










December 2024 IC Meeting

Schedule	Tuesday, December 17, 2024 9:00 AM — 10:00 AM CST
Venue	4700 Mueller Blvd., Austin TX 78723
Organizer	Sarah McCleary

Agenda

1. Call roll of Committee members	1
Presented by Ed Van Eenoo	
 Item #1 Summary.docx	2
<hr/>	
2. Review order of business and establish meeting objectives	3
Presented by Ed Van Eenoo	
 Item #2 Summary.docx	4
<hr/>	
3. Receive public comments	5
Presented by Ed Van Eenoo	
 Item #3 Summary.docx	6
<hr/>	
4. Discuss and consider Fixed Income recommendations	7
 Item Summary #4.docx	8
 A Meketa Core Fixed Income Manager Search.pdf	9
 B Core Fixed Income Search Memo CONFIDENTIAL.docx	33
 C Core Fixed Income Structure Memo CONFIDENTIAL.docx	44
<hr/>	
5. Discuss and consider Investment Policy Statement and repeal of Investment Implementation Policy	55
 Item #5 Summary.docx	56
 Redlined Revisions to Draft Investment Policy Statement.pdf	57

6. Review 2025 Investment Committee Work Plan 74
Presented by Ed Van Eenoo

 Agenda Item #6 Summary.docx 75

 Draft Investment Committee 2025 Workplan and Priorities.docx 76

7. Call for future agenda items 78
Presented by Ed Van Eenoo

 Item #7 Summary.docx 79

1. Call roll of Committee members

Presented by Ed Van Eenoo



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 1: Call roll of Committee members

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.

Please note that logging in to this meeting in real-time on Convene will automatically mark you as “present”. Sarah will indicate in the minutes if you are in person or virtual. If there are any Trustees who have not yet logged into Convene, please indicate to Sarah so she can mark you as present.

2. Review order of business and establish meeting objectives

Presented by Ed Van Eenoo

AGENDA ITEM 2:

Review order of business and establish meeting objectives

AGENDA ITEM OBJECTIVE

This agenda item provides Trustees the opportunity to review the order of business and to express a desire to take an agenda item out of order, and to discuss the key objectives of the meeting.

1. The Committee will discuss and consider recommendations related to the Fixed Income portfolio.
2. The Committee will discuss and consider proposed revisions to the draft Investment Policy Statement and repeal of the Investment Implementation Policy.
3. The Committee will discuss the development of the 2025 Committee Work Plan.

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 establish meeting objectives and review them at the outset of each meeting.

3. Receive public comments

Presented by Ed Van Eenoo



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 3: Receive public comments

AGENDA ITEM OBJECTIVE

This standing agenda item allows System members and members of the public the opportunity to provide comments to the Board.

ITEM SUMMARY

The Chair will recognize any person who wishes to comment for up to three minutes per person.

RELEVANCE TO STRATEGIC PLAN/CORE COMPETENCIES

This agenda item meets the core competency 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.*”

4. Discuss and consider Fixed Income recommendations



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 4: Discuss and consider Fixed Income recommendations

AGENDA ITEM OBJECTIVE

The Committee will review recommendations to reflect inclusion of items approved as part of the restructuring of the System's Fixed Income exposures.

RECOMMENDATION FOR COMMITTEE ACTION

Meketa and Staff recommend the Committee refer to the Board for approval the recommendations related to the Fixed Income portfolio.

ITEM SUMMARY

At its June 2024 meeting, the Board approved the creation of Core Fixed Income as an anchor investment in a "hybrid" approach to structuring the Fixed Income portfolio. Staff and Meketa will present a recommendation for the retention of Core Fixed Income 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."** Committee review of the implementation of the investment program ensures that Trustees monitor the performance of the portfolio.

ATTACHMENTS

1. Meketa Core Fixed Income Manager Search Recommendation
2. Staff Core Fixed Income Search Memo [CONFIDENTIAL]
3. Staff Core Fixed Income Structure Memo [CONFIDENTIAL]

SUPPLEMENTAL INFORMATION PROVIDED VIA CONVENE APP

4. Fixed Income Returns Based Analysis [CONFIDENTIAL]
5. Core Fixed Income Manager Information [CONFIDENTIAL]



City of Austin Employees' Retirement System

Active Core Fixed Income
Manager Search



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Table of Contents

1. Manager Candidates
 - Income Research & Management (IR+M)
 - Loomis Core Disciplined Alpha
 - Loomis Core
2. Historical Performance and Portfolio Characteristics
3. Scenario Analysis and Optimization
4. Glossary

Background

- In June 2024, the Board approved the recommendation to hire an Active Core Fixed Income manager to serve as the portfolio's anchor in the "hybrid" approach to the asset class. The hybrid approach to the Fixed Income's portfolio structure utilizes a core bond manager and a satellite specialty mandate.
- This recommendation coincided with updates to the portfolio guidelines and permissible investments for Fixed Income to be less prescriptive and allow additional investments including, but not limited to, High Yield, Bank Loans, and Emerging Market Debt.
- As a reminder, the Fixed Income portfolio was historically disaggregated into its component pieces in an effort to better manage the allocation and provide a hedge to equity risk (example: dedicated exposure to US Treasuries). The recommendation to move implementation back towards a more aggregated "core/satellite" approach delegates the decisions on where to allocate capital across the core sector to an investment manager.
- The following search document outlines the proposed finalists for the Active Core Fixed Income mandate following a detailed due diligence process executed by Staff and Meketa's Fixed Income Research Team.



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Introduction

Manager selection is a nuanced process and requires extensive due diligence. When selecting prospective active managers, Meketa evaluates the following areas:

- Organization
- Investment Team
- Investment Philosophy
- Investment Process
- Investment Performance
- Management Fees



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Manager Candidates



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Manager Overviews As of September 30, 2024

	IR+M	Loomis	Loomis
Firm/Team Location	Boston, MA	Orinda, CA	Boston, MA
Firm Inception	1987	1926	1926
Ownership Structure	85% Employee Owned	Wholly owned Subsidiary of Natixis	Wholly owned Subsidiary of Natixis
Strategy Name	Core Bond	Core Disciplined Alpha	Core Fixed Income
Strategy Inception	December 1991	August 2010	January 1984
AUM (Firm)	\$108.3 billion	\$388.5 billion	\$388.5 billion
AUM (Strategy)	\$24.1 billion	\$14.0 billion	\$20.9 billion

Income Research + Management (IR+M)

Organization

- Income Research + Management ("IR+M") was founded in 1987 by John and Jack Sommers to specialize in the US dollar-denominated fixed income market. Today, IR+M manages custom fixed income solutions and strategies across the yield curve. For the period ending September 30, 2024, total firm AUM was \$108.3 billion in fixed income assets, which includes \$16.0 billion in the Core strategy.
- IR+M has been independent and privately owned since its inception. The firm is approximately 84.7% employee owned, held across 66 employees. Two non--employee members of the Sommers family hold 9.8% of firm ownership. Three retired members hold the remaining 5.5%. The ownership trend for IR+M remains committed to their practice of transferring additional economic ownership to employees while remaining privately owned. Senior leadership does not anticipate any material developments or fundamental changes to firm ownership.

Investment Team

- The investment team consists of 61 professionals, of which 21 are portfolio managers. Portfolio managers' involvement in the strategy varies depending on the extent that their sector expertise is utilized within portfolio guidelines. Since portfolio managers are not assigned specific portfolios or mandates, they have buy and sell authority within the bounds of their respective sectors. The team is supported by 33 analysts, who are responsible for credit analysis within their respective sectors.

