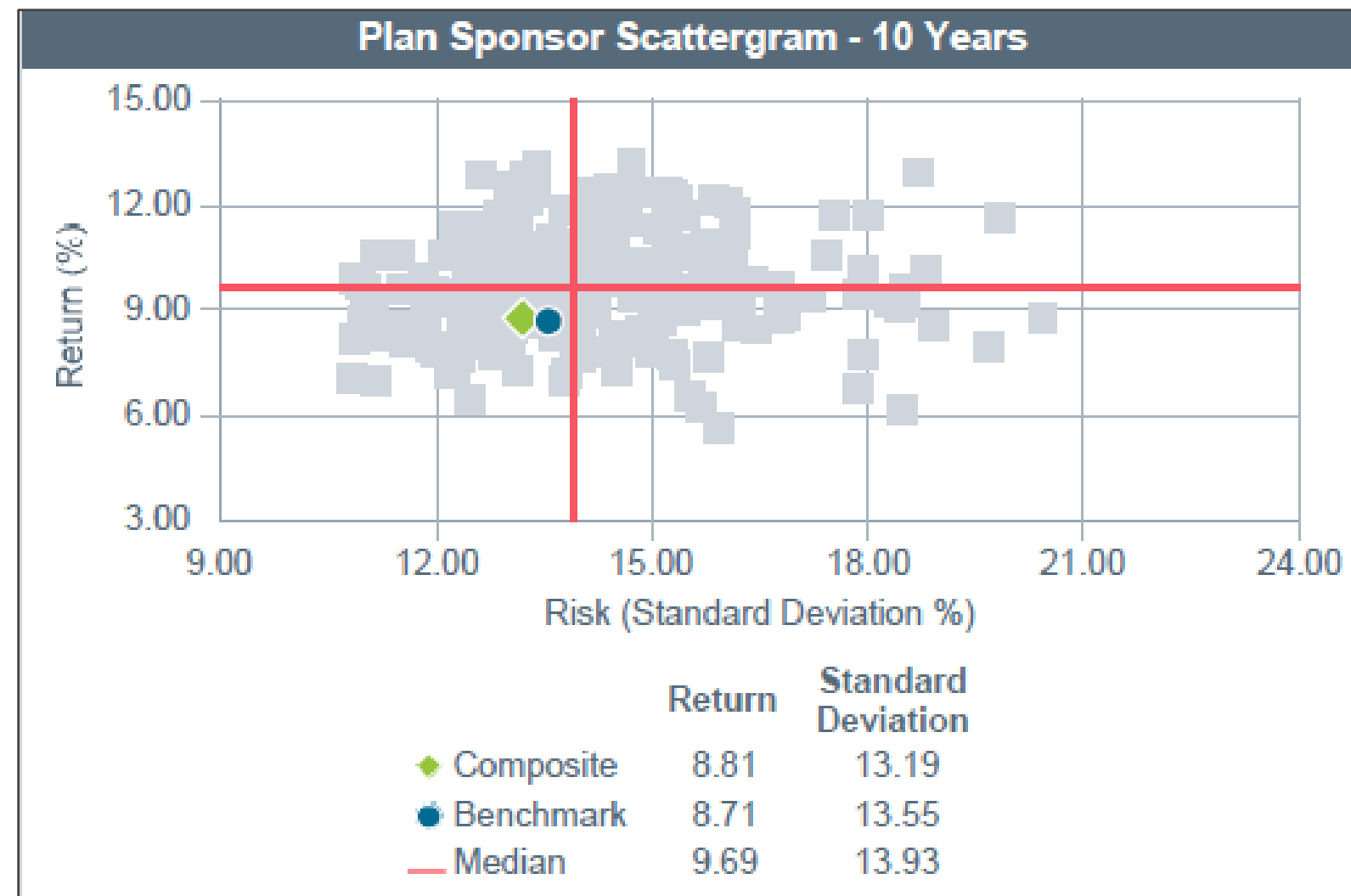
- After a strong showing in 2021, Global Equities have struggled in 2022 with most markets entering “bear market territory” during Q2 with drawdowns near 20%
- This performance alongside Board approved rebalancing during the year has resulted in Fund positioning that is modestly underweight (-2.6%) target



# Overall Global Equity Performance

- Investment goals in the IPS focus on earning high risk-adjusted returns as opposed to only focusing on absolute return numbers
- On a risk adjusted basis, Global Equities have performed slightly better than the benchmark while the peer median equity program had slightly higher returns alongside more risk

While the dispersion of results for both risk and return may seem high in public equities, outcomes tend to be even wider in private markets



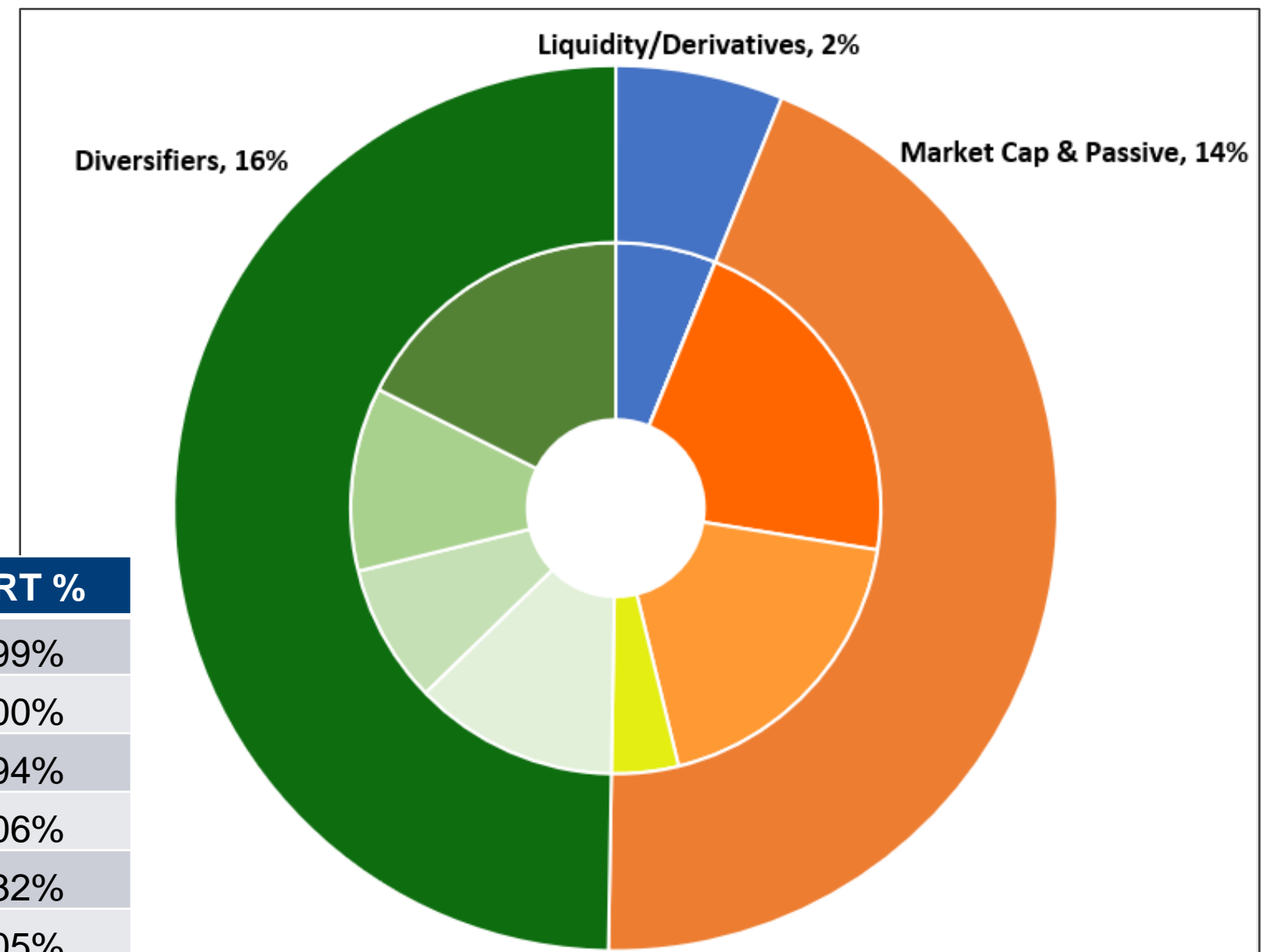
# US Equities Performance

- US Equities sub-asset class has experienced strong absolute performance over longer periods, but has struggled on a relative basis over the same time period
- Over the past 3 years, the Board has restructured most of this portfolio including adding diversifying equity strategies as a risk mitigation effort when US equity markets began reaching record concentration levels in 2020

	Rate of Return						
	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years
Composite	-16.70	-21.05	-14.38	7.40	8.74	8.63	11.30
Benchmark	-16.87	-21.29	-13.17	9.87	10.65	10.47	12.60
Excess Return	0.17	0.24	-1.21	-2.47	-1.91	-1.84	-1.30

# US Equity Mandate Categories

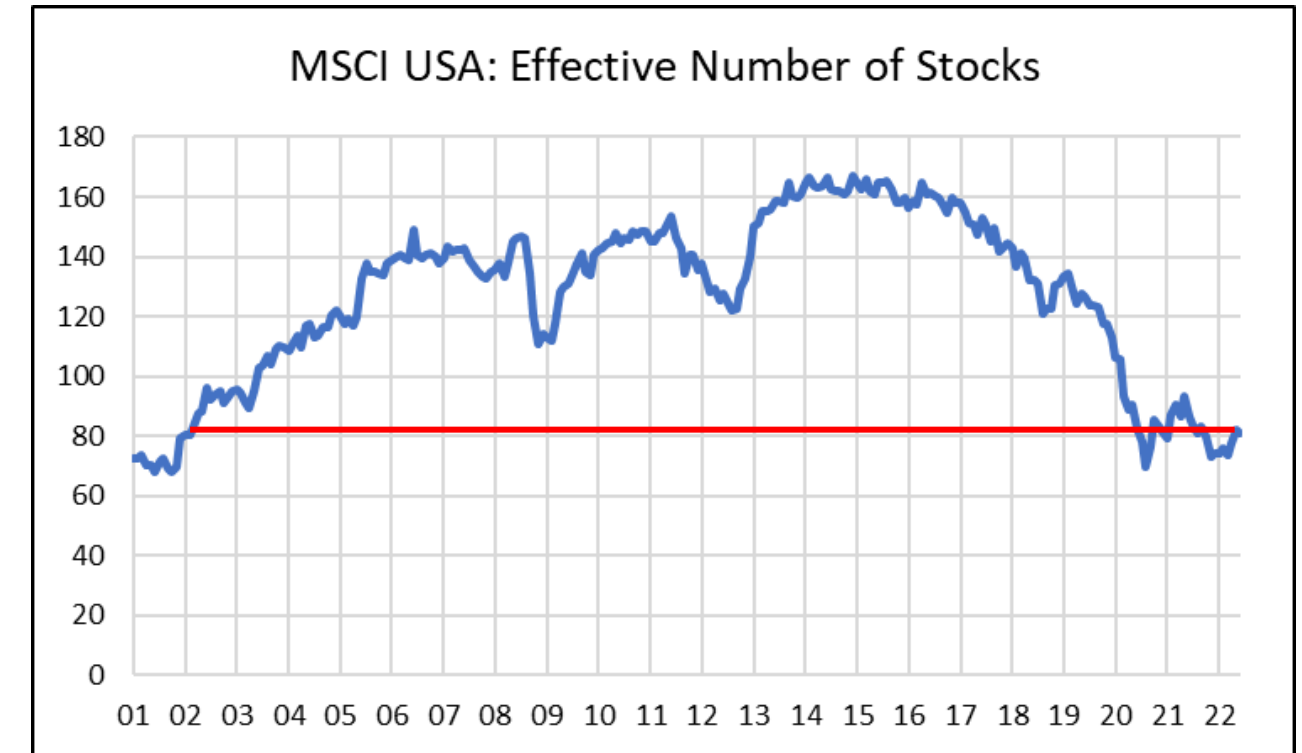
- **Liquidity/Derivatives** provide low cost, passive exposure and leverage when appropriate
- **Market Cap & Passive** mandates provide exposure to the underlying benchmark
- **Diversifiers** offer diversification to the benchmark and control for concentration and overvaluation risks



