



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, June 26, 2018 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Michael Benson
Eyna Canales-Zarate
Amy Hunter
Yuejiao Liu
Frank Merriman
Leslie Pool
J. Randall Spencer
Ed Van Eenoo

Board Members Absent

(Stephanie Beach)
(Chris Noak)
(Anthony B. Ross, Sr.)

Others Present

Staff:
Christopher Hanson
Russell Nash
Donna Boykin
David Veal
David Stafford
Julie Barschow
Amy Kelley
Sarah McCleary
Michelle Mahaini

Guests:
Paige Saenz, General Counsel
Andrew Alizzi, Avison Young
Corey Martin, Avison Young
Marc Chytil, Pension Review Board

- 1. Call meeting to order – Chair Noak**
Vice-Chair Mike Benson called the meeting to order at 1:37 p.m.
- 2. Call roll of trustees – Chair Noak**
The secretary called the roll and the following Trustees were present: Benson, Canales-Zarate, Hunter, Liu, Merriman, Pool, and Spencer.
- 3. Review order of business – Chair Noak**
Mr. Benson reviewed the order of business. No changes were made.
- 4. Receive system member and public comments – Chair Noak**
There were no public comments.

5. Receive reports on the following administrative matters – Chair Noak

A. Ethics policy disclosure statement

B. 2018 Board and Committee meeting schedule

Mr. Benson noted the ethics policy disclosure statement, and the 2018 Board and Committee meeting schedule. Mr. Hanson reminded Trustees that the annual members' meeting is scheduled for July 17, 2018 at 5:00 p.m. Ms. Leslie Pool will not be available on that date.

Key Staff Declarations:

Mr. Veal declared meetings with Reston Blumwest from AlInvest; Warren DeKinder from Intech; Dan Ransenberg and Martin Emery from GMO; Robert Ginsberg and Charles Koeniger from Cadence Capital; Francesco di Valmarana and Tom Clarkson from Pantheon; Chris Schiavone and Tim Lynch from 400 Capital; Ophir Bruck from PRI; David Brown, Shaun Murphy, Greg Behar, Mike O'Connor, Joe LaPorta, Ed Wood, Dave Nirtaut, Joe Tomczak, Greg Fedorinchik, Chris Tucek, and Rachel Madsen from LGIMA; Kathy Stevenson, Brigit Murff, Colleen Neu, Brad Pedersen, Director, John Woods, Ashley Alson, Fred Porzelt, David Alongi, Brent Reeder, and Scott Dille from Northern Trust; Brad Tank, Lori Holland, Melissa Oberman, Dave Brown, Thanos Bardas, Julian Bostic, Tom Sontag, Terry Glomski, and Joe Rotter from Neuberger Berman; Rob Kapito, Mark Wiseman, Mark Saxe, Obie McKenzie and Thomas Rose from BlackRock; Matt Shapiro from Multicoïn Capital; Bill Morgan from Mesirow Advanced Strategies; Aaron Gomes from Credit Suisse; Ben Linder, Sascha Gruber, and Michael Plichta from LGT; Alex Winstone from AlternativeSoft; Lorelei Tavzel from Novus; Dan Rasmussen from Verdad Capital; John Haug from Ardian; Lauren Dillard from Carlyle Group; Peter Schmole and Becky Nichols from Aberdeen Standard; Mary Davidson from Abel Noser; Maria Vassalou from Perella Weinberg Partners; Jeff Fox from JP Morgan Asset Management; Matt Crowe from GQG Partners; Rosa Moreno from Progress Investment Management; Greg Lindsey from Putnam Investments; Brett Hickey from Star Mountain Capital; Brian Baumhover from Resonant; Tony Hass from KKR; Marc Friedrich from Nuveen; Megan Cruse from Monroe Capital; Jeff Keay and Blake Holman from HarbourVest; Malcolm Stockdale from Bloomberg; Greg Williams, Adam Berger, Saul Henry, Tom Levering, Alan Hsu, Juanjuan Niska, and Ken Baumgartner from Wellington; Shawna Kaufman, Mandy Ilk, Ly Berry, and Nancy Hikaza-Vilardo from ILPA; Roberto Croce from Salient Partners; Dana Goldstein from Levine Leichtman Capital Partners; Rodrigo Aberu and Sorina Zahan from Core Capital Management. Mr. Veal also declared a group lunch during an educational presentation by Salient at Pension Bridge conference in San Francisco. Mr. Hanson declared attendance at the Pension Bridge Conference with breakfast and lunch provided, and meetings with Reid Gilbreath and Lucian Morehead from Asterra Properties, Ed Yardeni from Yardeni Research, Tracy Fike and Rance Clouse from Caspa Ventures LLC, Ophir Bruck from Principles for Responsible Investment and Richard Sneller from Baillie Gifford.