Income Research + Management (IR+M) (continued)

Investment Philosophy and Process

- IR+M follows a team-oriented duration-neutral and key rate neutral approach focused on relative value emphasizing bottom-up security selection to drive sector selection. The team is benchmark aware with low tracking error. Security selection and relative value drive exposures and excess returns. IR+M does not use leverage, derivatives, or currency risk. Portfolio managers are responsible for buy and sell decisions within their respective areas of expertise.
- New ideas are sourced from new issues, secondary market activity, management meetings, conferences, and team conversations. Securities are then evaluated on an issue-by-issue basis, placing heavy emphasis on credit fundamentals, structural features, volatility, and liquidity.
- Analysts layer top-down analysis utilizing multiple testing methodologies, giving special attention to downside risk under extreme scenarios. The team opts to maintain a duration and yield curve neutral stance, while setting overall sector exposure targets. Portfolio managers, who act as sector specialists, are responsible for determining sub-sector exposure that must fall within limit stated guideline constraints.

Loomis Disciplined Alpha

Organization

- Loomis Sayles & Company, L.P. (Loomis Sayles) was founded in 1926 and is structured as a limited partnership. It is a wholly owned subsidiary of Natixis Investment Managers, LLC. Natixis is headquartered in Boston, MA and has several investment management affiliates and other securities-related firms both in the US and around the world. For the period ending September 30, 2024, total firm AUM was \$388.5 billion across a variety of fixed income strategies.
- The Disciplined Alpha team is run out of Orinda, CA. As of September 2024, the platform had \$21 billion in investment grade strategies across various durations. The Core Disciplined Alpha strategy inceptioned in August 2010 and had \$14 billion in assets under management. The strategy makes up ~66% of the total platform.

Investment Team

- The investment team is comprised of highly experienced professionals. Lynne Royer and Seth Timen co-head the Disciplined Alpha team. The team is run out of Orinda, CA and came over from Montgomery in 2009. The team is run more independently within Loomis and with a much more defensive style than other Loomis fixed income strategies.
- They are supported by 16 analysts and traders that cover specific investment grade sectors. Sector specialists on the Disciplined Alpha team are responsible for accessing the research of the Loomis Sayles credit research and securitized sector teams to help generate investment ideas

Loomis Disciplined Alpha (continued)

Investment Philosophy and Process

- All Disciplined Alpha strategies follow the same philosophy and process with an intense focus on relative value investing. They aim to gain an edge through research and use of market information. The team seeks to add value for clients through security selection and continuous rotation of best opportunities.
- They believe their risk management process helps enable better security selection decisions. The Disciplined Alpha Risk Tool (DART) is a proprietary tool embedded throughout this process. It allows the entire team to see real time risk exposure and the ability to precisely target and manage portfolio exposures. The team evaluates many measures of risk bond by bond, including duration, sector, yield curve, prepayment, spread volatility and credit exposure.
- The Disciplined Alpha team aims to produce consistent alpha by understanding where bonds should trade at any given time and adjusting portfolio positioning within a structured process daily. Turnover in the portfolio is roughly 338%.
- The Disciplined Alpha team seeks to harvest value through continuous rotation into best opportunities which has led to an increased level of portfolio turnover relative to peers. The team manages diversified portfolios by selecting primarily benchmark-like securities, taking little duration or yield curve risk.
- They benefit from the robust research efforts across Loomis Sayles. The Disciplined Alpha team overlays its relative value decision-making and risk management system onto the firm's extensive research in pursuit of its objective of outperforming its benchmark while maintaining portfolio risk at levels that are comparable to the benchmark. They take little duration or yield curve risk.

Loomis Relative Return

Organization

- Loomis Sayles & Company, L.P. (Loomis Sayles) was founded in 1926 and is structured as a limited partnership. It is a wholly owned subsidiary of Natixis Investment Managers, LLC. Natixis is headquartered in Boston, MA and has several investment management affiliates and other securities-related firms both in the US and around the world. For the period ending September 30, 2024, total firm AUM was \$388.5 billion across a variety of fixed income strategies.
- The Relative Return team is run out of Boston, MA and is responsible for the Core Fixed Income strategy. The Core Fixed Income strategy was incepted in January 1984 and had \$20.8 billion as of September 2024. Relative Return is the largest Alpha Engine at Loomis.

Investment Team

- The portfolio managers for the strategy are Chris Harms, Cliff Rowe and Dan Conklin. Chris Harms and Cliff Rowe are the most tenured portfolio managers, with 44 years and 32 years of experience respectively, while Dan Conklin brings 14 years of experience and 12 years at Loomis.
- The team utilizes all shared resources at Loomis where bottom-up ideas come from experts in those areas. The macro inputs are coming from the sector teams such as risk and positioning in asset classes, industries and quant macro. The role of the portfolio managers is to digest this information and make final decisions on individual name inclusion and risk positioning at the portfolio level and within sectors.

Loomis Relative Return (continued)

Investment Philosophy and Process

- Loomis believes bond markets are largely efficient, which leads to a prudent level of risk in their portfolios. Trading costs are important and are a large consideration in their optimization approach, turnover in the portfolio is ~130%. Investment ideas are evaluated on potential return versus contribution to portfolio risk.
- The team's key inputs are sourced from Loomis' sector teams, which are shared resources across the organization. From these inputs the portfolio managers develop their top-down and bottom-up valuation framework and market analysis. On a weekly basis, the team brings in different speakers from the sector teams and traders to discuss key topics in each area.
- The portfolio is built with an analysis of the behavior of various investments in various markets. From the top-down, they project out returns and risk across all fixed income markets with in-depth analysis performed by their sector teams on macro topics and economic forecasts. They collaborate with their Global Asset Allocation Team (GAAT) to understand cross-sector relative value, risk, return and correlation and comparison to market consensus.
- The portfolio management team has the ultimate decision-making authority on positioning and ultimate level of risk based on these inputs. The portfolio managers are not anchored to any "house view".
- From the top-down the portfolio managers utilize a scorecard produced by the GAAT which includes sector return forecasts under base, bull and bear scenarios. They utilize further input from the Macro Strategies Group and Sector teams before deciding on final top-down risk positioning.



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Historical Performance and Portfolio Characteristics



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Historical Performance (Gross of Fees) As of September 30, 2024

	IR+M	Loomis Disciplined Alpha	Loomis Relative Return	BBG US Aggregate Index
Trailing Period Returns (%):				
YTD	4.9	4.9	5.4	4.4
1 year	12.2	12.1	12.6	11.6
3 years	-1.0	-1.0	-0.8	-1.4
5 years	1.1	1.0	1.3	0.3
7 years	2.1	2.0	2.4	1.5
10 years	2.4	2.4	2.8	1.8
Calendar Year Returns (%):				
2023	6.2	6.1	6.2	5.5
2022	-12.7	-12.9	-12.9	-13.0
2021	-1.0	-1.1	-0.7	-1.5
2020	9.6	9.3	9.7	7.5
2019	9.3	9.2	10.2	8.7
2018	0.1	0.2	0.2	0.0
2017	4.0	3.9	4.5	3.5
2016	3.6	3.7	4.1	2.6
2015	0.6	1.1	1.1	0.5
2014	7.1	6.5	7.2	6.0



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

10-Year Trailing Returns and Risk Statistics¹

As of September 30, 2024

	IR+M	Loomis Disciplined Alpha	Loomis Relative Return	BBG US Aggregate Index
Common Period Perf (%)				
Trailing Period Return	2.4	2.4	2.8	1.8
Up Period % Outperformance	62	77	82	--
Down Period % Outperformance	80	78	80	--
Risk:				
Standard Deviation (%)	4.9	5.0	5.0	4.9
Tracking Error (%)	0.5	0.3	0.8	--
Beta	0.99	1.01	0.99	1.00
Correlation to Benchmark	0.99	1.00	0.99	1.00
Downside Deviation (%)	4.9	4.9	5.0	4.9
Upside Capture (%)	105	106	110	100
Downside Capture (%)	95	97	95	100
Risk-Adjusted Return:				
Jensen Alpha	0.59	0.58	0.92	--
Sharpe Ratio	0.16	0.15	0.22	0.04
Information Ratio	1.09	1.82	1.12	--