MANDATE	CATEGORY	MKT VAL (\$)	PORT %
NISA - S&P 500 INDEX FUTURES	Liquidity/Derivatives	58,721,614	1.99%
NISA - S&P 500 INDEX OPTIONS	Liquidity/Derivatives	62,037	0.00%
NEWTON - DYNAMIC US EQUITY (DUSE)	Market Cap & Passive	204,945,287	6.94%
LGIMA - MSCI USA INDEX	Market Cap & Passive	179,043,091	6.06%
SSGA - MSCI USA SM CAP INDEX	Market Cap & Passive	39,097,261	1.32%
MELLON - SCIBETA US MAX DECORR INDEX	Diversifiers	119,750,746	4.05%
LGIMA - SCIBETA INFLATION PLUS	Diversifiers	80,812,620	2.73%
TOBAM - MAX DIVERSIFICATION INDEX	Diversifiers	107,253,313	3.63%
SSGA - MSCI USA EW INDEX	Diversifiers	168,945,729	5.72%

# Austin Model of Diversification in US Equities

- Currently, benchmarks are as concentrated as they were during the Tech Bubble of the early 00's, prompting Staff and the Board to pursue a more diversified approach
- This is accomplished through a suite of strategies which are expected to provide diversification across sectors, correlations and individual stocks
- As such, these strategies are generating tracking error afforded by policy to reduce idiosyncratic stock risk



**HISTORICAL CORRELATIONS (SINCE JAN 2000) OF EXCESS RETURN VERSUS MSCI USA NET TR**

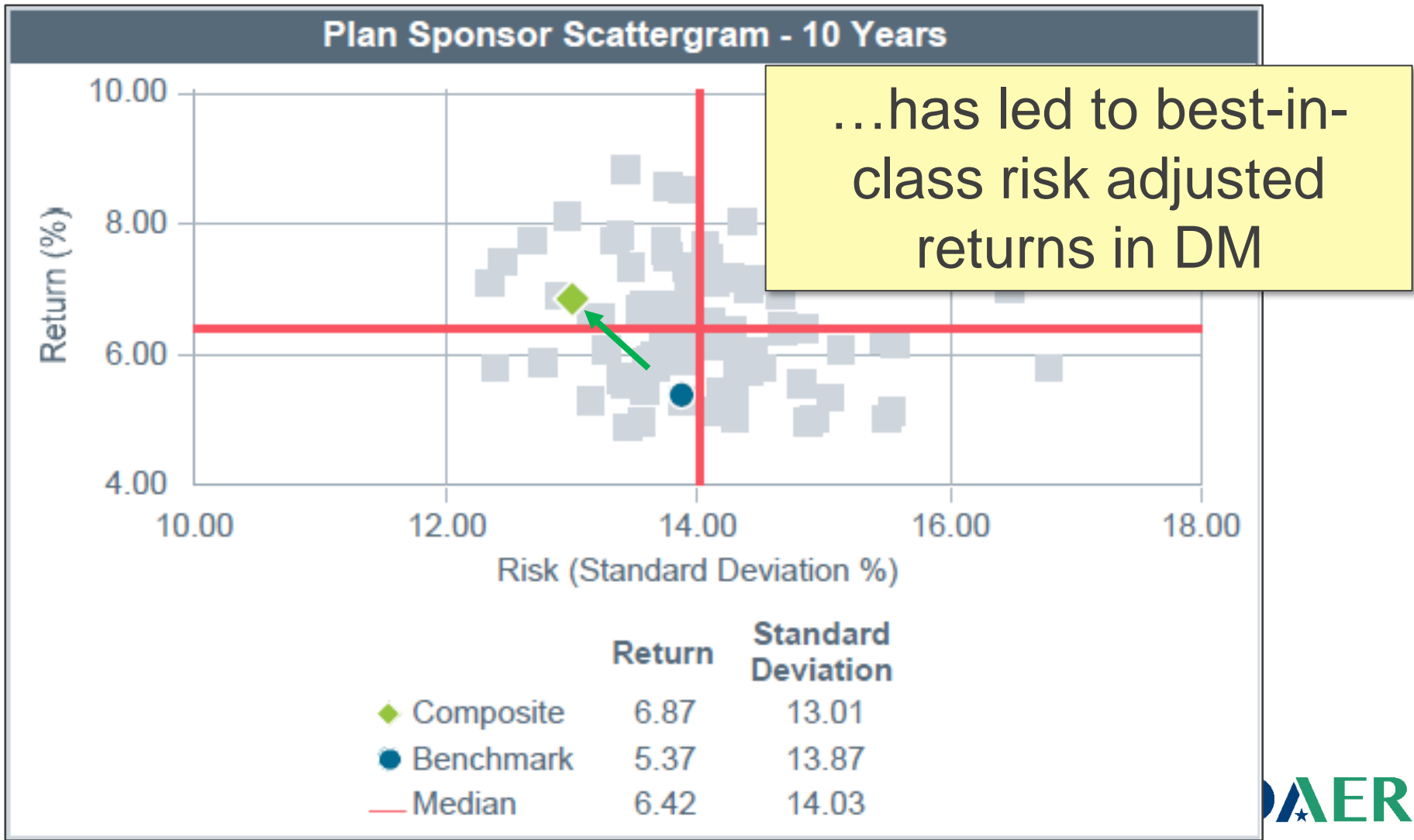
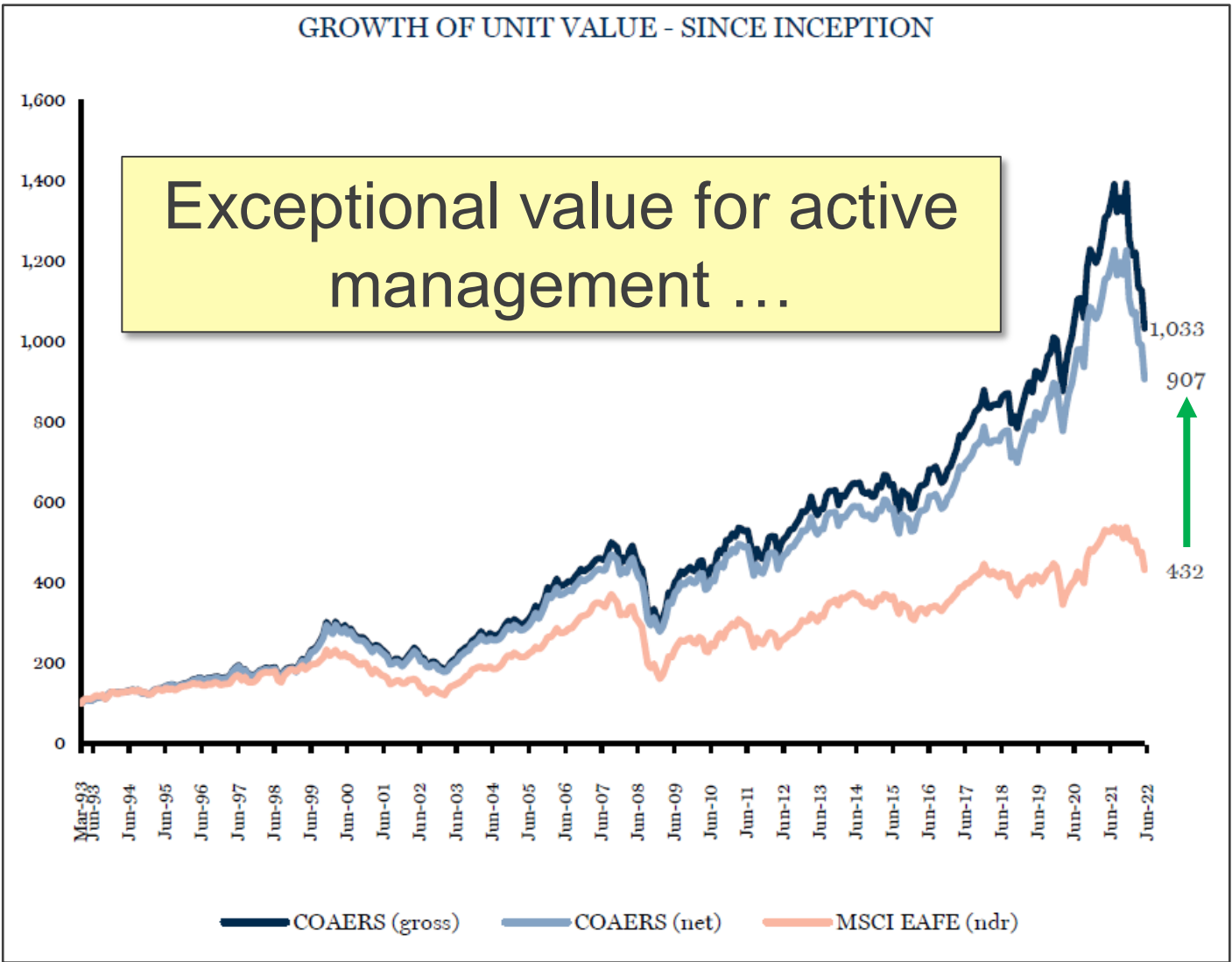
	Neutral	Maximum
<b>TOTAL FUND</b>	<b>150 bps</b>	<b>300 bps</b>
US Equity	200 bps	500 bps
Developed Market Equity	400 bps	700 bps
Emerging Market Equity	500 bps	800 bps
Fixed Income	150 bps	300 bps
Real Assets	350 bps	500 bps
Multi-Asset	300 bps	600 bps

	Sci Beta Inflation+ *	TOBAM Max Div	Sci Beta Max Decorr	MSCI USA Equal Weight
Sci Beta Inflation+	1.00			
TOBAM Max Div	(0.00)	1.00		
Sci Beta Max Decorr	0.40	0.54	1.00	
MSCI USA Equal Weight	0.35	0.27	0.62	1.00

\* Inflation+ data begins in Jan 2009

# Developed Markets Equities Implementation: Mostly Active

- Given the higher probability of success, most DM mandates are actively managed, and fees paid have provided significant value
- Walter Scott and 1607, both active mandates, are the largest allocations in DM Equities and have provided significant value on a net of fees basis (2X the benchmark for Walter Scott)