Mr. Nash declared meeting with LRWL, Inc., LRS, and mindSHIFT Technologies.

Ms. Mahaini declared meetings with ABC Irrigators, ARMS, CBI Furniture, Capital Printing, Fox Services, T.C. Tech, Maggie Messer Photography, MindSHIFT Technologies, Reliant Plumbing, and Strand Bros. Service Experts.

Board Declarations:

Mr. Benson declared meeting with Ed Yardeni. Ms. Canales-Zarate declared meeting with Lisa I. Miller (non-investment related) of Southwest Texas Money Managers.

6. Consent items – Chair Noak

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 27, 2018 Board meeting minutes**
- B. May 9, 2018 Board meeting minutes**
- C. June 8, 2018 Board meetings minutes**
- D. June 12, 2018 Board meeting minutes**
- E. Ratification, confirmation, and approval of January, February, and March 2018 new retirements**
- F. Ratification, confirmation, and approval of January, February, and March 2018 death benefits**
- G. Ratification, confirmation, and approval of Disability Committee recommendations on Disability applications # 7406, #4721, and #3390**

Ms. Eyna Canales-Zarate moved approval of the consent agenda. Mr. Randy Spencer seconded, and the motion passed unanimously.

7. Facility Options – Chair Noak

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

The Board convened into Executive Session at 1:40 p.m.

Mr. Van Eenoo arrived at 1:40 p.m.

- B. Reconvene into public session and take action as determined appropriate by the Board regarding the purchase, exchange, lease, or value of real property, including considering a purchase and sales agreement for the purchase of real property and authorizing engaging consultants to conduct property inspections**

The Board reconvened into public session at 2:28 p.m. No action was taken.

Trustees took a break from 2:29 p.m. and resumed at 2:35 p.m.

8. Investment Committee

- A. Receive report from May 18, 2018 meeting – Mike Benson**

Mr. Benson delivered a report from the May 18, 2018 Investment Committee meeting.

- B. Receive update on strategic partnerships – David Veal**

Mr. David Veal updated Trustees on the BlackRock investment management agreement, which was signed earlier in June, and noted that BlackRock will be in attendance at the Board workshop in October. Mr. Veal noted the corresponding changes made to the Statement of Investment Policy, which were previously authorized by the Board. Mr. Hanson added that Northern Trust's reporting may involve contract language that needs to be approved by the Board.

C. Receive update on Asset/Liability Study – Chris Hanson

Mr. Chris Hanson delivered an update on the Asset/Liability study.

D. Discuss and consider international and emerging markets equities portfolio – David Veal

- 1) Proposed implementation plan
- 2) Third amendment to the investment management agreement with Northern Trust
- 3) Ninth amendment to the investment management and custodian agreement with Northern Trust
- 4) Investment manager agreements for international and emerging markets equities portfolio

Mr. Veal reminded Trustees that the international equity portfolio represents about 30% of the Fund's assets but about 50% of its risk. It is also a very expensive asset class, accounting for \$3.5 million of the nearly \$8 million currently spent on manager fees. Mr. Veal reviewed the recommendations of the Investment Committee which will, among other things, save more than \$1.3 million annually while a premier list of potential new active managers is developed.

Ms. Canales-Zarate moved to approve the implementation plan for the international and emerging markets equities portfolio, and approving the following:

1. The Third Amendment to the Investment Management Agreement with Northern Trust Investments, Inc.
2. The Ninth Amendment to the Investment Management and Custodian Agreement with Northern Trust
3. Authorize the Vice-Chair to sign the amendments on behalf of the Board of Trustees in the absence of the Board Chair; and
4. Authorize the Executive Director to terminate the investment management agreements with Sprucegrove and Mondrian.

Mr. Ed Van Eenoo seconded and the motion passed unanimously.

E. Discuss and consider revisions to the Board Approved Policy I-1 "Statement of Investment Policy" – David Veal

Mr. Veal noted one change that required to reflect the changes approved in agenda item 8D. Mr. Spencer moved to approve the proposed revisions to the

Board Approved Policy I-1 "Statement of Policy". Ms. Yuejiao Liu seconded, and the motion passed unanimously.

