



City of Austin Police Retirement System

MINUTES REGULAR MONTHLY BOARD MEETING Wednesday, August 19, 2020

Pursuant to the Governor's suspension of certain provisions of the Texas Open Meetings Act in response to the COVID-19 disaster, this meeting was not held at a physical location but was conducted through a telephone conference call. The telephone conference call meeting was open to the public through the toll-free dial-in number: 346 248 7799, Meeting ID: 884 9282 2905

Board Members Present

Tyler Link, Chair
Keith Harrison,
Vice Chair
Sheldon (Scott) Askew
Michael Cowden
Tom Hugonnett
Nick Moore
Kathie Tovo
Belinda Weaver
Chesley Wood
Carl Zimmerman

Consultants Present

Chuck Campbell
Alyca Riley Garrison
Lewis Ward
Mark Harkrider
Jon Breth
Peter Brown
Archie Montemayor, Auditor

Staff Present

Pattie Featherston
Stephanie Willie
Michelle Ruland
Jennifer Grahmann

Guests Present

Mike Nadol, PFM
Jim Link, PFM
Ken Casaday, APA
Thomas Villarreal, APA
Don Baker, APA
Art Alfaro, TEXPERS

Board Members Absent

Ed Van Eenoo

I. Call to Order and Roll Call

Chair Tyler Link called the meeting to order at 11:34 a.m. and roll call was taken.

II. Public Comment

There was no public comment.

III. Consent Agenda

- A. Minutes of the Regular Board Meeting held on July 15, 2020
- B. Approval of Membership Transactions July 2020
- C. CONFIDENTIAL MATERIAL
 1. New Retired Members
 2. Forward DROP Activity
 3. PROP Disbursements
 4. Service Credit Purchases
 5. Retiree Survivor & Death Benefit Payments
- D. Treasury Report for June 2020

Motion was made by Belinda Weaver to approve the Consent Agenda items, as presented. Motion was seconded by Keith Harrison. Motion passed.

IV. Report of the Pension Administration Software (PAS) Committee

Committee Chair Keith Harrison reported that the PAS Committee met on July 21 with staff and the software consultant, Provaliant, to receive a status report about the work done thus far. This has included documenting business practices and developing the scope and required minimum qualifications for the RFP, participating in numerous demonstrations by prospective vendors, and working with legal counsel to develop a master services agreement. The RFP issuance is scheduled for the end of September, and the conversion project is scheduled to begin approximately mid-April.

V. Report of the Goals and Objectives Committee

A. Policy for Post Retirement Option Plan (PROP)

Staff and legal counsel presented two options for a policy revision related to the Post Retirement Option Plan. One would require distribution of funds when a member reaches the age under federal law for a required minimum distribution. The other option would allow for the continuation in PROP but requires verification from a professional tax advisor as to how the member is satisfying the requirements under federal law.

Committee Chair Tom Hugonnett reported the committee's recommendation to adopt the second alternative. Motion was seconded by Carl Zimmerman. Motion passed.

VI. Report of the Quarterly Investment Committee

- A. Second Quarter Investment Performance Review
- B. July Monthly Flash Report
- C. International Value Manager Peer Review
- D. International Growth Equity Manager Analysis
- E. Review List of Educational Topics for Trustee Training
- F. Report on Interim Investment Decisions Between Board Meetings

Committee Chair Keith Harrison reported that the committee reviewed performance reports and educational topics with the System consultant, AndCo Consulting. In addition, the committee reviewed educational material and input from AndCo related to international growth equity managers.

Motion by Keith Harrison to invite two international growth equity managers to present to the Board: MFS Institutional Advisors, Inc. and WCM Investment Management. Motion seconded by Michael Cowden. Motion passed.

VII. Report of the Fiscal Year 2019 Financial Audit – Montemayor Britton Bender PC

- A. Independent Auditor's Report
- B. Communications With Those Charges With Governance

Archie Montemayor presented the annual audit findings for Fiscal Year 2019 including the review of the APRS Annual Financial Report. The System's independent auditor, Montemayor Britton Bender PC, issued an unqualified opinion on the System's financial statements. The opinion is the best report an independent auditor may issue. It indicates the APRS financial statements are presented fairly and are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the U.S.

Motion by Keith Harrison to adopt the 2019 annual financial audit. Motion seconded by Belinda Weaver. Motion passed.

VIII. Consideration of the 2019 Annual Financial Report

Executive Director Pattie Featherston presented the 2019 Annual Financial Report. It includes the auditor's opinion, the annual actuarial valuation of data as of December 31, 2019, and disclosures as required by the Governmental Accounting Standards Board. It also includes the Recognition Award for Administration, 2019, from the Public Pension Coordinating Council. Once adopted the report will be submitted to the Texas Pension Review Board as required by state law.

Motion by Keith Harrison to adopt the 2019 Annual Financial Report. Motion seconded by Tom Hugonnett. Motion Passed.

IX. Interest Rate for Post Retirement Option Plan (PROP) and the Five-Year Deferred Retirement Option Plan (DROP)

Trustees reviewed historical interest rates paid on these accounts and compared to the investment returns of the System over time.

Motion by Tyler Link to maintain the current interest rate of 2.25%. Motion seconded by Nick Moore. Motion passed.

X. City of Austin Recommendations Regarding Pension Funding and System Governance, Presented by the City Financial Consultant, PFM

Mike Nadol and Jim Link, with PFM, presented an outline of proposals put forth on behalf of the City of Austin, which he described as a framework for pension reform. Discussion followed with numerous Trustee questions.

The PFM/City recommendations include, among other things: a separate benefit tier for new hires; an actuarially determined contribution model with risk sharing that would trigger employer and employee contribution increases as needed; and restructure of the System Board of Trustees, adding more positions from the City.

No action was taken.

XI. Consideration of the Actuarial Impact of Recent Austin City Council Decisions Regarding Staffing of the Austin Police Department

Lewis Ward with the System actuary, GRS, explained the impact on APRS funding of a reduction in the number of police officers. This was also previously specified by GRS in its letter dated August 11 provided to the Executive Director that was sent to the Mayor and all Council Members prior to the final City Council budget actions.

No action taken.

XII. Executive Director Report

Executive Director Pattie Featherston added nothing to report.

XIII. Update on Securities Litigation

System attorney, Chuck Campbell, provided an update on a pending lawsuit in which APRS is plaintiff.

XIV. Adjournment

Chair Link adjourned the meeting at 1:40 p.m.



Tyler Link
Chair, Board of Trustees