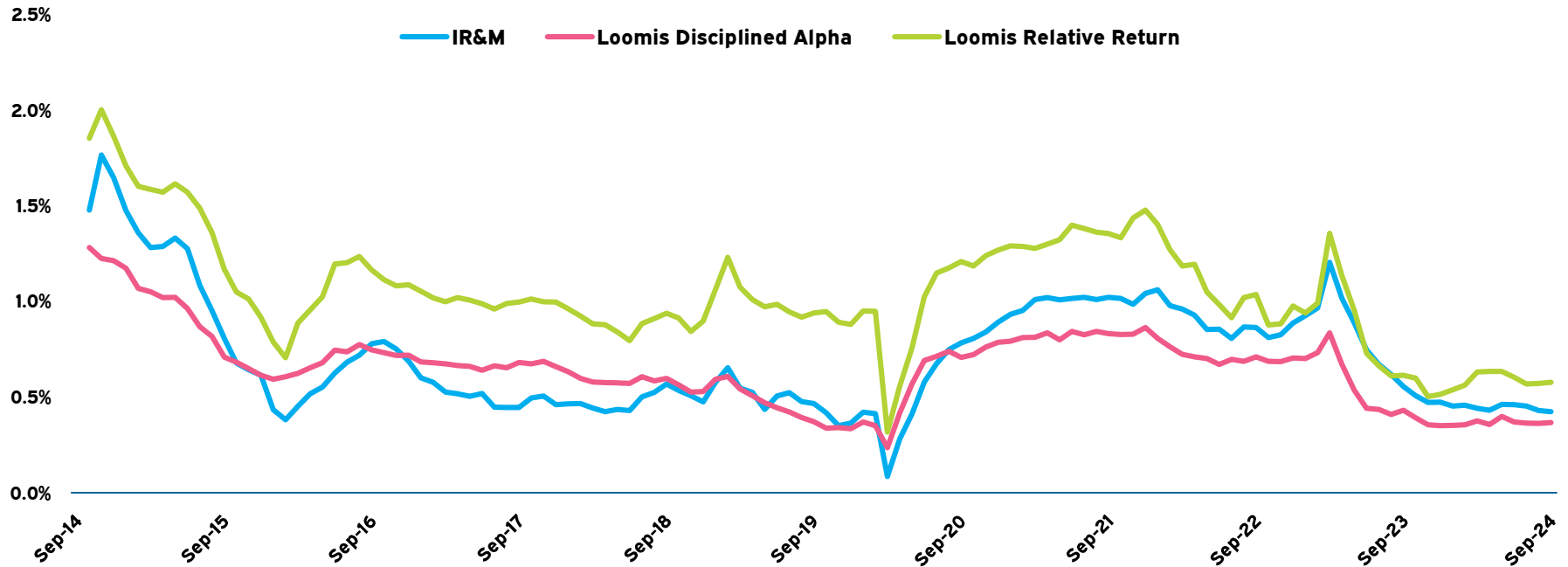
¹ Common period is October 2000 to September 2024. Data shown is calculated using gross of fees performance. Risk statistics calculated against the Bloomberg US Aggregate Index.



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Three-year Rolling Excess Returns vs. Bloomberg US Aggregate Index
(October 2014 to September 2024)



As of 9/30/2024	Total Periods	Periods Outperformed	Percentage (%)	Average Excess Return (%)	Median Excess Return (%)	Max (%)	Min (%)	Range (%)
IR+M	120	120	100	0.7	0.6	1.8	0.1	1.7
Loomis Discipline Alpha	120	120	100	0.7	0.7	1.3	0.2	1.0
Loomis Relative Return	120	120	100	1.0	1.0	2.0	0.3	1.7



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Scenario Analysis and Optimization

Scenario Analysis

Weight (%)	3 Managers	IR&M + Loomis Disciplined Alpha	IR&M	Loomis Disciplined Alpha	Loomis Relative Return
IR+M	33	50	100	-	-
Loomis Discipline Alpha	33	50	-	100	-
Loomis Relative Return	33	-	-	-	100

→ Given the possibility that multiple strategies may be selected to fulfill the Active Core Fixed Income mandate, a variety of scenarios were constructed that simulate five different allocation options.

→ The following analyses illustrate the historical 10-year risk/return outcomes of the various scenarios.

Scenario Analysis – 10-year Risk/Return Summary
As of September 30, 2024

	3 Managers	IR&M + Loomis Disciplined Alpha	IR&M	Loomis Disciplined Alpha	Loomis Relative Return	<i>Bloomberg US Agg</i>
Return (%)	2.46	2.35	2.35	2.35	2.69	1.76
Tracking Error (%)	0.53	0.41	0.54	0.32	0.83	
Information Ratio	1.31	1.44	1.09	1.82	1.11	
Sharpe Ratio	0.15	0.13	0.13	0.13	0.20	0.01
Jensen's Alpha (%)	0.70	0.59	0.59	0.59	0.93	
Beta	1.00	1.00	0.99	1.01	0.99	
Standard Deviation (%)	4.94	4.93	4.91	4.96	4.96	4.92

- The range in outcomes for the 10-year risk/return statistics across the various scenarios is narrow.
- Between the two multi-strategy options, the “3 Managers” scenario produced a higher rate of return and assumed a marginally higher rate of risk (standard deviation).

Scenario Analysis – 10 Year Upside/Downside Analysis
As of September 30, 2024

	3 Managers	IR&M + Loomis Disciplined Alpha	IR&M	Loomis Disciplined Alpha	Loomis Relative Return	<i>Bloomberg US Agg</i>
Upside Capture (%)	107	105	105	106	110	-
Downside Capture (%)	96	96	95	97	95	-
Max Drawdown (%)	-16.5	-16.6	-16.5	-16.7	-16.6	-17.2
Best 3 Months Cumulative (%)	8.5	8.5	8.5	8.4	8.5	8.2
Worst 3 Months Cumulative (%)	-8.1	-8.2	-8.1	-8.2	-8.0	-8.2

→ The differences in outcomes between all of the scenarios are immaterial, but all produce superior results when compared to the benchmark.

Optimizer Output

In Percentages (%)	Maximize Sharpe	Maximize Alpha	Maximize Information Ratio	Combined Models
IR+M	25	33	25	28
Loomis Discipline Alpha	-	33	75	36
Loomis Relative Return	75	33	-	36

- We utilized our proprietary portfolio modeling tools to generate optimal portfolio weightings across three separate factors: Sharpe Ratio, Alpha and Information Ratio. Additionally, we combined all three models at equal weights to determine optimal portfolio weightings.
- The model, based on the last 10 years of data, shows that the optimal portfolio is constructed through roughly equal weights to each manager.



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Glossary



City of Austin Employees' Retirement System

Active Core Fixed Income Manager Search

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

Tracking Error: This statistic measures the standard deviation of excess returns relative to a benchmark. Tracking error is calculated by multiplying the standard deviation of the monthly excess returns of a portfolio relative to a benchmark by the square root of twelve in order to annualize. The higher the tracking error, the greater the volatility of excess returns relative to a benchmark.