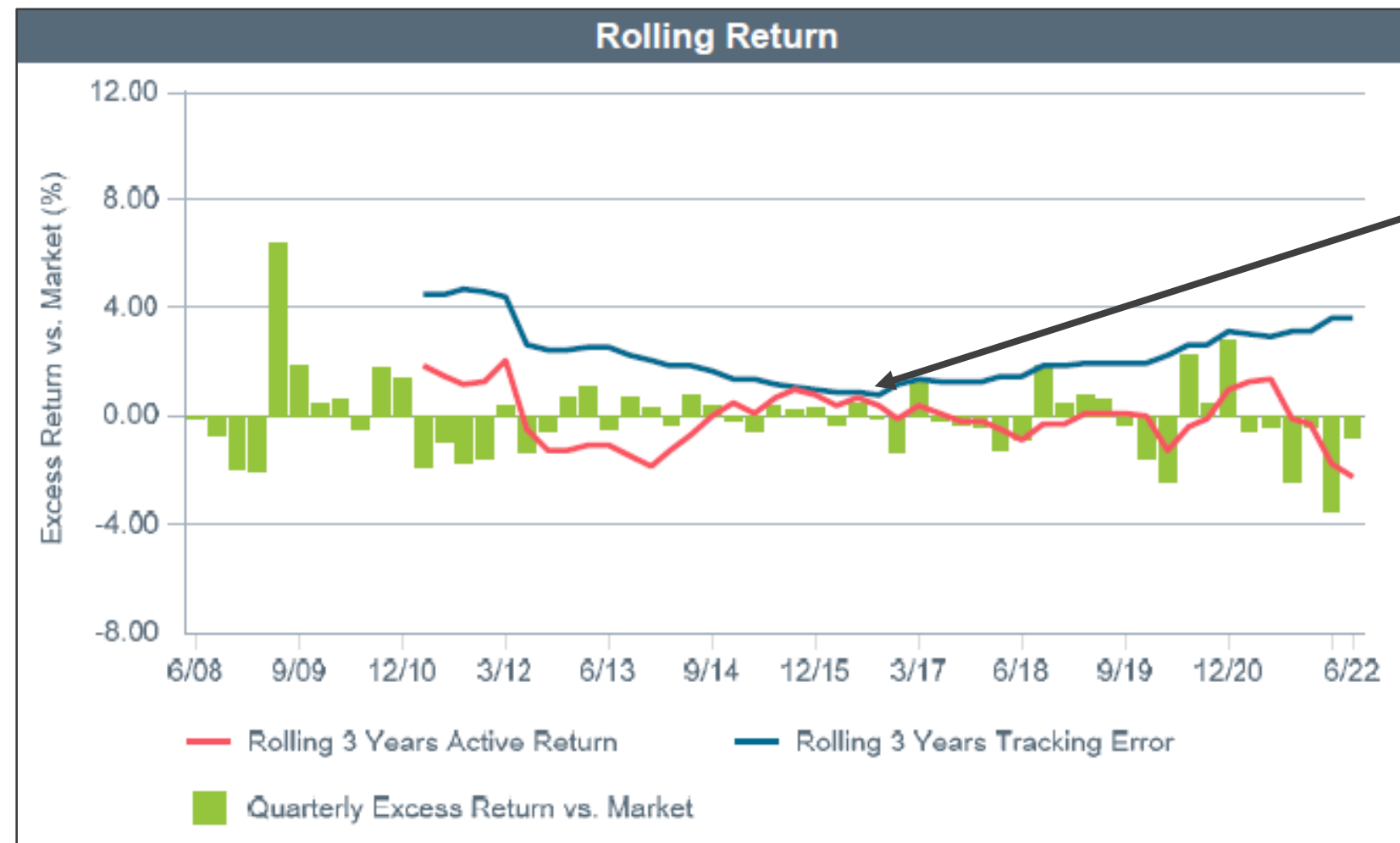
# Developed Markets Equities Implementation: Liquidity

- Implementing with futures in DM Equities provides better liquidity than investing in only the underlying securities and mitigates forced selling of active positions
- Approximately 15% of the DM Equities sub-asset class implementation is through futures, in a hedged currency mandate and in an unhedged currency mandate
- The foreign currency risk associated with DM Equities provides varying levels of diversification and hedging this has reduced risk significantly within DM Equities since the mandate's launch

	Allocation		Rate of Return (%)							
	Market Value (\$)	%	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	Since Incep.	Inception Date
<b>NISA EAFE Futures (SA)</b>	<b>29,304,279</b>	<b>0.99</b>	<b>-12.62</b>	<b>-18.16</b>	<b>-16.94</b>	N/A	N/A	N/A	<b>-0.26</b>	<b>02/01/2020</b>
MSCI EAFE Index (USD) (Net)			-14.51	-19.57	-17.77	1.07	2.20	5.40	-0.60	
Excess Return			1.89	1.41	0.83	N/A	N/A	N/A	0.34	
IM All EAFE (MF) Median			-13.19	-19.38	-18.37	1.48	1.94	5.05	-0.17	
Rank			39	33	29	N/A	N/A	N/A	53	
<b>NISA FX Hedged EAFE Future (SA)</b>	<b>32,492,223</b>	<b>1.10</b>	<b>-6.17</b>	<b>-9.81</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-9.81</b>	<b>01/01/2022</b>
MSCI EAFE Index (USD) (Net) (Hedged)			-7.28	-10.53	-5.39	5.83	6.05	9.31	-10.53	
Excess Return			1.11	0.72	N/A	N/A	N/A	N/A	0.72	
IM All EAFE (MF) Median			-13.19	-19.38	-18.37	1.48	1.94	5.05	-19.38	
Rank			1	2	N/A	N/A	N/A	N/A	2	

# EM Equities Implementation: ... Young and Active

- Baillie Gifford's active mandate is the largest allocation in Emerging Markets Equity and is the oldest of the three EM mandates
- The other two mandates are a passively implemented EM commingled fund and EM futures
- EM equity tracking error of 269 bps on a 10-year basis is below the IPS neutral target (500 bps), so there is still room to add relative risk via additional active mandates



Baillie Gifford was funded in 2016 and has added 1.47% net of fees over the index since inception despite recent underperformance



**COAERS**

Summary

# Summary

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- Given the upcoming Asset/Liability Study, Staff feels that maintaining the low-cost approach to the Global Equities portfolio remains appropriate:
  - Maintaining high levels of diversification in US Equities remains prudent given persistent concentration levels of the benchmark
  - Active management in DM Equities remains the preferred approach and short-term volatility is to be expected from time to time
  - EM Equities managers have added value net of fees since inception, but Staff will continue to explore diversifying strategies and other ways to prudently use active risk budget

## 10. Legislative Committee:

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

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

AGENDA ITEM 10:  
Legislative Committee:

A. Receive report on draft legislation for 88<sup>th</sup> Legislative Session

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to receive an update on the development and drafting of pension legislation for the 88<sup>th</sup> Legislative Session.

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

For informational purposes only, no action required.

BACKGROUND

At its June meeting, the Board approved the recommendations of the COAERS/City of Austin working group related to long-term plan sustainability and referred the development of legislation for the 88<sup>th</sup> session to the Legislative Committee. Staff provided a report to the Committee on the status of draft legislation, including contribution policy items that are to be included in the proposed legislation, as well as shared a report on feedback from COAERS stakeholders on the proposed legislation.

Staff will provide an update to the Board on the status of the draft legislation as well as any additional member feedback received since the Committee meeting related to the proposed legislation. Materials related to this agenda item which were provided to the Committee have been also provided under “Supplemental Information”.

ATTACHMENT

1. Report on Stakeholder Feedback to Proposed Legislation

SUPPLEMENTAL INFORMATION PROVIDED VIA CONVENE APP

1. Staff presentation “Long-Term Plan Sustainability”
2. Report on Draft Legislation
3. Proposed revisions to COAERS Governing Statute 6243n

# Plan Sustainability Proposal

## Member Comment Submissions



Member Status	Comment
Active Member	<p>I have coordinated with COAERS since coming back to the City in 3/2021, planning for my very important goal of completing an additional service purchase when I attain 5 years of service. This possibility was one of the reasons I accepted this position. I have worked in the private sector between 2006 and 2021, and have saved liquid funds planning for this service purchase. I have not taken risk in investment in order to ensure I have the amount needed. My plan was to buy in Feb 2024, or as soon as possible. My understanding is that 2/2024 is the soonest I can do this. I watched the presentation and it appears the changes would go into effect in Jan 2024, a month before I would be eligible. A change to Group A and the timing of it will derail my retirement plans. It further requires me to rethink my decision to take this employment path with the City. As you know, one of the things we weigh as public servants is the benefits, especially when the compensation is so far below the market rate. If this goes through as planned, it may not make sense for some employees to continue dedicating precious years to the City. It is my hope that any changes would not apply to Group A. Thank you.</p>
Active Member	<p>Your option for military buy back is unacceptable for our service members who served our country. This is a disservice to them and if approved will be escalated.</p>
Active Member	<p>I do not agree with eliminating the Military Service purchase 75% subsidy.</p>
Active Member	<p>removing the 75% subsidy for military purchases is a disservice to those who served. - moving service purchases to only be allowed AFTER retirement eligibility defeats one of the main purposes, to be able to purchase time so that we can be eligible to retire earlier then our original date. I have seen it many times, people purchase their time to get out of a bad situation (bad supervisor/mgr). If they don't have this option, then they will just leave. COAERS has now contributed to the cycle of not being able to hire qualified employees or retain the current ones. Salaries are already lower compared to private companies, the retirement (plan A) was one of the last saving graces for the City to keep good employees, this was changed with implementation of plan B. Now the military service purchase and the proposal to only have the capability to purchase AFTER retirement eligibility.... I understand the need for sustainability and funding, but City operations and quality employees are already hard to find, these changes make it nearly impossible.</p>

# Plan Sustainability Proposal

## Member Comment Submissions



Member Status	Comment
Active Member	I believe removing the Military service purchase 75% subsidy is unfair and unwarranted to our veterans. The City of Austin prides itself on how many veterans currently work here and removing the subsidy completely should be revisited. Maybe the percentage can be reduced, to help bolster the retirement funds. Many veterans working at the city currently do not have the funds available to purchase 4-20 years of time now and may never will. This change will impact most of the newly hired veterans who are on the Group B 30 term plan. This proposal is stripping them of service years they honorable earned, while keeping the sick leave conversion plan relatively intact. I believe reducing the subsidy to 50% would still provide more benefit to the overall plan and veterans instead of removing the option completely.
Active Member	This is yet another slap in the face by our leadership. They throw us a biscuit (4% COLA) then demand half of it back! Hello, we're dealing with 10% inflation over here!! Sickening!
Retired Member	I would like to know why retirees do not receive a cost of living raise when the city receives one. I feel that we should also be compensated just like the rest of the city employees. Our insurance goes up and with inflation, we should receive the cost of living wage. Is it really a benefit to do 20 plus years, retire and still have to struggle to make ends meet? I am just a concerned retiree with 23 years of service.
Active Member	I do not support a 2% increase in contribution. City employees just won a much-needed 4% raise. This then reduces our raise to 2%. While I understand the importance of retirement benefits, in the meantime we all need to be able to pay our rent and mortgages. Austin is very expensive to afford housing. Please allow City of Austin employees to remain well-housed and do not force a 2% additional contribution. Alternatively, perhaps only vested employees should be required to add an additional contribution.

AGENDA ITEM 10:  
Legislative Committee:

B. Receive update on long-term sustainability and pension legislative forum

AGENDA ITEM OBJECTIVE

This agenda item is intended for the Board to receive an update on the planning of an information forum related to the work on COAERS long-term financial sustainability and pension legislation for the 88<sup>th</sup> Legislative Session.

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

For informational purposes only, no action required.

BACKGROUND

At the July Member Meeting, COAERS announced its intention to host another member event related to the proposed pension legislation for the 88<sup>th</sup> Legislative Session. Staff will update the Board on the details of the event including date, location, and communication efforts to notify COAERS membership.

