



MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, March 28, 2017 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Chris Noak, Chair
Michael Benson
Eyna Canales-Zarate
Reagan David
Francine Gertz
Leslie Pool
Anthony B. Ross, Sr.
Ed Van Eenoo

Board Members Absent

Elizabeth Gonzales
Jim Williams
Russ Sartain

Others Present

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

Guests:
Samuel Xia
Dr. Harold Skaggs, M.D.
Lewis Ward, GRS
Paige Saenz, General Counsel
Danielle Beyer, New American Alliance
Gabriel Rodriguez, Empiric Institutional

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

1. System member and citizen comments/correspondence

There were no citizen comments nor any correspondence to share.

2. Review order of business

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

3. Receive reports on the following Board administrative matters:

- A. 2016 annual financial disclosure statements**
- B. Ethics policy disclosure statements**
- C. 2017 Committee assignments**
- D. 2017 Board and Committee meeting schedule**

Chair Noak reviewed the administrative matters and referred Trustees to the packet for copies of the annual disclosure statements and the policy disclosure statements.

Mr. Hanson noted the Board and Committee schedule reflects the annual members meeting having been moved from October to July. As Staff was unable to find a suitable offsite downtown location that could handle both the day and evening portions of the meeting, the alternative is to hold the meeting at the COAERS office as it has been in the past. The tentative evening meeting in June was also discussed. The agenda for that meeting may be long. Staff can accommodate either a day or evening meeting in June and will poll Trustees as to their availability and preference for that date.

Key Staff Declarations: Mr. Chris Hanson declared meetings with Jack Kirkpatrick from Aberdeen Asset Management; Chad Williams and Tracy Tenpenny from Avison Young; Bill Grayson from Principal Real Estate; Craig Merrigan and Brad Haughey from Sprucegrove; Bethany Meister from Innerspace Studios; and Amber Nolan and Joseph Larocca with GSC Architects, as well as a call with Chris Hornsby from Paul Hornsby & Co., and attendance at Commonfund Forum with lunch and dinner provided. Mr. David Veal declared meetings with Becky Nichols and Peter Schmole from Standard Life; Ross Norcom from Norcap Advisors; Devon Benton from Bridgeway Capital Management; Eliot Geller from CoreCommodity; Bill Grayson from Principal Real Estate; Warren DeKinder and Richard Yasenchak from INTECH; Gerrit Nicholas of Orion Energy Partners; Christopher Von Bergen from DoubleLine; Francis Semphill from Walter Scott; Stephen Constantine from DSM Capital Partners; Jessica Walton from Dimensional Fund Advisors; Rachel Berkman from Preqin; Nate Paul from World Class Capital; Terry Beneke from Cushing Asset Management; Kerry Duffian from Markham Rae; Nancy Katz from American Infrastructure Funds; Craig Merrigan and Brad Haughey from Sprucegrove; attendance at the Real Assets Investment Forum with lunch and dinner provided; attendance at the Texas Real Estate Forum with lunch provided; attendance at the North American Pension Summit with lunch and dinner provided; and attendance at Commonfund Forum with lunch and dinner provided. Mr. Russell Nash declared meetings with Amber Nolan and Joseph Larocca from GSC Architects; Chad Williams and Tony Avison Young; Bethany Meister from Innerspace Studios; and Kristina Smith from Imagine You Media.

Board Declarations: Mr. Anthony Ross declared three breakfasts and two lunches at the Investment Institute in Phoenix, Arizona. Mr. Michael Benson declared meeting with Danielle Beyer of New American Alliance and Gabriel Rodriguez of Empirical Institutional after the Investment Committee meeting on 3/28/17 and was present while they discussed emerging managers.

4. Consent Items

A. January 31, 2017 Board meeting minutes

B. Ratification of December 2016 retirement and death Benefits

Ms. Eyna Canales-Zarate moved approval of the Consent Items including January 31, 2017 Board Meeting minutes and ratification of the December 2016 retirement and death benefits. Mr. Ross seconded, and the motion passed unanimously.

5. Consider Member Appeal #2017-1

A. Review of appeal process

There were no questions regarding the process by which the appeal would be heard.

B. Consider request regarding general counsel

Mr. Xia alleged that Counsel Paige Saenz was misleading and requested that counsel be replaced. Counsel Saenz explained the correspondence that was sent by Knight Law Firm.

Ms. Pool moved to deny the request for substitution of counsel. Ms. Canales-Zarate seconded, and the motion passed unanimously.

C. Consider member appeal #2017-1

After the initial statement by Mr. Samuel Xia, Trustees discussed their difficulty understanding and speculated that the language barrier may prove an impediment to the hearing. Chair Noak agreed to allow more time for Mr. Xia's presentation in order to accommodate questions or clarifications. Trustees were comfortable moving forward but asked Mr. Xia if he would be more confident with a translator. Mr. Xia agreed that would be helpful and Trustees agreed to call a special meeting in April or May for purposes of the hearing.

Staff will poll Trustees on their availability and arrange for translation services before calling a special meeting.

6. Disability Retirement Application

A. Convene into executive session pursuant to Sec. 13, Art. 6243n, Tex. Rev. Civ. Stat. and Sec. 551.0785 Texas Government Code to consider and act on Disability retirement application ref. # 1208

B. Reconvene into public session and take action as determined appropriate by the Board regarding Disability retirement application ref. # 1208

The Board convened into Executive Session at 2:11 p.m.

The Board re-convened into Public Session at 2:28 p.m.

Mr. Ed Van Eenoo moved to approved disability claim #1208. Ms. Pool seconded.