Upside/Downside Market Capture: A measure of the manager's performance in up(down) markets relative to the market itself. For UMC, a value of 110 suggests the manager performs ten percent better than the market when the market is up during the selected time period. For DMC, A value of 90 suggests the manager's loss is only nine tenths of the market's loss during the selected time period. The Upside/Downside Capture Ratio is calculated by dividing the return of the manager during the up market periods by the return of the market for the same period. Generally, the higher the UMC Ratio and lower the DMC, the better (If the manager's UMC Ratio is negative, it means that during that specific time period, the manager's return for that period was actually negative and if the DMC is negative, the manager's return for that period was actually positive)

Up/Down Period Percent: Measures the number of periods that a fund outperformed the benchmark when the benchmark return was greater(less) or equal to than 0%, divided by the number of periods that the benchmark return was greater(less) than or equal to 0%. The larger the ratio, the better, indicating the percentage of periods that the product outperformed the benchmark in an up(down) market.

Sources:

www.evestment.com

THIS REPORT (THE "REPORT") HAS BEEN PREPARED FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT, AND IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. THE INFORMATION CONTAINED HEREIN, INCLUDING ANY OPINIONS OR RECOMMENDATIONS, REPRESENTS OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND IS SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK, AND THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

THE INFORMATION USED TO PREPARE THIS REPORT MAY HAVE BEEN OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. SOME OF THIS REPORT MAY HAVE BEEN PRODUCED WITH THE ASSISTANCE OF ARTIFICIAL INTELLIGENCE ("AI") TECHNOLOGY. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY, ADEQUACY, VALIDITY, RELIABILITY, AVAILABILITY, OR COMPLETENESS OF ANY INFORMATION CONTAINED HEREIN, WHETHER OBTAINED EXTERNALLY OR PRODUCED BY THE AI.

THE RECIPIENT SHOULD BE AWARE THAT THIS REPORT MAY INCLUDE AI-GENERATED CONTENT THAT MAY NOT HAVE CONSIDERED ALL RISK FACTORS. THE RECIPIENT IS ADVISED TO CONSULT WITH THEIR MEKETA ADVISOR OR ANOTHER PROFESSIONAL ADVISOR BEFORE MAKING ANY FINANCIAL DECISIONS OR TAKING ANY ACTION BASED ON THE CONTENT OF THIS REPORT. WE BELIEVE THE INFORMATION TO BE FACTUAL AND UP TO DATE BUT DO NOT ASSUME ANY RESPONSIBILITY FOR ERRORS OR OMISSIONS IN THE CONTENT PRODUCED. UNDER NO CIRCUMSTANCES SHALL WE BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES OR ANY DAMAGES WHATSOEVER, WHETHER IN AN ACTION OF CONTRACT, NEGLIGENCE, OR OTHER TORT, ARISING OUT OF OR IN CONNECTION WITH THE USE OF THIS CONTENT. IT IS IMPORTANT FOR THE RECIPIENT TO CRITICALLY EVALUATE THE INFORMATION PROVIDED.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE," OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS REPORT ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS REPORT.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

5. Discuss and consider Investment Policy
Statement and repeal of Investment
Implementation Policy



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 5:

Discuss and consider COAERS Investment Policy Statement and repeal of Investment Implementation Policy

AGENDA ITEM OBJECTIVE

The Committee will discuss and consider formally adopting changes to policy and a new Strategic Asset Allocation into the Investment Policy Statement.

RECOMMENDATION FOR COMMITTEE ACTION

Meketa and Staff recommend adopting the proposed revisions to the Investment Policy Statement and revoking the Investment Implementation Policy adopted March 30, 2023.

ITEM SUMMARY

At the November 22, 2024 Investment Committee Meeting, Staff and Meketa presented a revised Investment Policy Statement and Strategic Asset Allocation. The Committee requested Staff to bring back a “red-lined” version reflecting the Committee’s discussion of this item.

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.

ATTACHMENT

1. Draft Investment Policy Statement Revisions



Board Approved Policy

Subject: Investment Policy Statement

Review Committee: Investment Committee

Date Implemented: December 10, 2019

Date Updated: December 17, 2024 [effective date January 1, 2025]

Signature of Chairperson: _____

Yuejiao Liu

**Adopted
December 17, 2024**

Investment Policy Statement (IPS)

for

City of Austin Employees' Retirement System (COAERS)

Table of Contents

I.	STATEMENT OF POLICY	1
II.	INVESTMENT POLICY IMPLEMENTATION	2
III.	INVESTMENT ROLES & RESPONSIBILITIES.....	6
IV.	FIDUCIARY CONDUCT	8
V.	OPERATIONAL GUIDELINES	98
VI.	REPORTING, EVALUATION AND REVIEW	10
VII.	INTERPRETATION, REVIEW AND REVISION OF POLICY	11

Investment Policy Statement (IPS)
for
City of Austin Employees' Retirement System (COAERS)

I. STATEMENT OF POLICY

Purpose and Scope

This document is the official Investment Policy of the City of Austin Employees' Retirement System (the "System"). The policies in this document (the "Policy") have been adopted by the Board of Trustees of the System (the "Board") to establish the objectives and policies of the System's investment program. This document also articulates the policies and guidelines and procedures that are employed in the day-to-day management of System investments by Staff. No responsible party shall deviate from the terms and requirements of this policy without the prior authorization of the Board.

The purpose of the Investment Policy Statement is to assist the Board in effectively supervising, monitoring, and evaluating the investment of the System's assets by:

- Stating the System's Investment Beliefs
- Establishing the investment goals, objectives, and risk tolerance of the System
- Defining asset class allocations, targets, and ranges
- Creating oversight standards for policy implementation
- Setting performance objectives and measurement criteria

Investment Beliefs

Time Horizon - The Fund is a permanent entity with long-lived liabilities and, as such, it should strive to be a thoughtful, analytical, and patient investor that is focused on achieving successful outcomes.

Governance - Clear governance and decision-making structures that promote decisiveness, simplicity, efficiency, and accountability are effective and add value to the Fund. To the extent possible, investment decision-making should be driven by data and analysis, including the findings of relevant research on financial markets and investment management.

Risk Compensation - The Fund should seek to be well compensated for the investment risks it chooses to bear, risks that should be articulated at the time of investment and revisited regularly.

Risk Management - Risk is multi-faceted, and the appropriate level of the COAERS' portfolio risk is determined within an asset-liability context that focuses on maintaining the viability of the System.

Diversification - Diversification across asset classes and risk factors is central to the System's investment strategy, and investments that may improve the Fund's risk/return profile will be considered. Investments should be considered based on their primary role in the total Fund context, including their impact on total Fund diversification.

Strategic vs. Tactical - Given the long-term nature of the liabilities, the Fund should be a thoughtful and patient investor that focuses on long-term strategic decisions as opposed to the short-term trading of strategies.

Costs - Costs can significantly reduce net returns and therefore must be carefully measured and managed when making decisions regarding investment strategy and implementation.

Implementation - Implementation should occur passively and in public markets unless a high likelihood of success on a risk-adjusted, net-of-fees basis can be expected from other approaches.

Investment Goals & Objectives

The sole purpose of the System's investment fund ("the Fund") is to accumulate the financial reserves necessary to provide benefits to eligible members of the System and their beneficiaries. The long-term primary objective for the Fund is to attain a high level of return within an acceptable level of risk.

The Fund will pursue achievement of this goal via fiduciary best practices that:

- Ensure proper diversification of asset classes and factor exposures; and
- Maintain appropriate long-term risk and return expectations; and
- Adapt the Fund to changing market conditions, when appropriate.

