



City of Austin Employees' Retirement System

**MINUTES  
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM  
BOARD MEETING**

**Tuesday, March 27, 2007 – 1:30 p.m.  
418 E. Highland Mall Blvd., Austin, Texas 78752**

**Board Members Present**

Janet Bartles *arr. 1:50 p.m.*  
Frances E. Benoit *dep. 4:03 p.m.*  
Leslie Browder.  
Eyna Canales-Zarate  
Reagan David  
Ed Golden  
Elizabeth S. Gonzales  
Mark Monteith  
Cathy Rodgers *dep. 4:37p.m.*  
Anthony B. Ross, Sr.

**Absent**

Betty Dunkerley

**Guests and Staff Present**

Stephen C. Edmonds, Executive Director  
Donna Boykin, Finance Manager  
Rhonda Helm, Operations Manager  
Jesse Ortega, Administrative Supervisor  
Errin Garcia, Executive Assistant  
Melissa Adams, IT Coordinator  
Barney Knight, General Counsel  
Dr. Robert Dennison, Medical Consultant  
Lewis Ward, Gabriel, Roeder, Smith & Co.  
George Greene, Active Member  
Georgann Reynolds, Active Member  
Friend of Ms. Reynolds

The meeting was called to order at 1:35 p.m. by Board Chair, M. Monteith.

**1. System Member and Citizen Comments / Correspondence**

There were no member or citizen comments/correspondence.

**2. Reports from Chairperson, Board Members, and Staff**

**A. Review of Meeting Agenda**

M. Monteith advised that agenda item 5. would include the Appeals "Procedures" and Process. No additional changes were made to the agenda.

**B. Chairperson Comment**

There were no comments

**C. Board Member Recognition**

A.B. Ross commented that he was happy to see that E. Canales-Zarate was back in good health.

**D. Board Member Comments**

- E. Ethics Policy Disclosure Statements – Filed by Board Members and Staff to be included in Board Meeting Minutes

Board Trustee Declarations: J. Bartles, E. Golden, L. Browder, M. Monteith, and E.S. Gonzales reported having attended dinner with Seizert Capital on March 18. J. Bartles, E. Golden, and L. Browder reported attending the TEXPERS dinner reception on March 19. L. Browder, J. Bartles, and E. Golden reported dinner with Morgan Stanley on March 20. E.S. Gonzales declared she had dinner with Evergreen Investments on March 20. A.B. Ross, Sr. declared that as part of the Deferred Compensation Committee, he was invited to dinner, and he also attended TEXPERS where he accepted lunch/refreshments. M. Monteith stated that he attended the TEXPERS conference.

Staff Declarations: S. Edmonds reported meeting/contact with Brian Greene of Plexus on February 9 and Russell Bjorkman of Intech on February 13. He also reported meeting/contact with various current and potential service providers at the TEXPERS conference from March 19 – March 21. In conjunction with TEXPERS, he attended the Seizert Capital dinner on March 18 and had dinner with Parry Young of Standard & Poors on March 20. In addition, he received a book from Ted Aronson of Aronson+Johnson+Ortiz. R. Helm reported receiving a book from Ted Aronson of Aronson+Johnson+Ortiz.

- F. List of 2007 Committee Assignments

The list of 2007 Committee assignments was presented in the Board packet for Board information only.

- G. 2007 Board and Committee Meeting Schedule

The schedule of meetings for 2007 was provided in the Board packet. In particular, the Board was reminded that there will be three separate Committee meetings on April 10. In addition, they were reminded to keep July 24, 2007 open as the probable date of the Strategic Planning Workshop.

### 3. Consent Items

- A. January 23, 2007 Board Meeting Minutes
- B. Ratification of December 2006 and January 2007 Retirement and Death Benefits

E.S. Gonzales moved to approve the two consent items, and E. Canales-Zarate seconded the motion. The motion passed unanimously.