# 11. Discuss and consider Communications Policy

Presented by Christopher Hanson



**AGENDA ITEM 11:**  
**Discuss and consider Communications Policy**

**AGENDA ITEM OBJECTIVE**

This item is designed for the Board to consider revisions to the Board Communications Policy.

**RELEVANCE TO STRATEGIC PLAN**

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and implement leading practices in board governance, pension administration, and investment management**. It is an industry best practice to review policies on a regular basis.

**RECOMMENDATION FOR BOARD ACTION**

The Policy Committee recommends approval of proposed changes to the Board Communications Policy.

**BACKGROUND**

In 2021, the COAERS Board adopted the Board Communications Policy, which was recommended for creation as part of the 2020 Governance Effectiveness Assessment. The Policy requires an annual review, and the first review of the Policy is due this year. The Policy Committee has reviewed and proposed revisions to the Policy to include a new subsection which addresses Trustee communications during legislative sessions.

**ATTACHMENT**

1. Draft Board Communications Policy



## Board Approved Policy

Subject: Communications

Review Committee: Policy

Date Implemented: September 21, 2021

Date Updated: ~~N/A~~ September 22, 2022

Signature of Chairperson:

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Chris Noak

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

**I. PURPOSE AND SCOPE**

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

**II. COMMUNICATION PRINCIPLES**

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

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

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

**III. ROLES AND RESPONSIBILITIES**

**A. Board of Trustees**

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

## **B. Policy Committee**

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

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

## **C. Executive Director**

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

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

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

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

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

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

## **E. Individual Trustees of the Board**

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

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

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

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

#### **IV. COMMUNICATION GUIDELINES**

##### **A. Communication with the Media**

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

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

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

##### **B. Social Media Usage**

Social media refers to online tools that provide individual users and organizations with the ability to create and share content with online communities. This may include, but is not limited to, Facebook, Twitter, LinkedIn, Instagram, YouTube, WhatsApp, TikTok, and Snapchat.

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

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

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

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

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

### **C. Communication with Government Officials**

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

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

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

### **D. Communication During Legislative Sessions**

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

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

### **E. Communication with Plan Members**

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

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

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

### **F. Board Materials**

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

### **G. Third Party Requests to Service Providers**

Service Providers of the Board, including but not limited to the actuary, legal counsel, Plan Administrators, and Investment Managers and other consultants are occasionally approached by a third party to speak on matters related to the System. In this case, the service provider is asked to:

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

#### H. **Third Party Requests to Provide Information to System Members**

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

1. The Board remains in compliance with the Texas Penal Code Sec 16.02 and Title 109, Article 6243n, Section 13 Vernon's Texas Civil Statutes on the use of personal information.
2. In the opinion of the Board, the purpose and values of the third party are consistent with those of the Board and System.
3. The information is not of a commercial or lobbying nature.
4. The information does not directly or indirectly imply that the Board endorses a product, service, or organization.
5. Any direct costs to provide the information to System members are not borne by the System.
6. New communication products and vehicles will not be created solely to disseminate third party information.

The Board will not charge a third party a fee for providing access to COAERS members through System-related communications products and vehicles, other than to recover any direct costs.

The Board may approve posting links to third party websites on the COAERS website subject to the criteria above.

#### **V. REGULATORY FRAMEWORK**

The System is administered in accordance with state law Title 109, Article 6243n, Vernon's Texas Civil Statutes; Chapter 802, Texas Government Code; the Texas Administrative Code Title 40: Part 17; and various state statutes, including but not limited to tax and privacy legislation, the Texas Open Meetings Act and Texas Public Information Act, and all communication activities of the Board will be administered in



compliance with that legal framework.

## VI. ROUTINE DISCLOSURE OF INFORMATION

The System will make the following information available on the public website or on the request of interested parties:

1. COAERS foundation documents and Board policies: COAERS statute; COAERS Board Policies including the Code of Ethics, Investment Policy Statement, Investment Implementation Policy, the Funding Policy; and the Benefits Administration Operating ~~Procedures;~~Procedures.
2. Information including the requirements of Texas Government Code Section 801.209 regarding the System's membership, annual investment, actuarial and financial ~~reports;~~reports.
3. COAERS Annual Comprehensive Financial Report, COAERS Member Handbook, newsletters, forms for members and retirees, appeals process and website content on a wide range of pension ~~information;~~information.
4. The names of the individuals on the Board and how to contact the Board;~~and,~~
5. Highlights of each Board and committee meeting including governance and policy decisions, through the publishing of approved meeting minutes.

The System will make available, on request, any other document or information that is not protected due to its personal, legal, or otherwise confidential nature.

## 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

Presented by Christopher Hanson

AGENDA ITEM 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

13. Discuss and consider Benefits

**Administration Policy**

Presented by Russell Nash

**AGENDA ITEM 13:**  
**Discuss and consider Benefits Administration Policy**

**AGENDA ITEM OBJECTIVE**

This item is designed for the Board to consider proposed updates the Benefits Administration Policy.

**RELEVANCE TO STRATEGIC PLAN**

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

**RECOMMENDATION FOR BOARD ACTION**

The Benefits and Services Committee recommends adoption of the proposed revisions to the Benefits Administration Policy.

**BACKGROUND**

The Benefits and Services Committee has reviewed the Benefit Administration Policy and proposed updates to reflect the dissolution of the Disability Committee and transfer of those responsibilities to the Benefits and Services Committee.

**ATTACHMENT**

1. Draft Board Benefits Administration Policy

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
BOARD APPROVED POLICY  
BENEFITS ADMINISTRATION**

**ARTICLE I  
BOARD AND STAFF RESPONSIBILITIES**

**1.1 Responsibilities of the Board of Trustees.** The City of Austin Employees' Retirement System (COAERS or the System) was established pursuant to Article 6243n of Texas Revised Civil Statutes (the Act), which requires COAERS to have a Board of Trustees (the Board or Trustees) to administer ~~COAERS~~ the System and invest its funds. The Board is the trustee of all plan assets, is responsible for the general administration and operation of COAERS, and is authorized by law to adopt rules for the administration of COAERS and the transaction of the business of the Board. The Board may, at its discretion, delegate authority to carry out the administration of the System. The Board has delegated the administration of benefits to the Executive Director with the directions and limitations stated herein.

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

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

**1.4 Responsibilities of the Benefits and Services Committee.** The Benefits and Services Committee will receive and review the results of the periodic review of the Procedures. The Committee shall also review this Policy as necessary. The Committee will also hear initial disability applications and annually review the continuation of benefits for disability annuitants, and make a determination recommendation to the Board. The Committee will recommend action on initial disability applications and for disability annuitants who fail to meet the disability continuation requirements. The Committee will also undertake duties as defined in the Bylaws and the Committee's Charter.

**ARTICLE II**  
**MEMBER RIGHTS AND RESPONSIBILITIES**

**2.1 Member Rights.** Member rights and privileges originate in the COAERS Act, applicable laws of the State of Texas, federal law, and applicable Internal Revenue Code sections and regulations promulgated thereunder.

**2.2 Member Responsibilities - Generally.** Members have to assume certain basic responsibilities for the administration of benefits to be effective. These responsibilities include:

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

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

- 2.3.1** The member or beneficiary must appeal the decision within 30 calendar days of notification of denial by the Executive Director or designee.
- 2.3.2** The appeal shall set forth, in writing, the applicable facts and relevant law in support of the request for a hearing.
- 2.3.3** Appeals from a decision by the Executive Director or designee will generally be scheduled for hearing before the Board of Trustees within 120 calendar days of the written notice of appeal, unless an extension is granted by mutual agreement of the Executive Director and the appellant. Failure by the Board of Trustees to conduct a hearing within 120 calendar days does not result in an automatic decision of any kind.
- 2.3.4** The Board of Trustees reserves the right to rule on an appeal, regardless of whether the appellant appears at the scheduled hearing. Failure to appear will not automatically result in postponement of a scheduled hearing.

- 2.3.5** On appeals to the Board, the appellant may be represented by legal counsel or may personally present arguments. The System will be represented by the General Counsel for COAERS. However, unless a rule or policy outside of this policy requires a specific procedure due to the subject or nature of the appeal, the Board will determine the process to be followed at the hearing. The Board will determine the time permitted for the member and the Executive Director or General Counsel to make a presentation.
- 2.3.6** The appellant will be afforded an opportunity to present a statement concerning the facts and any arguments to the board, and will be allowed to respond to questions from Trustees. The member or beneficiary bears the burden of proof. In making a decision, the Board of Trustees shall consider System records and evidence presented by the member or beneficiary as well as any testimony or evidence provided by the General Counsel. A decision by the Board of Trustees is final.

### **ARTICLE III CORRECTION OF ERRORS AND RECOVERY OF OVERPAYMENTS**

**3.1 Correction of Errors.** If an error in the COAERS records results in any member, surviving spouse, or beneficiary receiving more or less than the member, surviving spouse, or beneficiary would have been entitled to receive had the records been correct, COAERS may correct such error in accordance with the Act and Section 802.1024 of the Texas Government Code.

**3.2 Cost of Recovery.** In circumstances where an overpayment has been made as a result of a COAERS error, the Executive Director will consider the costs of recovering the overpayment in the amount requested to remedy the overpayment. This section only applies to amounts members and payees may owe to COAERS due to errors made by COAERS and shall not be construed to include amounts COAERS owes to members and payees.

### **ARTICLE IV INTEREST CREDITED TO MEMBER ACCOUNTS**

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



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

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

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

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

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

## **ARTICLE V DISABILITY APPLICATION AND APPEALS PROCEDURES**

~~**5.1 Role of the Disability Committee.** The Disability Committee (the Committee) will hear initial disability applications and annually review the continuation of benefits for disability annuitants, and make a determination recommendation to the Board. The Committee will recommend action on initial disability applications and for disability annuitants who fail to meet the disability continuation requirements. The Committee will also undertake duties as defined in the Bylaws and the Committee's Charter.~~

**5.21 Role of the Executive Director.** The Executive Director and/or designee is responsible for providing disability information to members, receiving information from members, determining the schedule for considering applications, appeals, and evidence, coordinating Medical Consultant and Committee/Board review, communicating to the Committee/Board all requests, or observed need, for accommodations, and obtaining additional information as directed by the Medical Consultant or Committee/Board. The Executive Director is also responsible for authorizing additional medical expertise as requested by the Medical Consultant. After Board action, the Executive Director and/or designee will initiate action to begin, suspend, or revoke disability benefits. The Executive Director and/or designee shall prepare and recommend for Board approval additional policies and/or procedures to carry out the requirements of this Article.

**5.32 Medical Consultant Selection.** The Board will contract with an independent medical physician(s) to review and evaluate applications, reports, information, and

evidence that is submitted by members and their physicians. The Board can contract with physicians directly and/or with medical networks, independent review organizations, or companies which provide disability services. The independent medical physician or physicians under contract shall be referred to herein as the Medical Consultant. The Medical Consultant will work in conjunction with Staff to obtain additional medical and/or employer information as needed. The Medical Consultant will evaluate the member's application and medical evaluations, and provide to the Committee a written professional opinion as to whether or not the member meets the definition of disability as prescribed in the Act. The Medical Consultant will attend meetings as determined appropriate by the Committee Chair, Board, or Staff.