F. Discuss and consider investment staff resources, including subscription agreement with Bloomberg, license to Preqin, and membership with ILPA – Chris Hanson

Trustees discussed which investment staff resources will be needed going forward and requested the development of an investment expense budget annually. Ms. Canales-Zarate moved to approve two licenses to Bloomberg, one license to Preqin, and membership to the Institutional Limited Partners Association (ILPA). Mr. Van Eenoo seconded, and the motion passed unanimously.

9. Discuss investment legal counsel, including engagement letters with Jackson Walker LLP and DLA Piper – Chris Hanson

Mr. Hanson explained the personnel changes in firms and the Staff's desire to use both firms' attorneys in order to have critical expertise on complex investment issues. Ms. Leslie Pool moved to approve the engagement letters with Jackson Walker LLP and DLP Piper pending final approval by general counsel. Ms. Canales-Zarate seconded, and the motion passed unanimously. General Counsel confirmed that Vice-Chair Benson may sign the contract in place of Board Chair Chris Noak.

10. Policy Committee

A. Receive report from June 12, 2018 meeting – Chair Noak

Mr. Hanson delivered a report from the June 12, 2018 Policy Committee meeting.

B. Discuss and consider revision to 2018 salary scale – Chris Hanson

Ms. Pool moved to adopt the revised 2018 salary scale as handed out, moving the Senior Accountant position to Grade F and capping the number of FTEs to 20.0. Ms. Amy Hunter seconded, and the motion passed unanimously.

C. Discuss and consider Board Approved Policy E-1 "Election Policy for Active-Contributory and Retired Members" – Russell Nash

Mr. Nash reminded Trustees that by statute the board must approve written procedures for the conduct of the election no later than August 1 of each year in which an election is held. Ms. Canales-Zarate moved to approve Policy E-1 "Election Policy for Active-Contributory and Retired Board Members" without revision. Mr. Spencer seconded, and the motion passed unanimously.

11. Consider appointment of Nominating and Election Committee for 2018 – Russell Nash

Ms. Pool moved to appoint committee members and alternates to the 2018 Nominating and Election Committee as proposed. Mr. Van Eenoo seconded, and the motion passed unanimously.

12. Audit and Risk Committee

A. Receive report from June 12, 2018 meeting – Anthony Ross

Mr. Benson delivered a report from the May 18, 2018 Audit and Risk Committee meeting.

B. Consider acceptance of the December 31, 2017 auditor's report and financial statements from KPMG – Anthony Ross

Ms. Canales-Zarate moved to accept the December 31, 2017 financial statements and the auditor's report from KPMG. Mr. Spencer seconded and the motion passed unanimously.

13. Receive report from June 12, 2018 Benefits and Services Committee meeting – Eyna Canales-Zarate

Ms. Canales-Zarate provided a report from the June 12, 2018 Benefits and Services Committee meeting.

14. Receive report from June 12, 2018 Disability Committee meeting – Frank Merriman

Mr. Frank Merriman provided a report from the June 12, 2018 Disability Committee meeting.

15. Discuss and consider Board educational activities including the following:

A. TEXPERS annual and summer meetings – Chair Noak

Ms. Canales-Zarate reported on the status of the hiring process for the new executive director of TEXPERS. Mr. Hanson reminded Trustees to let Staff know if they want to attend the Summer session.

B. State minimum educational training requirements – Chris Hanson

Mr. Hanson provided an update on the status of the educational requirements for the current terms.

C. Reports on educational programs attended – Chair Noak

Mr. Benson noted that both Mr. Ross and Mr. Merriman submitted reports on recent programs attended.

D. Upcoming educational programs and conferences – Chris Hanson

Mr. Hanson highlighted several upcoming conferences and events including on-line options.

16. Executive Director Report – Chris Hanson

A. Update on staffing

B. Comparative calculation and retirement activity levels

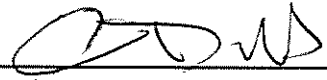
Mr. Hanson introduced the newest Staff members.

17. Call for future agenda items – Chair Noak

As there were no further items to address, the meeting adjourned at 3:47 p.m.



Chris Noak, Board Chair



Christopher Hanson, Executive Director

9-26-2018
Date

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