The Board, with consultation, advice and assistance from the System's Investment Consultant(s) and Staff, will use the Fund's strategic asset allocation process and its effective implementation as the primary tools to achieve these goals. A primary emphasis of the management of the Fund is consistency of growth by seeking to balance the risk of inadequate long-term returns against the risk of permanent impairment of capital. Taxes shall not be a consideration except that the System's tax-exempt status should be preserved.

II. INVESTMENT POLICY IMPLEMENTATION

Investment Horizon

The Board will periodically review the portfolio's alignment with the fund's pension liabilities. The investment policy and guidelines are based on an investment horizon of 20 years. The Board will consider both intermediate-term and longer-term investment return horizons in formulating expected returns and assessing portfolio risk parameters. The System's strategic asset allocation is based on this longer-term perspective. Fluctuations of investment results in the interim should be viewed with an appropriate perspective.

Performance Goals

The expected and actual investment returns of the total Fund will depend on the asset allocation targets, the mix of investment styles within asset classes, and individual manager performance. Therefore, performance goals have been set at three levels: total Fund, asset class, and individual portfolios. These performance objectives should generally be monitored over both a full market cycle and rolling 5-year periods on a risk-adjusted, net of fees basis.

Total Fund:

- Meet or exceed the actuarial assumed rate of return. Annualized investment returns should exceed the actuarial assumed rate of return.
- Meet or exceed the Passive benchmark. Annualized investment returns should exceed the passive benchmark. The passive benchmark is intended to reflect a ~~naïve~~-balanced portfolio of stocks and bonds implemented via low-cost passive

investable indices. Outperformance relative to the passive benchmark should indicate that the diversification decisions through the Strategic Asset Allocation process have successfully added value.

- Meet or exceed the Policy benchmark. Annualized investment returns should exceed the Policy benchmark. The Policy benchmark is a composite of the benchmarks of the asset classes in the Strategic Asset Allocation. Returns in excess of the Policy benchmark should indicate that the implementation of the investment program as a whole is successfully adding value.

Composition of the Passive and Policy benchmarks are detailed in Appendix 2.

Asset Class:

- Meet or exceed the asset class benchmark. Each asset class is to be benchmarked by an associated index that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes the index should serve as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio.

Asset class benchmarks are detailed in Appendix 2.

Individual Portfolios:

- Meet or exceed the mandate benchmark. Performance objectives for manager portfolios are stated in the respective investment manager agreements. Manager benchmarks will be determined by Consultant and Staff based upon the investment mandate.
- Meet or exceed median ranking in relevant peer group. Appropriate peer groups will be determined by Consultant and Staff based upon the investment mandate.

Risk Tolerance and Budgeting

The Board takes several steps throughout the investment process to identify, measure, and report on investment risk at a variety of different levels. Investment opportunities in various asset classes have differing risk and return expectations. In general, investments with higher expected returns involve a higher level of risk. The Board recognizes that some level of risk must be assumed to achieve the System's long-term investment objectives. The Board will attempt to achieve its investment return objective with an appropriate level of risk using an efficient combination of investments.

The Strategic Asset Allocation process uses risk budgeting for the Fund which provides a transparent, measurable methodology for allocating risk to various investment types in pursuit of the System's investment objectives. To ensure that the risk assumed by the Fund continues to be appropriate it will be reviewed at least annually, concurrently with an asset allocation study. A more in-depth review will be done at least every five years and coincide with the formal Asset/Liability Study. These processes should incorporate a variety of risk estimates that go beyond simple volatility measures.

Liquidity Needs

Sufficient liquidity must be maintained to pay benefits and expenses. ~~Investment income and contributions are expected to exceed projected benefit payments and expenses on an annual basis for the foreseeable future.~~ The 2023 Asset-Liability Study indicated sufficient liquidity making it possible to invest a reasonable portion of the portfolio in illiquid investments. The liquidity horizon shall be reviewed periodically, including each-time(s) when asset allocations and expected return projections are revised.

Strategic Asset Allocation

The Board, with advice from Investment Consultant(s) and Investment Staff, is responsible for establishing the Strategic Asset Allocation (“SAA”) process and parameters for the Fund. SAA refers to the establishment of neutral weights and suitable ranges for the appropriate asset types that determine the distribution of investments within the Fund. The SAA process will seek to optimize expected return net of fees for the Fund within the established risk budget over a long-term horizon by maintaining a highly efficient portfolio.

The current Strategic Asset Allocation targets and ranges are detailed in Appendix 1. Since the Fund is designed to benefit both current and future generations of beneficiaries, its time horizon is long. More specifically, the Board should calibrate the SAA process toward the aim of meeting the System’s investment objectives and risk budget over a time horizon of twenty years or more. However, since the benefit payment obligations of the System must be met on a timely and regular basis, cash flow considerations (including the potential for a sustained period of net outflows) will generally be balanced with the long-term liability stream when setting the SAA parameters and the associated risk budget.

Asset Liability Study

At least every five years (or more frequently if warranted by a material event in either the liability structure of the Fund, the contribution policy, and/or the capital markets) the Board will conduct a formal Asset/Liability Study to review asset classes, risk-return assumptions, and correlation of returns, and implementation styles in light of the System’s expected liability stream. These periodic studies will provide the primary basis for material changes to the Fund’s strategic asset allocation parameters and overall risk posturing.

Rebalancing

The Board has chosen to adopt a rebalancing policy that allows rebalancing the Fund between major asset classes due to market drift. Market movements and cash draws for benefit payments may cause current Fund positioning to drift away from neutral positioning and potentially beyond the prescribed ranges in the Strategic Asset Allocation.

When a month end Custodian report shows that an asset class has drifted beyond these prescribed ranges, rebalancing shall be enacted to bring Fund positioning within the prescribed ranges while following the guidelines below. To the extent there is not sufficient liquidity to do so, such as in private market strategies, or it is otherwise not prudent to do so, Staff shall report this and any recommended actions to the Investment Committee at its next regularly-scheduled meeting.

Investment Staff is also authorized to rebalance the portfolio within the policy ranges for market drift between asset classes. Such rebalancing is only permissible to the extent that it

results in positioning which is nearer to neutral and does not change positioning from an underweight to an overweight, or vice versa.

Investment Staff is responsible for developing and overseeing all portfolio rebalancing activities and is authorized to carry out these activities in accordance with this section. The Executive Director and the General Consultant shall consent in writing to Investment Staff's proposed rebalancing prior to any action taking place. All rebalancing activities permitted by this section must be authorized by the Executive Director in the form of approved instructions to the investment manager(s) and/or custodial bank.

In all cases the potential benefits of rebalancing must be weighed against the costs, including explicit transaction costs such as commissions and market impact as well as opportunity costs such as Staff time and focus. Investment Staff will report the results of rebalancing activity to the Executive Director and Investment Consultant upon completion of the rebalance. The Board shall be notified of any such changes (1) by email within one business day of initiating the rebalancing with the Custodian and/or Manager(s) and (2) in writing at the next **regular** meeting of the Investment Committee.

Phased Transitions

During times of phased transition to a new set of Strategic Asset Allocation parameters, interim rebalancing weights and procedures may be chosen until the implementation of the new parameters can be prudently completed. During the transition towards the new parameters, certain asset classes may exceed prescribed limits and will serve as either a funding source for new strategies or portfolios, or as a proxy pending implementation of certain allocations.

Currently approved phased transition guidelines adopted by the Board, if any, can be found in Appendix 4.

Investment Manager Selection

The Board, acting through its Investment Committee and with advice from its Investment Consultant(s) and Investment Staff, hires Managers to carry out its duties to implement the System's investment program. Implementation decisions should be made with particular attention to the Board's stated Investment Beliefs regarding the potential benefits of diversification and the impact of costs.