**5.43 Disability-Benefits and Services Committee Determinations.** Disability retirement recommendations will generally be based on the member's application and the Medical Consultant's opinion. The Benefits and Services Committee may recommend approval or denial of the disability application, or may postpone its decision until a future meeting date and request supplemental information from the member, Staff, or Medical Consultant.

**5.54 Disability-Benefits and Services Committee and Board Agendas.** The Staff will place a properly and timely submitted disability retirement application on a Benefits and Services Committee meeting agenda after receipt of the Medical Consultant's opinion. Recommended disability decisions of the Committee will be placed on the agenda of a Board meeting. If an applicant properly and timely appeals a Committee decision, the Staff will place an appeal on a Board agenda after receipt of the Medical Consultant's opinion regarding the appeal. Disability retirement applications that are incomplete six or more months after receipt of the Member's Statement may be submitted for a determination by the Committee and appeals that are incomplete six months or more after receipt of the appeal request may be submitted for a determination by the Board.

**5.65 Hearing of Disability Claims.** The following procedure shall generally be followed when hearing an application for disability or an appeal of a denial of a disability application.

**5.65.1** The Chair will first call the meeting into an Executive Session. Trustees, (including non-Committee members), relevant Staff, legal counsel for the Board, and the Medical Consultant may remain in Executive Session. Once in the Executive Session, the Chair will invite the applicant and/or their designated representative, if in attendance, into the Executive Session for the discussion of the application. The Chair will recognize Staff for a review of the applicant's eligibility and any previous procedural or contextual information establishing the basis for the case to be considered. The Chair will then recognize the Medical Consultant for a review of the application, and materials and records submitted, and to provide an opinion about whether or not the applicant meets the standard for disability retirement.

**5.65.2** After the Medical Consultant's presentation, the Chair will recognize the member and/or their designated representative, if present, and ask if they would like to make a statement. The Chair will then allow for questions. Once the question and answer period is complete, the Chair will request the member and/or designated representative, Medical Consultant, and any other party who would provide evidentiary information to leave. If Trustees have additional questions, all parties would be invited back into the Executive Session to hear the questions and responses. The Board's legal counsel shall remain in the Executive Session at all times. Staff may be asked to remain in the Executive Session solely for the purpose of providing guidance on process.

**5.65.3** Upon conclusion of the deliberations, the Chair shall dismiss the member and/or designated representative, if still present, and reconvene into Public Session for possible action. Where there are no applicants physically present for the hearings, the Chair will repeat this process until all cases are reviewed, and once complete will call the meeting back into Public Session.

**5.76 Disability Appeal Process.** A member, preselected survivor, or spouse whose disability retirement benefits have been denied, suspended, or revoked may appeal such action to the Board of Trustees.

**5.76.1** An applicant shall have 20 calendar days from the date the Board denies or confirms denial of disability retirement benefits in which to give written notice of appeal of such action.

**5.76.2** A member shall have 120 calendar days from the date such disability retirement benefit is suspended or revoked by operation of law, or by Board action, in which to give written notice of appeal of such action.

**5.76.3** The Board shall generally decide each appeal within 120 calendar days from the date the notice of appeal is filed, except for any delay or extension resulting from a continuance or extension of time granted by the Executive Director, Committee, or Board. Failure by the Board to conduct a hearing within 120 days does not result in an automatic decision of any kind.

**5.76.4** The Board's decision on an appeal shall be final.

**5.76.5** The Executive Director shall consider extension of appeal timeframes for good cause.

**5.87 Post Disability Examinations.** Retirees receiving disability benefits must submit to examination(s) by physician(s) if and when required by the Committee and/or Board.

**5.98 COAERS Payment for Additional Medical Evaluation.** In conjunction with the postponement of a decision on disability, COAERS may authorize payment of expenses for medical evaluation visits and the completion of Physician Statements if the Committee

so desires. In no event shall COAERS pay for ongoing medical treatment for any applicant, appellant, or continuance including but not limited to inpatient care, outpatient care, occupational therapy, diagnostic expenses, office visits, prescription drugs, or medical equipment.

**5.409 Disability Retirement Continuation.** If, after an award of disability retirement benefits, a member receiving a disability retirement allowance is determined no longer physically or mentally incapacitated for the performance of all employment duties, the Board shall discontinue the disability retirement allowance.

**5.409.1 ~~Disability~~ Committee's Right to Review Continues Through Normal Retirement Eligibility.** The Benefits and Services Committee and/or Board has the right to request financial reviews and order examinations of any member on disability retirement until the member reaches the normal retirement age.

**5.409.2 Personal Appearance Can Be Required.** In addition, the member may be required appear in-person before the Disability Benefits and Services Committee/Board in order for a decision to be made about continuation of a member's disability benefits.

## ARTICLE VI JOINT AND SURVIVOR ANNUITY CHANGES

**6.1 Changes to Joint and Survivor Annuity Option Designations.** A member may change the survivor beneficiary under a retirement option prior to the member's actual retirement, but a member cannot change the survivor beneficiary after retirement. If a member selects a retirement benefit option providing for an ongoing annuity at the time of their death, only the survivor beneficiary named at retirement will receive survivor benefits. Even if a retiree and the beneficiary are no longer married, the survivor beneficiary cannot be changed. If the member has a spouse at the time of retirement and designates a survivor beneficiary, the spouse must be designated to receive the survivor benefits unless the spouse signs a COAERS form authorizing otherwise.

# 14. Discuss and consider Personnel Policy

Presented by Christopher Hanson

**AGENDA ITEM 14:**  
**Discuss and consider Personnel Policy**

**AGENDA ITEM OBJECTIVE**

This agenda item is intended for the Board to consider proposed revisions to the Personnel Policy.

**RELEVANCE TO STRATEGIC PLAN**

This agenda item meets with the core competency established in the **COAERS Strategic Plan** “*Dependable operations: Managing the financial and operational commitments of the system within appropriate measurable standards*”. This items also 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 review policies on a regular basis.

**RECOMMENDATION FOR BOARD ACTION**

The Governance and HR Committee recommends the Board adopt the proposed revisions to the Board Personnel Policy.

**BACKGROUND**

The Governance and HR Committee has reviewed the Personnel Policy and proposed minor edits reflecting the Governance and Human Resources Committee’s new authority over the Personnel Policy.

**ATTACHMENT**

1. Draft Board Personnel Policy



## Board Approved Policy

Subject: Personnel Policy

Review Committee: ~~Policy Committee~~Governance and Human Resources Committee

Date Implemented: December 11, 2018

Date Updated: ~~December 14, 2021~~September 22, 2022

Signature of Chairperson:

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Chris Noak

**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
BOARD APPROVED POLICY  
"PERSONNEL POLICY"  
ADOPTED DECEMBER 11, 2018**

**ARTICLE I  
PURPOSE**

**1.1 Statement of Purpose.** The purpose of this policy is to provide a set of principles as guidelines for establishing and maintaining harmonious and productive staff relationships in the conduct of business of the City of Austin Employees' Retirement System (COAERS) in order to support the System's members and Board of Trustees. The fundamental objectives of the personnel policy objectives are to promote effectiveness, efficiency, and high-quality performance, to attract and retain qualified employees, and to provide a work environment in which employees are treated with respect, dignity, equity, and fairness. These guidelines are intended to provide an overview of COAERS' personnel policy and do not necessarily represent all such policies and practices in force. COAERS strives to conduct its business activities with integrity, fairness, and in accordance with the highest ethical standards in accordance with COAERS Code of Ethics.

**1.2. Employee Handbook.** The Executive Director shall publish and distribute an Employee Handbook providing employees with the guidelines for employment at COAERS. The provisions of the Employee Handbook cannot be inconsistent with this policy or applicable federal or state law. The Employee Handbook shall be amended as necessary to comply with the policies, practices, and law that apply to COAERS and shall be reviewed by the COAERS General Counsel no less than every three years with the results reported to the Executive Director.

**1.3 Benefit Plan Documents.** Employee benefit plans are defined in legal documents such as insurance contracts, official plan texts, trust agreements, statutes, and any applicable legal documents. This means that if a question ever arises about the nature and extent of plan benefits, or if there is conflicting language, the formal language of the plan documents governs, not the informal wording of this policy or the Employee Handbook. Plan documents are available for employee inspection upon request.

**1.4 Changes in Policy.** COAERS policies, practices, and benefits may be changed from time to time. Employees will be required to sign an acknowledgement form upon receipt of updated versions of this policy and the Employee Handbook. All employees are responsible for reading these documents. COAERS may at any time add, change, or rescind any policy or practice at its sole discretion, without notice. Therefore, employees should always check with their supervisor for the most current information.

**1.5 Interpretation.** These are statements of policies and procedures in matters over which the Board is given authority by applicable statutes and of interpretations in matters where the meaning of the laws is not readily apparent. They do not include matters in which the Board considered the intent of the laws ~~that~~ which govern COAERS to be



unmistakably clear. For this reason, these rules should be used in conjunction with other applicable provisions of law. This policy will be interpreted and applied in a manner consistent with ~~the~~ Article 6243n, Tex. Rev. Civ. Stat. (the "COAERS Act"), the applicable law of the State of Texas, and applicable federal law.

## ARTICLE II BOARD ~~and~~ STAFF RESPONSIBILITIES

**2.1 Responsibilities of the Board of Trustees.** The Board of Trustees have the following responsibilities:

- (a) Ensure the establishment of a system for equitable and effective hiring, evaluation, compensation, and termination of employees;
- (b) Approve the number of regular, full-time COAERS employees, establish the total annual personnel budget, including a separate budget line item for any performance-based compensation, authorize any performance-based compensation model, authorize the types of employee benefits and the corresponding employer and employee contribution levels;
- (c) Delegate to the Governance and Human Resources Policy Committee the oversight of this policy;
- (d) Hire the Executive Director and establish the Executive Director's job description and performance standards;
- (e) Complete the Executive Director's performance evaluation annually;
- (f) Set and adjust the Executive Director's annual compensation;
- (g) At least every three years, conduct a market compensation study for the ~~e~~Executive ~~d~~Director position;
- (h) Ensure an adequate working environment for staff members; and
- (i) Hear and decide all grievances authorized to be presented to the Board.

**2.2 Responsibilities of the ~~Policy Committee~~ Governance and Human Resources Committee.** The Governance and Human Resources Policy Committee has the following responsibilities:

- (a) Review and recommend changes to this policy as needed;
- (b) Review the results of the report by the Executive Director regarding the compensation philosophy and strategy outlined in this policy; and
- (c) Review the results of the report by the Executive Director of the review of the policy and the Employee Handbook.

**2.3 Responsibilities of the Executive Director.** The Executive Director has the following responsibilities:

- (a) Implementation and administration of this policy;
- (b) Review, revise, and distribute the Employee Handbook;

- (c) Selection of personnel, job description preparation, assignment of duties, performance evaluation, promotion, compensation within the budget approved by the Board, and discipline, including dismissal, of all COAERS personnel;
- (d) Ensure that all personnel policies, including the Employee Handbook, comply with applicable local, state, and federal laws.
- (e) Provide advice and recommendations to the ~~Policy Committee~~Governance and Human Resources Committee regarding any changes to this policy;
- (f) Report exceptions to this policy to the ~~Policy Committee~~Governance and Human Resources Committee;
- (g) Report on the compensation philosophy and strategy, including the results of market compensation studies, to the ~~Policy Committee~~Governance and Human Resources Committee no less than every three years ~~from~~ for the initial adoption of this policy;
- (h) Report the results of the review of this policy and the Employee Handbook to the ~~Policy Committee~~Governance and Human Resources Committee no less than every three years from the date of their initial publication;
- (i) Review and make decisions on requests for accommodation and all reported observations of a potential need to consider an accommodation, in the qualifications for employment, the duties of employee positions, and the working conditions and assigned work areas;
- (j) Review and make final decisions on all employee complaints and issues that do not constitute a grievance authorized to be presented to the Board by this policy or the Employee Handbook; and
- (k) Maintain and secure employment and employment-related records.