The motion passed 6-1-1 (Yes: Van Eenoo, Canales-Zarate, David, Gertz, Noak, Pool; No: Ross; Abstain: Benson)

7. Certification of Benefits and Services Committee

A. Receive report from March 7, 2017 meeting

Ms. Francine Gertz reported on the March 7, 2017 meeting. The topics of that meeting included the results of the actuarial valuation, an engagement letter with Gabriel, Roeder, Smith & Company, implementation of a draft policy regarding limiting contributions, and the annual evaluation of LRWL, Inc.

B. Discuss and consider December 31, 2016 Actuarial Valuation

Mr. Lewis Ward of Gabriel, Smith and Company (GRS) presented the December 31, 2016 Actuarial Valuation results. Mr. Ward discussed the key points of the valuation

highlighting demographic information and experience during 2016. Stronger market returns and new active membership growth contributed to a decrease in the Plan's amortization period of unfunded actuarial accrued liability from 33 to 31 years. The overall funded position of COAERS decreased slightly from 68.0% to 67.5%, however, the long-term trajectory for the plan's funded status is positive as more Group B members are hired in the years to come.

Ms. Gertz moved to approve the December 31, 2016 actuarial valuation results. Mr. Benson seconded, and the motion passed unanimously.

Ms. Pool left at 3:00 p.m.

- C. Discuss and consider 2018 engagement letter with Gabriel, Roeder, Smith, & Co.**
After a brief discussion regarding the timeframe of the engagement letter, Ms. Gertz moved to approve the 2018 Engagement Letter with Gabriel, Roeder, Smith & Co. Mr. Van Eenoo seconded and the motion passed unanimously.

8. Discuss and consider addendum to Levi, Ray, & Shoup Maintenance & Support Agreement for PensionGold Version 1

Ms. Gertz moved to adopt and execute an addendum to the maintenance and support agreement for PensionGold Version 1 software for 2018. Ms. Canales-Zarate seconded and the motion passed unanimously.

9. Investment Committee

A. Receive report from February 10, 2017 and March 28, 2017 meetings

Mr. Benson reported on the February 2017 meeting where discussion encompassed fourth quarter fund performance, investment manager performance, capital market projections, a review of the investment beliefs survey, and the request for proposal for the investment consultant. The March 28 meeting included a recommendation to rebalance the fund to its 24.5% strategic allocation target for fixed income, with the proceeds coming equally from US and international equities.

B. Discuss and consider portfolio rebalancing and BAP I-1 "Statement of Investment Policy"

Mr. Veal presented three potential implementation options to rebalance the fund as recommended by the Investment Committee, none of which would necessitated changes to the Investment Policy Statement at this time. Mr. Benson moved to direct Staff to rebalance by moving \$65 million each from the INTECH and Sprucegrove accounts with those funds re-allocated to the existing account with Agincourt. Ms. Gertz seconded, and the motion passed unanimously.

C. Discuss and consider general investment consultant services request for proposal

Mr. Benson advised the Trustees on the progress to date for the Request for Proposal for investing consulting services including a due diligence trip is planned in April for the five leading candidates. The Investment Committee will review the results of this trip at its May and consider the next steps in the overall process, including the possibility of having the top 2-3 candidates present to the Board at its June 27 meeting.

10. Discuss and consider long term facilities plan

Mr. Hanson discussed process to date; and briefed the Board on a recent meeting with one vendor to discuss remodel options; Staff also identified another similar firm and an architectural firm to discuss scope of services. Trustees were comfortable with Staff moving ahead with securing a consulting firm to help better understand the options and costs of remodeling. The cost for consulting is in the \$10,000 range and will include several options.

11. Discuss and consider issues related to the 85th Legislative Session

Mr. Hanson reported that he provided information to Sen Watson's office regarding an upcoming appointment to the Pension Review Board. He also gave the status of several bills which could impact COAERS.

12. Review and discuss Board educational activities, including the following:

A. State Minimum educational training requirements

Mr. Hanson reminded trustees that all met their previous requirements and all were on track to meet the 2017-2018 requirements as well. Staff will initiate the renewal process to continue to be an approved sponsor of training for the Pension Review Board MET Training requirements. Both Mr. Nash and Mr. Hanson will be teaching at TEXPERS in April.

B. Reports on educational programs attended

Mr. Noak reported that the Southwest Investors' Forum sponsored by the AIF Institute, ERS, and TMRS, impressed upon him just how complex the process of investing in hedge funds and private equity can be.

C. Upcoming educational programs and conferences

Mr. Hanson highlighted several upcoming conferences and events. Mr. Ross noted that he planned to attend the CFA Conference in April. Texpers will offer both basic and advanced training prior to the conference.

13. Receive additional 2016 Board self-evaluation

Mr. Ross added his feedback to the Board self-evaluation done at the end of 2016, noting both his concerns (low investment returns, dependence on external consultants, and lack of resources for the CIO) and what pleased him (outstanding execution of benefits and services, and outstanding management).

14. Executive Director Report

A. Fourth quarter 2016 financial statements

One question was answered regarding commission recapture; no changes were made.

B. Public pensions in the news

Mr. Hanson noted the published article in the *Austin Chronicle* as well as recent media about other pension systems in Texas.

C. Comparative calculation and retirement activity levels

15. Call for future agenda items

As there were no further items to address, the meeting adjourned at 4:40 p.m.



Chris Noak, Board Chair

6-27-2017

Date



Christopher Hanson, Executive Director

6/27/2017

Date