#### 4. Disability Retirement

*J. Bartles arrived at 1:50 p.m.*

- A. Convene into Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:
  - 1) Disability Retirement Re-evaluation of Kenneth Miller
  - 2) Disability Retirement Application of:
    - a) Debbie Norbeck
    - b) Georgann Reynolds
- B. Reconvene from Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:
  - 1) Disability Retirement Re-evaluation of Kenneth Miller
  - 2) Disability Retirement Application of:
    - a) Debbie Norbeck
    - b) Georgann Reynolds

The Board convened into Executive Session at 1:43 p.m. and reconvened into Public Session at 2:54 p.m.

A.B. Ross, Sr. made a motion to continue disability retirement benefits for Kenneth Miller. C. Rodgers seconded the motion. Motion passed unanimously.

A.B. Ross, Sr. made a motion to approve disability retirement benefits for Debbie Norbeck. E.S. Gonzales seconded the motion. Motion passed unanimously.

C. Rodgers made a motion to defer the decision on disability retirement benefits for Georgann Reynolds allowing Ms. Reynolds until the end of May to provide documentation from an internist for consideration at the June Board meeting. F.E. Benoit seconded the motion. Motion passed unanimously.

#### 5. Review of Appeals Process – Barney Knight, General Counsel

General Counsel, B. Knight, presented a streamlined appeal procedure with the intent of using it as a guide for general appeals brought to the Board; the Disability Appeals process is a separate process. It was explained that this was the same procedure and process that was presented at the last Board meeting. B. Knight advised that if a Board Member ever feels lobbied by someone prior to an appeal, or if they feel the need to recuse themselves from the process for some other reason, it is necessary to do so at the beginning of the meeting prior to hearing the appeal.

The Board requested that the second paragraph under "General Recommendations" concerning recusal be placed as #2 under "Procedures In General". A.B. Ross, Sr. noted two punctuation consistency items.

E. Canales-Zarate made a motion to approve the procedure as presented with the above revisions. E. Golden seconded the motion. Motion passed unanimously. A copy of the final procedure as approved will be attached to these minutes.

## 6. Investment Committee

### A. Minutes and Report from February 16, 2007 meeting

The Investment Committee minutes were presented as information only, and no action was necessary.

### B. Northern Trust Commission Management

C. Rodgers, Committee Chair, advised that a review of our commission recapture programs has been on the Board's list of pending items. Currently, we have agreements with Lynch Jones & Ryan and Abel Noser. Northern Trust also offers a program for commission recapture which was discussed during last year's site visit to Chicago. Terrance Ransford made a presentation to the Investment Committee in regard to the program.

C. Rodgers made a motion to approve adding Northern Trust Securities, Inc. Commission Recapture Program as one of COA ERS' commission management firms. R. David seconded the motion. Motion passed unanimously. C. Rodgers advised that there will be a review of the other firms in six months to determine if we want to continue with all three firms.

### C. Investment Committee Charter

C. Rodgers made a motion to adopt the new Investment Committee Charter. R. David seconded the motion. Motion passed unanimously.

## 7. Audit and Finance Committee

### A. Minutes and Report from March 6, 2007 Meeting

The Audit and Finance Committee minutes were presented as information only, and no action was necessary.

### B. KPMG – Professional Services Agreement

A.B. Ross, Sr., Audit and Finance Committee Chair, stated that significant pronouncements on audit standards have been introduced, increasing the scope of last year's audit to require almost 300 hours. When KPMG released the tabulation of last

year's work in January 2007, Susan Warren was compelled to revisit the COA ERS fees for this final year of the proposal. The current services agreement qualifies the proposed fees as being based on the agreed-upon scope.

A.B. Ross, Sr. made a motion to approve a fee increase of \$9,000 in addition to the budgeted amount of \$26,000 and a corresponding adjustment in the budget. C. Rodgers seconded the motion. Motion passed unanimously.

C. Audit and Finance Committee Charter

A.B. Ross, Sr. made a motion to accept the Audit and Finance Committee Charter. E. Canales-Zarate seconded the motion. Motion passed unanimously.

8. Benefits and Services Committee

A. Minutes and Report from March 6, 2007 Meeting

The Benefits and Services Committee minutes were presented as information only, and no action was necessary.