**2.4 Responsibilities of the Chair of the Board of Trustees.** The Board Chair shall act as a liaison between the Board and the Executive Director. In accordance with this Policy, the Board Chair shall also be responsible for working with the General Counsel and the Deputy Executive Director to complete the market compensation study for the ~~e~~Executive ~~d~~Director position, and to report the results to the Board.

**2.5 Responsibilities of the General Counsel.** The COAERS General Counsel shall provide advice to the Executive Director, ~~Policy Committee~~Governance and Human Resources Committee, and Board of Trustees on personnel-related matters. The General Counsel shall review the Employee Handbook and this policy no less than every three years and make recommendations for revision to the Executive Director.

### ARTICLE III POLICY STATEMENTS

**3.1 Nondiscrimination.** In order to provide equal employment and advancement opportunities to all individuals, employment decisions at COAERS will be based on merit, qualifications, and abilities. COAERS does not discriminate in employment opportunities or practices on the basis of any characteristic protected by state or federal law. COAERS will make reasonable accommodations for qualified individuals and employees with known disabilities unless doing so will result in an undue hardship to COAERS. All

employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring the issues to the attention of their immediate supervisor or the Executive Director. Employees may raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination or improper behavior, or retaliating against an employee who has reported discrimination or improper behavior, will be subject to disciplinary action, up to and including termination of employment.

**3.2. Unlawful Harassment.** COAERS is committed to providing a work environment that is free of discrimination and unlawful harassment. Actions, words, jokes, or comments based on an individual's sex, gender identity or expression, race, ethnicity, age, religion, or any other legally protected characteristic will not be tolerated. As an example, sexual harassment (both overt and subtle) is a form of employee misconduct that is demeaning to another person, undermining the integrity of the employment relationship. Such conduct is strictly prohibited. Any employee who wants to report an incident of sexual or other unlawful harassment should promptly report the matter to the employee's supervisor. If the supervisor is unavailable or the employee believes it would be inappropriate to contact that person, the employee should immediately contact the Executive Director. An employee may contact the Board Chairperson ~~and or~~ the System's General Counsel if the employee believes it would be inappropriate to contact the Executive Director. Employees can raise concerns and make reports without fear of reprisal. Any supervisor or manager who becomes aware of possible sexual or other unlawful harassment must promptly advise the Executive Director in writing. If the supervisor or manager believes it would be inappropriate to advise the Executive Director, the supervisor or manager must promptly advise the Board Chairperson ~~and or~~ the System's General Counsel in writing. Anyone engaging in sexual or other unlawful harassment, or retaliating against an employee who has reported sexual or other unlawful harassment, will be subject to disciplinary action, up to and including termination of employment.

**3.3 Americans with Disabilities Act (ADA) and Reasonable Accommodation.** To ensure equal employment opportunities to qualified individuals with a disability, COAERS, pursuant to the federal Americans with Disabilities Act, will make reasonable accommodations for the known disability of an otherwise qualified individual, unless undue hardship on the operation of the business would result. Employees who may require a reasonable accommodation should notify their supervisor or the Executive Director in writing.

**3.4 Fair Labor Standards Act (FLSA).** COAERS will comply with the federal Fair Labor Standards Act and all applicable wage and hour laws.

**3.5 Family Medical Leave Act (FMLA).** COAERS will comply with the federal Family and Medical Leave Act (FMLA), granting unpaid leaves of absence to eligible workers for certain medical and family-related reasons. COAERS will also follow all applicable state and local leave laws.

**3.6 Uniformed Services Employment and Reemployment Rights Act.** COAERS will comply with the federal Uniformed Services Employment and Reemployment Rights Act assisting employees who are absent from work because of service in the U.S. uniformed services.

**3.7 Workplace Safety.** COAERS shall be committed to creating an environment that is safe and productive for employees and others having business with COAERS. The Executive Director will develop procedures regarding workplace safety and violence prevention.

**3.8 Nepotism.** It is the policy of ~~the~~ COAERS to not employ individuals who are related (as defined in the following paragraph) to existing employees or members of the Board of Trustees. For purposes of this policy, the following is a list of relatives that may not be employed:

- (a) Related to the employee or Trustee: A spouse or domestic partner, a parent, a child, a sibling, a half sibling (a brother or sister who share only one parent), a grandparent, a great-grandparent, a grandchild, a great-grandchild, an aunt (a sister of a parent), an uncle (a brother of a parent), a niece or nephew (a child of a sibling or half sibling), the spouse of any of the aforementioned relationships.
- (b) Related to the employee's or Trustee's spouse or employee's or Trustee's domestic partner: a parent, a child, a sibling, a half sibling (a brother or sister who share only one parent), a grandparent, a great-grandparent, a grandchild, a great-grandchild, an aunt (a sister of a parent), an uncle (a brother of a parent), a niece or nephew (a child of a sibling or half sibling).

**3.9 Outside Employment.** COAERS employees can engage in outside employment; however, such outside employment cannot create a conflict of interest as defined by the COAERS Code of Ethics and must be approved in accordance with the Employee Handbook.

**3.10 Personnel Records.** The Executive Director shall maintain a personnel record for each COAERS employee. Personnel files are the property of COAERS and access to the information they contain is restricted to the extent allowed by law. Only the employee, authorized representatives, the Executive Director, General Counsel, and staff designated by the Executive Director may have access to personnel records. Except as required by law (including the Public Information Act), no information, other than dates of employment, is released to anyone without a signed release form from the employee on file in the personnel record. Employees should be aware that most of the documents in a personnel file, including performance evaluations, are subject to disclosure under the Public Information Act (Chapter 552, Texas Government Code). Information that is made confidential by law will be maintained confidential.

## **ARTICLE IV EMPLOYMENT AND COMPENSATION**

**4.1 At Will Employment.** Employment at COAERS is on an at-will basis. Employment and compensation are for no fixed term and may be terminated by COAERS at any time with or without cause or notice. Likewise, an employee may resign at any time.

**4.2 Prohibition on Use of COAERS Property.** Employees are prohibited from using COAERS facilities, equipment, supplies, employee time, or any other COAERS resource for personal use, except to the extent that the use of such resources are reasonable. These uses are dedicated to COAERS business, and COAERS management shall have full access to both the resources and any contents thereof at all times in the judgment of the Executive Director. Employees have no legitimate expectation of privacy when using these resources. Use of the internet and e-mail are subject to monitoring. Employees may be subject to limitations on their use of such resources. The Executive Director may allow employees limited use of resources while ensuring that the operational needs of ~~the~~ COAERS are being met. Misuse, destruction, or theft of COAERS property shall be considered misconduct subject to disciplinary action, up to and including termination of employment.

**4.3 Unemployment Insurance.** COAERS employees will be covered by unemployment insurance.

**4.4 Workers' Compensation Insurance.** COAERS will provide a comprehensive Workers' Compensation insurance program at no cost to employees. This program and benefit is governed by state law and generally covers injuries sustained in the course of, or disabling illness attributable to, employment duties that require medical, surgical, or hospital treatment. Subject to applicable legal requirements, Workers' Compensation insurance provides benefits after a short waiting period or, if the employee is hospitalized, immediately. Employees who sustain work-related injuries or illnesses shall inform their supervisor immediately. No matter how minor an on-the-job injury may appear, it is important that it be reported and documented immediately. This will enable an eligible employee to qualify for coverage as quickly as possible. Neither COAERS nor the insurance carrier will be liable for the payment of Workers' Compensation benefits for injuries that occur during an employee's participation in any off-duty recreational, social, or athletic activity sponsored or attended by COAERS employees.

**4.5 Social Security and Medicare Insurance.** COAERS employees will be covered by the programs offered by Social Security Administration and federal payroll taxes (FICA) will be deducted from employee pay accordingly.

**4.6 Compliance with Ethics Policy and Procedures.** COAERS employees shall comply with the Code of Ethics as applicable and by the appropriate professional licensing board for the profession to which the employee may belong. Failure to follow policies and practices of ethical conduct can be grounds for discipline up to, and including, the termination of employment.

**4.7 Compensation.** COAERS compensation philosophy should attract and retain the highest qualified individuals for the position who are aligned and engaged with COAERS mission, vision, values, and culture. The Executive Director shall administer compensation in a manner that is non-discriminatory and highly competitive, taking into consideration the supply and demand for skills, and individual performance. The Executive Director will develop salary ranges that are highly competitive with the range of salaries being offered in the skills market. Salary ranges for certain positions may be established differently based on the market, individual skills, experience, and performance.

**4.8 Employee Benefits.** COAERS recognizes that employee benefits are part of the total compensation of COAERS employees. The Executive Director is responsible for recommending, as part of the personnel budget, funding for employee benefits including as appropriate retirement, medical, dental, disability, and insurance benefits. By resolution, the Board has elected to provide employee benefits through the City of Austin. It is the responsibility of the Executive Director to review and recommend any changes to employee benefits to the Board. COAERS will comply with all applicable local, state, and federal laws regarding employee benefits.

## **ARTICLE V GRIEVANCES**

**5.1 Acts Giving Rise to a Grievance.** An employee may file a written grievance concerning conduct that the employee in good faith believes constitutes a violation of state or federal law or the legal rights of the employee by the employee's supervisor or by any other officer or employee of COAERS, including, but not limited to, sexual harassment or other unlawful harassment, discrimination based on race, color, ancestry, national origin, gender, sex, sexual orientation, gender identity, marital status, religion, age, disability, genetic information, veteran status, or other characteristic protected by state or federal law, or a grievance arising out of an on the job injury or workers' compensation claim.

**5.2 Retaliation Prohibited.** No employee shall be discriminated against, harassed, intimidated, nor suffer any reprisal as a result of acting in good faith to file a grievance, or report unlawful action, or for participating in an authorized investigation of any matter.

**5.3 Grievance Process.** The following steps and procedures are applicable to all grievances provided that such steps and procedures shall not be or constitute a rigid or exact procedure, or create any due process rights, subject to the Alternate Grievance Procedure set forth in Section 5.5.

- (a) All authorized grievances as described in Section 5.1 or 5.2 must be in writing.
- (b) Within 10 business days of an incident giving rise to a grievance, an employee may file a grievance directly with the employee's supervisor and attempt to resolve the grievance with such supervisor, and, if such grievance is not resolved within 20 days

from the date filed, the employee may submit such grievance in writing to the Executive Director.

- (c) An employee may file and attempt to resolve a grievance directly with the Executive Director if the grievance regards alleged harassment or discrimination by the employee's supervisor, and an employee may appeal a supervisor's decision on a grievance filed with the supervisor. The Executive Director shall have 20 business days from the date of receipt of the grievance, or appeal, or, as applicable, from the date the Executive Director otherwise takes charge of a grievance or appeal filed with a supervisor, to take final action on the grievance or appeal. Days in which the Executive Director is on leave or out of the office on business, shall not be counted in computing the 20 days. The Executive Director may reasonably extend the time for making a decision on the grievance or appeal as necessary to complete an inquiry, and, if not extended, a failure by the Executive Director to make a decision within the 20 days shall be a denial of the grievance or appeal. The decisions of the Executive Director on all authorized grievances and appeals of grievances are subject to appeal.
- (d) If the grievance regards alleged harassment or discrimination by the Executive Director, the employee may file the grievance directly with the Board Chair and the General Counsel of COAERS in accordance with Section 5.5.