The Board supports disciplined and rigorous processes for selection, monitoring, and retention of Investment Managers. This process shall include, among other items as appropriate, mandate specification, initial diligence, onsite diligence visits, due diligence questionnaires, finalist evaluation, and approval by the Investment Committee and Board. This disciplined process shall consider both quantitative and qualitative measurements to determine whether an Investment Manager is likely to maintain a consistent philosophy and strategy, perform well on a risk-adjusted basis versus peers pursuing a similar strategy, and add value net of all costs. The Board shall maintain a Watch List for the purpose of ensuring that concerns regarding any Investment Manager with a live mandate are appropriately recognized, addressed, and resolved.

The terms, provisions, and requirements set forth in this Policy, applicable laws (which shall include US sanctions programs), relevant fund documents, and the agreement(s) executed

by the Investment Manager with the System establish the requirements governing the investment of System assets.

III. **INVESTMENT ROLES & RESPONSIBILITIES**

The System's investments are held in trust for the exclusive benefit of its members, beneficiaries, and retirees and may not be diverted under any circumstances. This "exclusive benefit" rule shall be strictly followed when making, implementing and monitoring investment decisions. Specific care should also be taken to structure the System's investment relationships to maximize alignment of interests while mitigating conflicts of interest and agency problems.

Specific duties and responsibilities are set forth below for the parties that are established to act as fiduciaries regarding the investment program for the Fund in achieving its objectives.

Board of Trustees

The Board has the fiduciary responsibility of overseeing the management of the Fund and the associated investment process. In fulfilling this responsibility, the Board will establish, maintain, and require compliance with this policy and its stated objectives. Trustees are tasked primarily with setting the overall risk/return preferences, and weighing total portfolio return against a properly constructed policy benchmark.

Within this framework, the Board will select, retain, monitor, and evaluate the Investment Consultant(s), Investment Managers, Custodian (as defined herein), and other parties to serve the goal that actual results meet the objectives.

At its discretion, the Board may delegate authority for strategic and operational aspects of the Fund to Staff and Consultant(s), though it may not delegate overall responsibility for the program.

Investment Committee

The Investment Committee is chartered to assist the Board of Trustees in fulfilling its fiduciary oversight responsibility for the management of the System's investments. Duties of the Investment Committee may include, but are not limited to:

- formulating and recommending to the Board the overall investment policies of the System,
- establishing and recommending to the Board investment guidelines in furtherance of those policies, all of which shall be subject to approval by the Board,
- monitoring investment performance relative to the strategic objectives and compliance with relevant investment risk guidelines set forth in policy,
- recommending to the Board service providers for professional services for investment management, investment consulting, and custodial banking, and
- monitoring the management of the Fund for compliance with relevant investment policies and guidelines.

Professional Staff

The Executive Director, the Chief Investment Officer, the Chief Financial Officer, and other Investment Staff will constitute the System's Professional Staff ("Staff"). Staff is responsible for rendering to the Board objective, competent, professional investment advice that is free from conflicts of interest. Staff will make recommendations to the Board regarding the Fund

and will be responsible for implementing both Board decisions and applicable portions of this policy.

Investment Staff

Investment Staff is hired by the Executive Director and required by the Board to provide professional investment analysis and support, to exercise a standard of care consistent with fiduciary duty, and to maintain the integrity of the investment program. ~~Responsibilities of Investment Staff include investment analysis and research, recommendations on the Fund, proxy voting, risk management, manager and compliance monitoring, rebalancing, trade cost analysis, and any other functions directly related to the investment of Trust assets.~~ Investment Staff support the investment program at the strategic and operational levels through the establishment of appropriate policies and procedures. Investment Staff is also responsible for implementation and maintenance of analytical tools to measure and monitor risk as further described in this policy and internal procedures.

Investment Staff will ~~also~~ advise the Board regarding the development of this policy and its implementation and aid in selection and monitoring of all Managers, Consultants, Custodians and other service providers related to the investment function.

Investment Consultant(s)

The Board may obtain the services of one or more qualified firms or individuals to assist and advise the Board and Staff regarding the structure, strategy, management, and investment of the Fund (a "General Investment Consultant"). The ~~duty of a~~ General Investment Consultant is hired by, and reports to, the Board to render objective, competent, professional advice and assistance that is free from conflicts of interest and to work with the Board and Staff regarding the investment process. This responsibility includes meeting regularly with the Board to provide perspective on the Fund's goals, strategy, structure, and risk as well as the progress toward fulfilling the Fund's long-term objectives.

~~A-The~~ General Investment Consultant will advise, consult and work with the Board, Investment Committee and Investment Staff to develop and maintain a well-diversified portfolio of investments for the Fund. Fund positioning and performance will be reviewed regularly, and recommendations will be made as appropriate. ~~A-The~~ General Investment Consultant will assist the Board with all functions related to the investment of Trust assets and will in manager selection and monitoring as needed, including informing the Board promptly of material changes to portfolio investments. Within this process, a General Investment Consultant assumes fiduciary responsibility for advice given regarding the management of the investment process. A General Investment Consultant will perform its duties and obligations in conformance with generally accepted industry standards and its contract with the System.

The Board may also hire one or more qualified firms or individuals to assist and advise the Board regarding specialized mandates such as selection of managers and/or investments (a "Specialized Investment Consultant"). The Specialized Investment Consultants are hired by, and report to, the Board to ~~assist in the management of the specialized portfolio. The Specialized Investment Consultants provide advice to the Board on specific asset class policies, recommend pacing commitments, Manager selection and terminations, Manager guidelines and restrictions, participate in the due diligence process and ongoing monitoring of Managers including policy compliance, provide analysis of investment performance, and provide advice on other investment related issues. Specialized Investment Consultants~~ work

closely with Staff in all aspects of managing the specialized investment portfolio including its relationship to the Fund as a whole.

It is imperative that Consultants ~~have the maintain their~~ independence in advising the Board. Consultants have the responsibility and ability to promptly inform the Board in the event of any concerns related to investment activity. If any Consultant learns of a material issue regarding deviation from prudence, objectivity, policy or parameter adherence or any other matter of concern involving the investment program, the Consultant has a fiduciary duty to express that concern in writing to the Executive Director and CIO, Board Chair, and Investment Committee Chair while also recommending any action to be taken as deemed necessary. The Consultant shall also contact the full Board if it concludes that further immediate action is required and is beyond the authority granted to the Executive Director or Investment Staff. In any event, all such material matters will be reported to the Board at its next regularly-scheduled meeting.

Investment Managers

Except for direct investments, investments for the Fund shall be made and managed by one or more investment managers (“Managers”) who meet the requirements of Sections 802.203(d) and 802.204, Texas Government Code. Managers will construct and manage a portfolio of investments (the “Portfolio”) consistent with the investment philosophy and strategy they are hired to implement in compliance with this policy and/or any agreement(s) they execute with the System. Investment Managers shall provide quarterly reporting in a format as requested by Investment Staff.

Legal Counsel

The Board may retain one or more attorneys and/or law firms to serve as investment counsel for the purpose of assisting the Executive Director and investment staff with legal matters related to the investment operations of the System. Such matters may include the review and negotiation of contracts and other investment documentation related to external investment service providers or investment managers and handling any litigation related to investment operations.

Custodian(s)

Custodian bank(s) (“Custodian” or “Custodians”) will maintain custody of the cash, securities, commingled funds and other investments of the Fund. The Custodian(s) will be responsible for safekeeping, clearing and settling securities as appropriate for the accounts they are assigned. The Custodian(s) will regularly value, list and summarize these holdings for review by the Board, Staff and Consultant(s). In addition, a bank or trust depository arrangement with the Custodian(s) may be utilized to invest cash in liquid, interest-bearing instruments.