**5.4 Grievances Heard by the Board.** An employee may appeal a grievance decision. The following steps and procedures are applicable to all grievance appeals and to grievances that are submitted to the Board Chair and General Counsel under this Policy or the [Employee Handbook](#), provided that such steps and procedures shall not be or constitute a rigid or exact procedure, or create any due process rights.

- (a) With respect to an appeal, any such appeal must be made in writing to the Board Chair and General Counsel within 10 business days of the date of the appealable decision.
- (b) The Board Chair and General Counsel shall consider the appeal or the grievance, as applicable and determine whether it is one that may be heard by the Board under this Policy. If the appeal or grievance is one that may be heard by the Board, the Board Chair and General Counsel will determine when the grievance will be placed on a Board meeting agenda. The General Counsel will also notify the Board of the appeal or grievance. If the appeal is one that is not eligible to be considered by the Board, the General Counsel will notify the Board that an ineligible appeal has been received and provide the reason for ineligibility.
- (c) When an appeal or grievance is placed on a Board agenda, the Board may extend the time for a decision at its discretion.
- (d) Following the Board's investigation of all accounts of the incident(s), the Board will make a final decision and communicate the decision to the employee(s).

**5.5 Alternative Grievance Filings.** Any grievance that an employee feels may be inappropriate to present to the Executive Director, by reason of a violation of state or federal law or the legal rights of the employee, may be presented directly to the Board Chair and the General Counsel. In such event, a written grievance must be filed, and the Board Chair

and General Counsel shall consider the grievance in accordance with Section 5.4(b). Notwithstanding any procedure stated herein, upon the advice of the General Counsel and concurrence of the Board Chair, the General Counsel may cause an investigation into the grievance or appeal to be conducted before the matter is considered by the Board. The General Counsel will notify the Board of the investigation and keep the Board informed about the status and results of the investigation.

**5.6 Dispute Resolution.** A grievance may be referred to mediation if agreed to by the employee who filed the grievance, the subject of the grievance, and the Executive Director, and if determined appropriate for mediation by the General Counsel and Board Chair. The Board will be notified of the decision to mediate a grievance and will be kept informed of the results of mediation.

**5.7 Equal Employment Opportunity Commission Regulations.** Notwithstanding the foregoing, if a grievance alleges a violation of an Equal Employment Opportunity Commission (EEOC) rule and is filed with the EEOC, the employee must proceed in the manner and time specified by the EEOC rules and regulations.

**5.8 Board Grievance Process and Procedures.** The following process and procedures will be generally followed and applied by the Board on all grievances presented for consideration. (Reference to “grievances” in this section shall include appeals concerning grievances that may be heard by the Board.)

(a) Grievances will generally be heard in Executive Session, provided that:

(i) An employee, officer, or ~~Trustee~~ Trustee that is the subject of the grievance filed by another employee may request the matter be heard in public session, unless the grievance is required to be maintained as confidential by law, to the extent allowed by the Open Meetings Act;

(ii) After hearing the evidence and testimony, the Board may convene into Executive Session for the purpose of consulting with General Counsel, as advised, pursuant to Section 1.05, Texas Disciplinary Rules of Professional Conduct.

(b) Executive Sessions will be conducted by the Board, as applicable, in compliance with the Open Meetings Act, and as follows:

(i) The meeting will commence in public session and then convene into Executive Session;

(ii) On grievances and appeals of grievances, the employee that filed a grievance against another officer or employee, and the officer or employee that is the subject of the grievance, together with the Executive Director, shall be entitled to be in attendance in the Executive Session at any time any evidence or testimony is being received;



(iii) The results of any investigation of the grievance or appeal will be shared with the Board;

(iv) Witnesses may be brought in to the Executive Session upon approval by the Board, as applicable, from time to time as convenient, to provide information and evidence on the issue then being considered, and such witnesses may be required to exit upon completing their evidence or testimony;

(v) Only the following persons may attend during an Executive Session: Board Members, authorized witnesses while giving testimony and responding to questions, the Executive Director, the General Counsel, the complainant, and the employee or officer complained against;

(vi) For the purpose of consulting with and obtaining advice from the General Counsel, the Board may require any or all persons, other than the Board Members and General Counsel, to exit the Executive Session at any time; and

(vii) The Board will take action on grievances and appeals by vote taken in public session.

(c) The Board may also direct that the General Counsel or a third party conduct an investigation of the grievance or appeal and bring the results back to the Board.

(d) The decision of the Board with respect to any grievance shall be final.

# 15. Receive Staff report on Executive Director evaluation process

Presented by Russell Nash

**AGENDA ITEM 8:**  
Receive Staff report on Executive Director evaluation process

AGENDA ITEM OBJECTIVE

This agenda item is for the Committee to review the current process, timeline, and documents associated with the evaluation of the Executive Director.

EXECUTIVE DIRECTOR EVALUATION PROCESS

In March 2021, the Board adopted the following process of evaluating the Executive Director at the end of each year.

1. A survey document will be distributed to Trustees prior to the November meeting at which the Executive Director's performance is to be discussed.
2. The purpose of the November Board meeting agenda item would be to:
  - a. Receive the Executive Director's Preliminary Year End Summary
  - b. Review the Year End Summary and discuss Executive Director performance relative to the Job Description and the goals and objectives set for the year. All Trustees will share their input.
  - c. Achieve consensus on the feedback the Chair will present to the Executive Director at the December Board meeting.
  - d. Discuss personnel actions and pay adjustments and achieve consensus. (This year, the results of the market compensation study for the Executive Director position will be provided to the Board to consider.)
3. At the December Board meeting:
  - a. The Executive Director may present any revisions to the Year End Summary since November. If there are changes, the Trustees can consider this new information and revise its feedback.
  - b. The Chair delivers feedback to the Executive Director.
  - c. Personnel actions, pay adjustments, and salary range changes if any, are communicated to the Executive Director and General Counsel for implementation.

SUPPLEMENTAL MATERIALS AVAILABLE VIA CONVENE APP

1. Executive Director Evaluation Assessment Spreadsheet
2. 2022 Executive Professional Director Goals and Professional Development Objectives:
  - a. January 31, 2022
  - b. June 23, 2022
3. 2022 Executive Director Performance Appraisal Tool (CONFIDENTIAL)

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POLICY FRAMEWORK

**COAERS Board Personnel Policy**

**2.1 Responsibilities of the Board of Trustees.** The Board of Trustees have the following responsibilities:

- (f) Set and adjust the Executive Director's annual compensation;
- (g) At least every three years, conduct a market compensation study for the executive director position;

**2.4 Responsibilities of the Chair of the Board of Trustees.** The Board Chair shall act as a liaison between the Board and the Executive Director. In accordance with this Policy, the Board Chair shall also be responsible for working with the General Counsel and the Deputy Executive Director to complete the market compensation study for the executive director position, and to report the results to the Board.

**4.7 Compensation.** COAERS compensation philosophy should attract and retain the highest qualified individuals for the position who are aligned and engaged with COAERS mission, vision, values, and culture.

**COAERS Employee Handbook**

Pay Adjustments - Each regular full-time employee of COAERS may be considered for an individual pay adjustment. Pay adjustments, if awarded, may be a lump-sum payment or an adjustment to an employee's base rate, or a combination of the two.

CPI INFORMATION

**Bureau of Labor Statistics**

CPI All Items up 8.3% for the last 12 months ending in August 2022

[www.bls.gov/news.release/pdf/cpi.pdf](http://www.bls.gov/news.release/pdf/cpi.pdf)

## 16. Receive report from Executive

Director report on the following matters:

A. Operational matters including staffing and budget

B. October Board Workshop

C. MET report and upcoming educational programs and conferences

Presented by Christopher Hanson

**AGENDA ITEM 16:**

Receive report from Executive Director on the following matters:

- A. Operational matters including staffing and budget

**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 aligns with one of the five core competencies established in the COAERS Strategic Plan: “**Dependable Operations: Managing the financial and operational commitments of the system within appropriate measurable standards.**”

**RECOMMENDATION FOR BOARD ACTION**

For informational purposes only; no action required.

**BACKGROUND**

The Executive Director will report to the Board on matters related to staffing, year-to-date administrative budget expenditures, and provide the annually required report on asset disposal.

**ATTACHMENTS**

1. COAERS 2022 YTD administrative budget report
2. Staff report on asset disposal

## COAERS 2022 Administrative Budget Update (as of August 31)

		2022	2022 YTD	Remaining Balance	Percent Remaining
<b>Total Personnel Budget</b>					
	Total Salaries and Cash Compensation	3,016,584	1,809,630	1,206,954	40.0%
	Payroll Taxes	227,326	130,461	96,865	42.6%
	Group Insurance Benefits	450,000	252,246	197,754	43.9%
	Retirement Contributions	573,151	336,788	236,363	41.2%
	Retirement/Terminal Pay	50,000	44,545	5,455	10.9%
	Contract labor	2,600	-	2,600	100.0%
	<b>Total personnel costs</b>	<b>4,319,661</b>	<b>2,573,670</b>	<b>1,745,991</b>	<b>40.4%</b>
	<b>Total Approved FTEs: 24</b>				
<b>Professional Services</b>					
	<b>Total Professional Services costs</b>	<b>461,680</b>	<b>203,414</b>	<b>258,266</b>	<b>55.9%</b>
<b>Building and Equipment</b>					
	<b>Total Building and Equipment costs</b>	<b>517,600</b>	<b>307,219</b>	<b>210,381</b>	<b>40.6%</b>
<b>Information Technology Resources</b>					
	<b>Total Information Technology costs</b>	<b>768,850</b>	<b>474,885</b>	<b>293,965</b>	<b>38.2%</b>
<b>Travel and Training</b>					
	<b>Total Travel and Training costs</b>	<b>85,000</b>	<b>47,261</b>	<b>37,739</b>	<b>44.4%</b>
<b>Communications</b>					
	<b>Total Communications costs</b>	<b>110,000</b>	<b>49,989</b>	<b>60,011</b>	<b>54.6%</b>
<b>Other Administrative</b>					
	<b>Total Other Administrative costs</b>	<b>335,060</b>	<b>218,613</b>	<b>116,447</b>	<b>34.8%</b>
<b>Capital Projects and Events</b>					
	<b>Total Capital Projects and Events costs</b>	<b>226,000</b>	<b>40,335</b>	<b>185,665</b>	<b>82.2%</b>
	<b>Total Administrative Expense Budget</b>	<b>\$ 6,823,851</b>	<b>\$ 3,915,386</b>	<b>\$ 2,908,465</b>	<b>42.6%</b>