A Master Custodian will be designated to accurately record all transactions affecting the Fund. The audited entries from the Master Custodian shall constitute the official book of record for the Fund. All Custodians will be directed to provide timely and accurate information to the Master Custodian.

IV. FIDUCIARY CONDUCT

An investment fiduciary includes, but is not limited to, a person who exercises discretionary authority or control in the investment of the assets of the Fund or who renders, for a fee, advice for the Fund. The term investment fiduciary includes but is not limited to the members of the Board, the Fund Administrator, the investment staff, the investment consultants, and investment managers. An investment fiduciary shall discharge his or her duties exclusively in the interest of the participants in the System and their beneficiaries in accordance with the fiduciary standards set forth in Section 802.203 of the Texas Government Code and other applicable law.

In adopting this Policy, the Board requires all Trustees, Investment Consultants, and Staff involved in the investment of Fund assets to make all investment decisions in the best interest of the System and to abide by the System's Ethics Policy.

V. OPERATIONAL GUIDELINES

Asset Class Guidelines

To ensure that the Strategic Asset Allocation is implemented in a way that broadly represents the risk/return profile and exposures desired by the Board, guidelines for each major asset class have been adopted in Appendix 3. These guidelines lay out the broad-based guidelines that Investment Staff and Investment Consultant(s) shall follow in implementing these strategies and in making recommendations to the Investment Committee and/or Board.

In addition to these guidelines, Investment Consultant(s) and Investment Staff shall adopt internal guidelines and/or policies to oversee the implementation of each asset class. These guidelines should, where appropriate, include considerations for absolute and relative risks, desired exposures, liquidity, leverage, diversification, counterparties, and fees, among other items.

Private Markets Specific Guidelines

Given the unique characteristics of private markets strategies, the Board has adopted a Private Markets Strategic Plan to govern the selection, monitoring, performance reporting and guidelines of these strategies. The Private Markets Strategic Plan, which is incorporated into the Investment Policy Statement here by reference, shall be reviewed annually for appropriateness and shall also include a pacing plan to guide allocation decisions.

Use of Derivatives

The only authorized uses of derivative instruments are to efficiently manage portfolios and risk and to implement investment strategies authorized by this Policy more effectively. The following derivative instruments are allowable: futures, forwards, swaps, structured notes, and options. Managers may only engage in derivatives transactions that are consistent with their investment guidelines as well as applicable laws and regulations.

Cash Management

As a mature pension plan, cash disbursements of the System are expected to exceed cash receipts for the medium term. As such, sufficient funds must be made available for transfer from the System's investments to meet the operating needs of the System. On at least a quarterly basis, Staff will project the cash flow needs of the System based on the amount budgeted for administrative expenses and projected benefit payments, including retiree payroll. Cash draws should generally be made from asset classes and individual portfolios

that are overweight relative to their strategic neutral weight, with those funds then transferred to the System's cash account at the Custodian Bank. Each quarter Staff will provide to the Board via the Investment Committee a report detailing all cash movements from the prior quarter that are related to investment program operations.

Securities Lending

The Board may select a Securities Lending Agent(s) to generate incremental income by making term loans of eligible securities. Any such program shall not inhibit the trading activities of Managers and should not run counter to the investment strategy of the Fund overall.

Securities Litigation

As a large institutional investor, the Fund frequently holds securities that are the subject of individual and class action securities litigation. The Custodian and other parties (the "Claims Processor") may be appointed by the Board to monitor such lawsuits, report to the Executive Director and Investment Staff, and file notice of claim or other necessary documentation. The Claims Processor shall notify Managers of any potential or pending legal action.

In its role as a fiduciary, the Board may, with the advice and assistance of the System's General Counsel, determine that the Fund should pursue litigation where it has been harmed due to securities fraud or other bad acts. The Board has set a "Threshold Value" to determine when the estimated financial loss to the System may warrant pursuing lead plaintiff status in a class action or separate prosecution of claims. The Threshold Value is defined as an estimated financial loss that exceeds 0.03% of Fund assets as of the most recent quarter end. In most cases, the Funds' interest in securities litigation claims will be adequately addressed solely through participation as a class member, rather than taking a lead plaintiff role in such litigation.

Proxy Voting

Proxy voting is generally delegated to Investment Managers and will be authorized via the Manager's contract to represent COAERS prudently on issues of corporate governance regarding the portfolio. Records of proxy votes will be maintained by the Managers and submitted to Investment Staff on request or at specified intervals. In representing the System, external managers and proxy voting agents are to consider only those pecuniary factors that relate to the economic value of System investments and are not to subordinate the interests of the System's participants and beneficiaries to unrelated objectives. Investment Staff will provide a proxy voting summary report for separately managed accounts to the Executive Director, on an annual basis as soon as practical after fiscal year-end.

VI. REPORTING, EVALUATION AND REVIEW

Performance

Regular performance evaluation of the Fund by the Board is designed to monitor the effectiveness of the investment process in meeting the long-term objectives of the System. The purpose is to test the continued validity of the associated decisions and to prompt a review of underperformance or excessive risk. All performance measurement should be based on total returns, net of fees, adjusted for risk, as measured over a sufficient time period

to reflect the benefits of any active decisions (typically a minimum of three years and preferably over five or more years and/or a full market cycle).

The General Investment Consultant shall provide to the Board via the Investment Committee a written summary of the Fund's performance each quarter. This report shall include a comparison to performance goals as well as the investment performance ranking of other appropriate peer group(s). The Consultant will conduct an in-depth performance attribution analysis, which will quantify the extent to which specific allocations, strategies, and/or managers added or detracted from overall Fund performance.

Risk

At least annually, Investment Consultant(s) and Investment Staff shall collaboratively provide a risk report to the Board via the Investment Committee. This report shall contain a variety of risk reporting items and should describe context for whether the risks taken by the Fund were appropriate in measure and compensation.

Items included in this report shall be both backwards looking (ex-post) and forward looking (ex-ante), where possible. At a minimum, this report should include volatility, tracking error, value at risk, correlations, beta, Sharpe Ratio, Information Ratio, portfolio characteristics and contribution to risk at the Total Fund and asset class levels.

VII. INTERPRETATION, REVIEW AND REVISION OF POLICY

It is intended that this policy and all addenda hereto be construed and administered such that they comply with all applicable federal and state laws and regulations, as such may be amended from time to time to reflect best practices for prudent investors. The Executive Director is authorized to approve variances from the policies set forth herein in furtherance of such compliance. The Executive Director is also authorized to update this policy for strictly administrative items subject to approval by the General Counsel. Any variance approved for compliance with law shall be approved by General Counsel, Investment Counsel, or Tax Counsel as appropriate. The Executive Director shall report any such variances or updates to the Board at its next ~~regular~~ meeting via the Investment Committee.

All previous System investment policies and objectives are superseded by this document. The Board will formally review this Policy at least annually to determine whether it remains appropriate in light of the Board's investment philosophy and objectives. This document will also be reviewed periodically and updated as necessary to reflect changes in the capital markets and to reflect best industry practices for prudent investors. Any revisions to this document will be promptly supplied to the appropriate parties in written form.

APPENDICES

1. Strategic Asset Allocation

Asset Class	Minimum	Neutral	Maximum
Global Equities	46%	53%	60%
Real Assets			19%
Private Credit		9%	13%
Fixed Income	18%		28%
Cash & Equivalents	0%	1%	10%

Asset Class	Minimum	Neutral	Maximum
Global Equities	38%	45%	52%
Private Equity	5%	8%	10%
Real Assets	12%	15%	19%
Private Credit	7%	10%	13%
Fixed Income	18%	21%	28%
Cash & Equivalents	0%	1%	10%

2. Benchmarks

Policy Benchmark

The Policy benchmark is a blended benchmark consisting of Asset Class benchmarks held at neutral Strategic Asset Allocation weights.