COAERS 2022 Administrative Budget Detail Update (as of August 31)				
	2022	YTD 2022	Remaining Balance	Percent Remaining
<b>Personnel</b>				
<b>Total Personnel Budget</b>				
Total Salaries and Cash Compensation	3,016,584	1,809,630	1,206,954	40.0%
Payroll Taxes	227,326	130,461	96,865	42.6%
Group Insurance Benefits	450,000	252,246	197,754	43.9%
Retirement Contributions	573,151	336,788	236,363	41.2%
Retirement/Terminal Pay	50,000	44,545	5,455	10.9%
Contract labor	2,600	0	2,600	100.0%
<b>Total personnel costs</b>	<b>4,319,661</b>	<b>2,573,670</b>	<b>1,745,991</b>	<b>40.4%</b>
<b>Total Approved FTEs: 24</b>				
<b>Professional Services</b>				
Actuary	140,000	89,505	50,495	36.1%
Attorney: General Counsel	100,000	16,271	83,730	83.7%
Attorney: Tax Counsel	15,000	3,216	11,784	78.6%
Audit: Internal and External	85,000	60,000	25,000	29.4%
Medical Review: Disability	10,000	2,422	7,578	75.8%
Governmental Relations	48,000	32,000	16,000	33.3%
Market Studies	30,000	-	30,000	100.0%
Governance Review	15,680	-	15,680	100.0%
Benchmarking Services	-	-	-	0.0%
Other	18,000	-	18,000	100.0%
<b>Total Professional Services costs</b>	<b>461,680</b>	<b>203,414</b>	<b>258,266</b>	<b>55.9%</b>
<b>Building and Equipment</b>				
Building Maintenance	25,600	6,689	18,911	73.9%
Northpoint Lease	470,000	294,479	175,521	37.3%
Equipment Maintenance & Leases	12,000	6,052	5,948	49.6%
Insurance: Property & Casualty	10,000	-	10,000	100.0%
<b>Total Building and Equipment costs</b>	<b>517,600</b>	<b>307,219</b>	<b>210,381</b>	<b>40.6%</b>
<b>Information Technology</b>				
Business Continuity	62,200	17,196	45,004	72.4%
General Computer Support	128,650	77,188	51,462	40.0%
Dynamics GP License and Support	20,000	7,475	12,525	62.6%
Pension Admin System Licenses and Support	270,000	203,490	66,510	24.6%
Cybersecurity Initiatives	225,000	135,605	89,395	39.7%
Telecommunications	63,000	33,931	29,069	46.1%
<b>Total Information Technology costs</b>	<b>768,850</b>	<b>474,885</b>	<b>293,965</b>	<b>38.2%</b>



COAERS 2022 Administrative Budget Detail Update (as of August 31)				
	2022	YTD 2022	Remaining Balance	Percent Remaining
<b>Travel and Training</b>				
Board Continuing Education	40,000	29,970	10,030	25.1%
Staff Continuing Education	45,000	17,291	27,709	61.6%
<b>Total Travel and Training costs</b>	<b>85,000</b>	<b>47,261</b>	<b>37,739</b>	<b>44.4%</b>
<b>Communications</b>				
Printing	49,500	28,964	20,536	41.5%
Postage and Mailing	32,000	13,425	18,575	58.0%
Member Education	10,000	-	10,000	100.0%
Digital Communications	18,500	7,600	10,900	58.9%
<b>Total Communications costs</b>	<b>110,000</b>	<b>49,989</b>	<b>60,011</b>	<b>54.6%</b>
<b>Other Administrative</b>				
Insurance: Fiduciary/D&O Liability	222,000	181,997	40,003	18.0%
Advertising	5,000	625	4,375	87.5%
Bank Fees	4,500	-	4,500	100.0%
Delivery Service	3,000	399	2,601	86.7%
Memberships, Subscriptions, and fees	40,000	15,056	24,944	62.4%
Meetings and Events	35,000	8,173	26,827	76.6%
Awards and Recognition	1,560	139	1,421	91.1%
Mileage	2,000	411	1,589	79.5%
Miscellaneous	2,000	-	2,000	100.0%
Office Supplies	20,000	11,814	8,186	40.9%
<b>Total Other Administrative costs</b>	<b>335,060</b>	<b>218,613</b>	<b>116,447</b>	<b>34.8%</b>
<b>Projects and Events</b>				
<b>Capital Projects</b>				
Pension Administration System	50,000	9,638	40,363	80.7%
Capital Improvements Program	70,000	27,874	42,126	60.2%
<b>Events and One-Time Costs</b>				
Long-Term Facilities	100,000	-	100,000	100.0%
Staff Transition	6,000	2,823	3,177	52.9%
<b>Total Capital Projects and Events costs</b>	<b>226,000</b>	<b>40,335</b>	<b>185,665</b>	<b>82.2%</b>
<b>Total Administrative Budget</b>	<b>6,823,851</b>	<b>3,915,386</b>	<b>2,908,465</b>	<b>42.6%</b>

COAERS Staff monitors and accounts for office furniture and equipment. From time to time, Staff disposes of obsolete items through an internal procedure. The procedure allows for items to be disposed of through an auction. The Board's Bylaws require the results of such disposal to be reported to the Board. Staff conducted an asset auction in August of 2022. The results are shown below.



1420 FM 685  
 Pflugerville, TX 78660  
**Phone:** (512) 251-2780 | **Fax:** (512) 610-1322  
**E-mail:** auction@txauction.com  
**Website:** www.txauction.com

**Seller Info:**  
 City of Austin Employees' Retirement System (Michelle Mahaini)  
 6850 Austin Center Blvd  
 Building 2, Suite 320  
 Austin, TX 78731

**Auction Date:** 08/12/2022  
**Phone:** (512) 458-2551  
**E-mail:** michelle.mahaini@coaers.org

Lot Number	Description	Commission	Price
1	OFFICE EQUIPMENT: [17] Desktop PCs including Dell Optiplex 3020's, Dell Optiplex 5040's, Dell Optiplex 5050's (hard drives have been removed)	\$76.05	\$507.00
2	OFFICE EQUIPMENT: [16] Computer Monitors; (1) Viewsonic monitor, (9) 20" Dell monitors, (6) 23" Dell monitors	\$31.80	\$212.00
3	OFFICE EQUIPMENT: [6] Scanners; (1) Kodak Perfect Page i2400, (3) Scanmate I1150, (2) Fujitsu Scansnap	\$22.80	\$152.00
4	OFFICE EQUIPMENT: [1] HP Officejet Pro 8100 (broken)	\$0.75	\$5.00
5	OFFICE EQUIPMENT: [1] GBC Binding Machine	\$4.80	\$32.00
6	OFFICE EQUIPMENT: Assorted Keyboards and Mice; (8) mice, (9) keyboards	\$4.80	\$32.00
7	OFFICE EQUIPMENT: [2] Dell Laptop Docking Stations; (1) Dell WD15, (1) Dell D6000	\$7.50	\$50.00

Commission Summary		
<b>Commission Rate</b>	<b>Amount sold</b>	<b>Amount</b>
15%	\$990.00	\$148.50
<b>Totals</b>		

Total Sales: \$990.00  
 Less Commissions: \$148.50  
 Less Expenses: \$0.00  
**Statement Total: \$841.50**  
**Amount Due: \$0.00**

**Payments**

**Check #2799 (08/22/2022): \$841.50**

**AGENDA ITEM 16:**

Receive report from Executive Director on the following matters:

**B. October Board Workshop**

**AGENDA ITEM OBJECTIVE**

The objective of the agenda item is for the Executive Director to provide the Board a report on the plans for the October Workshop.

**RECOMMENDATION FOR BOARD ACTION**

For informational purposes only; no action required.

**BACKGROUND**

The Executive Director will preview for the Board a draft agenda for the upcoming Board workshop.

**ATTACHMENT**

1. Draft agenda for October Workshop



## **AGENDA**

### **BOARD MEETING**

October 17, 2022 9:00 a.m.

October 18, 2022 9:00 a.m.

### **Physical Meeting Location**

Archer Hotel – Atrium Suite, 3121 Palm Way, Austin, TX 78758

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One or more Board members may participate in the meeting by video conference pursuant to Section 551.127 of the Texas Government Code; provided that the presiding officer of the committee will be present at the above physical meeting location.

The subjects to be discussed or considered or upon which any formal action may be taken are listed below. Items do not have to be taken in the same order as shown on this meeting notice.

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

1. Call meeting to order – Chair Noak
2. Call roll of Trustees – Chair Noak
3. Review order of business and establish meeting objectives – Chair Noak
4. Receive System member and public comments – Chair Noak
5. Discuss strategic plan including: - Christopher Hanson
  - A. Receive report on implementation of 2022 Strategic Plan action items and key performance indicators
  - B. Discuss COAERS SWOT exercise and analysis
  - C. Discuss 2023 Strategic Plan action items and key performance indicators
6. Discuss Board governance including: - Christopher Hanson
  - A. Review Board Governance manual
  - B. Board annual self-evaluation process
7. Board Skills Matrix and Trustee Professional Development Plans - Christopher Hanson

*Note: The Board Meeting will likely recess after the last item above and will resume October 18, 9:00 a.m. Tuesday morning, to take up items listed below; provided that the following items may be taken up at the October 17 meeting.*

8. Discuss legislative matters including: - Christopher Hanson
  - A. Review report on pension legislation
  - B. Legislative strategy, roles, and responsibilities
  - C. Education on Texas Legislative process
9. Discuss initial results of Asset/Liability Study – RVK and Staff
10. Discuss investment beliefs, goals, strategy, and governance – David Stafford
11. Receive educational presentation on private markets and related considerations – David Kushner
12. Discuss 2023 Board workshop – Chair Noak
13. Review key meeting takeaways and call for future agenda items – Chair Noak

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

Posted Date: October 10, 2022  
City Hall, City of Austin



Christopher D. Hanson  
Executive Director

**AGENDA ITEM 16:**

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

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.

<b>Continuing Ed Training 2-year cycle</b> Cycles are PRB terms, not the full range of Board elections/assignments	Core	Non-core	Total	Completed
M. Benson January 1, 2021-December 31, 2022		5.25	5.25	√
Kelly Crook August 30, 2022 – August 29, 2024				
C. Hanson January 11 2022 – January 10, 2024	5.25	16	21.25	√
A. Hunter January 30, 2022 to January 29, 2024		1.75	1.75	
Y. Liu January 1, 2022 to December 31, 2023		33	33	√
C. Noak January 1, 2022-December 31, 2023		2.75	2.75	
L. Pool Feb 19, 2022 – Feb. 18, 2024		4.75	4.75	√
A. Ross January 1, 2022-December 31, 2023		16	16	√
Brad Sinclair January 1, 2022 – December 31, 2023				
Diana Thomas January 19, 2022 – January 18, 2024				
<b>Core Training 1-year cycle</b>	Core	Non-core	Total	Completed
Dick Lavine January 1, 2022 – December 31, 2022	7	2.75	9.75	√
Michael Granof January 1, 2022 – December 31, 2022	7	2.75	9.75	√

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

*\*Mr. Hanson also attended Nasra but those hours were not counted (PRB does not approve 'unneeded' hours)*

*\*Mr. Ross had an online course that was 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.

- [www.BoardSmart.com](http://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)
- [IFEBC](#)
  - October 23-26, 2022 Employee Benefits Conference – Las Vegas, NV  
(a virtual option is also available)
  - February 11-12, 2023 Trustees Institute – Orlando, FL
  - February 13-15, 2023 Advanced Trustees and Administrators Institute – Orlando, FL
- [NACD](#)
  - September 28, 2022, Austin, TX – “Board Priorities and Recession Risks: The Economic and Financial Market Outlook”
  - November 17, 2022, (virtual) – “Leadership and Trust”
  - Virtual Director Professionalism (online)
  - Cyber Risk Oversight Certificate (online)
  - Director Essential Series (online)
- [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)
  - October 22-23, 2022 NCPERS Accredited Fiduciary (NAF) Program, Nashville, TN
  - May 20-21, 2023 NCPERS Accredited Fiduciary (NAF) Program, Detroit, MI

- [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

## 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.