Passive Benchmark

Asset Class	Benchmark	Weight
Global Equities	MSCI ACWI IMI Net Index	60%
Global Fixed Income	Bloomberg Global Aggregate Bond Index	40%

Asset Class Benchmarks

Asset Class	Benchmark
Global Equities	MSCI ACWI IMI Net Index
Private Equity	Burgiss Global PE Funds Index
Real Assets	Blended weighted average of primary composite benchmarks
Private Credit	LSTA Leveraged Loans Index +200 bps
Fixed Income	Bloomberg US Aggregate Bond Index
Cash & Equivalents	Bloomberg US Treasury Bills 1-3 Month Index

Real Assets Composite*	Benchmark
Real Estate	NCREIF ODCE Net EWA
Infrastructure	Burgiss Global Infrastructure Funds Index
Gold	Bloomberg Gold Subindex Total Return

*Real Assets composite benchmarks are given pro-rata weights based on actual allocation weights on a monthly basis.

3. Asset Class Guidelines

Global Equities:

Region	Benchmark	Min	Neutral	Max
US Equities	MSCI USA IMI Net	-5%	Weight in ACWI IMI	+5%
DM Equities	MSCI World ex USA IMI Net	-5%	Weight in ACWI IMI	+5%
EM Equities	MSCI Emerging Markets IMI Net	-5%	Weight in ACWI IMI	+5%

Minimum and maximum ranges to be used for Market Drift rebalancing.
Percentages expressed relative to Global Equities exposure.

Fixed Income:

Fixed Income Strategy Type	Min	Max
Core Mandates	60%	100%
Plus Mandates	0%	40%

Percentages expressed relative to Fixed Income exposure.

Core mandates are those which are benchmarked to and represent the general characteristics of the Bloomberg US Aggregate Bond Index.

Plus mandates may include public markets strategies in US High Yield, Bank Loans, Emerging Market Debt, and Multi-Asset Credit.

Cash & Equivalents:

Cash Strategy Type	Min	Max
Foreign Currency Mandates	0%	25%

Percentages expressed relative to Cash & Equivalents exposure.
Minimum and maximum ranges only to be used for Market Drift rebalancing.

4. Phased Transition Guidelines

Recently the Board adopted a Strategic Asset Allocation which includes new private markets exposures in Private Equity, Private Credit, and Real Assets and eliminates exposure to Multi-Asset strategies:

Asset Class	Prior Neutral	Current Neutral	Change
Global Equities	56%	45%	-11%
Private Equity		8%	8%
Real Assets	15%	15%	
Private Credit		10%	10%
Fixed Income	21%	21%	
Cash & Equivalents	1%	1%	
Multi-Asset	7%		-7%

Given the expected time required over several years to build out these exposures, the Board has adopted the below interim guidelines for benchmarking and the Strategic Asset Allocation:

- The Policy Benchmark shall consist of the Asset Class benchmarks held at actual allocation weights, reweighted monthly, instead of the Neutral Strategic Asset Allocation weights.
- The Real Estate and Infrastructure Composites in Real Assets shall be benchmarked by the below, which consists of underlying strategy type benchmarks at actual allocation weights, reweighted monthly:

Real Estate Composite

Strategy Type	Benchmark
Private Markets	NCREIF ODCE (Net) (EWA)
Public Markets	US REITs Completion Index

Infrastructure Composite

Strategy Type	Benchmark
Private Markets	Burgiss Global Infrastructure Funds Index
Public Markets	Dow Jones Brookfield Global Infrastructure Index (Net)

- The below minimum and maximum Strategic Asset Allocation minimums and maximums shall apply:

Asset Class	Minimum	Maximum
Global Equities	38%	63%
Private Equity	0%	10%
Real Assets	12%	19%
Private Credit	0%	13%
Fixed Income	15%	28%
Cash & Equivalents	0%	10%
Multi-Asset	0%	7%

These Phased Transition guidelines shall stay in effect until such time as the Board approves their removal from this Policy.

5. Other Portfolio Guidelines

Except as explicitly approved by the Board the following guidelines shall apply:

-
- In active strategies no more than 20% of the System's investments shall be managed on a permanent basis by a single investment firm.
 - The System's investments shall not permanently constitute more than 20% of any firm's assets under management within the asset class managed for the System.
 - Less liquid assets, defined as those with expected liquidity of less frequent than quarterly, shall not constitute more than 40% of Fund assets
 - The Fund shall not have more than 3% of its investments at market value in the securities of any one corporation
 - The Fund shall not own more than 5% of any class of voting securities of any one public corporation
 - The Fund shall not represent more than 20% of a single commingled investment vehicle, based on market values.
 - The Custodian(s) shall maintain a credit rating of at least A+ or equivalent

6. Review 2025 Investment Committee Work Plan

Presented by Ed Van Eenoo



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 6: Review 2025 Investment Committee Work Plan

AGENDA ITEM OBJECTIVE

This agenda item is for the Committee to discuss the development of the 2025 Committee Work Plan.

RECOMMENDATION FOR COMMITTEE ACTION

At the Committee's discretion.

RELEVANCE TO STRATEGIC PLAN

This agenda item meets **COAERS Strategic Plan Goal 4: Identify and Implement Best Practices**. It is an industry best practice to establish and review Committee work plans.

ATTACHMENT

1. Draft 2025 Committee Priorities and Work Plan

2025 Investment Committee Priorities and Work Plan

Priority 1: Review and update Investment Policy Statement and Strategic Asset Allocation

- February:
 - Review 2025 capital market assumptions and current SAA
 - Global Equities strategic review, benchmarking, and investment manager fee analysis
- May:
 - Fixed Income and Cash & Equivalents strategic review, benchmarking, and investment fee analysis
- August:
 - Real Assets strategic review, benchmarking, and investment manager fee analysis
- November:
 - Private Credit strategic review, benchmarking, and investment manager fee analysis
 - Annual review of IPS

Priority 2: Development of private markets program

- February:
 - Discuss timeline for RFP process, bid submission, and establish review committee
- April:
 - Consultant RFP initial evaluation
 - Consultant RFP Site Visits
- May:
 - Consultant RFP recommendation to Board
- August:
 - Discuss private markets program, including development of strategic plan, pacing analysis, and 2025 funding plan
 - Possible private markets manager recommendations
- November:
 - Possible private markets manager recommendations

Priority 3: Monitor the performance of the investment portfolio, investment staff, investment managers, and investment consultant

- February:
 - Quarterly review of investment performance, strategy, implementation, manager monitoring and compliance, implementation and related items
- May:
 - Quarterly review of investment performance, strategy, implementation, manager monitoring and compliance, implementation and related items
- August:
 - Quarterly review of investment performance, strategy, implementation, manager monitoring and compliance, implementation and related items
 - Annual Review of General Investment Consultant

- November:
 - Quarterly review of investment performance, strategy, implementation, manager monitoring and compliance, implementation and related items
 - Annual review of investment budget
 - Annual risk report and review
 - Development of draft 2026 committee workplan

DRAFT

7. Call for future agenda items

Presented by Ed Van Eenoo



COMMITTEE MEETING Agenda Item Information Sheet

AGENDA ITEM 7: Call for future agenda items

AGENDA ITEM OBJECTIVE

This standing agenda item provides Trustees the opportunity to review the key takeaways from the meeting.

RECOMMENDATION FOR COMMITTEE ACTION

Trustees will review key meeting takeaways and delineate next steps.

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 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.