*F.E. Benoit departed at 4:03p.m.*

B. Acceptance of December 31, 2006 Experience Study Results

A.B. Ross, Sr. made a motion to accept the December 31, 2006 Experience Study results. E. S. Gonzales seconded the motion. Motion passed unanimously.

C. Actuarial Assumption Changes

L. Ward, Gabriel, Roeder, Smith & Company (GRS), presented the COA ERS Actuarial Experience Study for Five-Year Period Ending December 31, 2006. He advised that the proposed changes were discussed in detail at the March 6, 2007 Benefits and Services Committee meeting.

The report reviews the current actuarial assumptions, compares them to the System's actual experience, advises if an assumption change was warranted and if so, advises of the financial impact of making the recommended change. GRS will use the Board adopted assumptions to prepare the December 31, 2006 valuation results scheduled to be presented at the April 10, 2007 Benefits & Services Committee Meeting.

After extensive discussion R. David moved to adopt the following actuarial assumptions as proposed, and increase the productivity component of salary increase rates an additional 0.25%:

- No change in 7.75% nominal return rate
- Increase real return rate from 4.25% to 4.5%
- Decrease inflation rate from 3.50% to 3.25%
- Increase productivity component of salary scale from 0.50% to 1.50%

- Reduce step-rate and promotional increases for most years of service from current grade of 8.50% down to 0.0% to grade of 2.0% down to 0.0%
- No change in the payroll growth rate
- No change in pre-retirement/post-retirement/disability mortality rates
- Decrease selected retirement rates for both males and females
- No change to termination rates at this time
- Decrease disability incidence rates using gender distinct tables (based on experience)
- No change to DROP election percentage assumption
- No change to COLA assumption
- No change to method of determining actuarial value of assets
- No change to actuarial funding method

E. Canales-Zarate seconded the motion. Motion passed unanimously.

D. Travis County Health District – Transition of Employees and Related Legislation

S. Edmonds provided information concerning the Travis County Health District and the effect on current City of Austin Community Care Services Department employees. He advised that the District has proposed legislation to authorize a “proportionate” retirement program between the District and COA ERS for employees affected by the transfer. The Executive Director and General Counsel have met with District officials and are agreeable on the draft legislation. He advised that no action was necessary unless the Board has objections. There were no objections.

E. Proportionate Retirement Program – Impact of Other City of Austin Systems Potentially Joining Program

S. Edmonds stated that the Austin Police Retirement System and the Austin Firefighters Retirement System are considering joining the Proportionate Retirement Program. He reminded that the current participating systems do not have a say in whether or not additional public retirement systems join the program. Qualified public retirement systems may join the program by resolution of the governing body of the retirement system and the municipality governing body, or join by legislation. It is staff’s understanding that the Austin Police Retirement System is considering joining by legislation.

E. Canales-Zarate made a motion to authorize the Executive Director to have GRS conduct a study of the potential impact of the firefighters and police retirement systems joining the Proportionate Retirement Program, the timing of such study to be determined by the Executive Director. R. David seconded the motion. Motion passed unanimously.

*C. Rodgers departed. at 4:37 p.m.*

F. Benefits and Services Committee Charter

R. David made a motion to accept the Benefits and Services Committee Charter. E.S. Gonzales seconded the motion. Motion passed unanimously.

9. General Counsel Report

There was no General Counsel Report.

10. Executive Director's Report

- A. Calendar Items/Conferences/Training
- B. Retirement Office News
- C. Legislation
- D. Communications Update
- E. Member/Employer News
- F. Public Pensions in the News
- G. Investment News
- H. Comparative Calculation and Retirement Activity Levels


S. Edmonds stated that the Retirement Office was awarded a Certificate of Excellence from the Government Finance Officers Association for our 2005 Comprehensive Annual Financial Report. He also mentioned that the Retirement Office has been a busy place recently, with annual statements and affidavits having been sent out in the past two months.

He mentioned that there are currently four bills of legislation that are of particular interest and are being monitored: a) HB 155 prescribes procedures regarding the correction of errors; b) HB 2378 establishes proportionate retirement arrangement with the Travis County Health District; c) HB 2664 requires actuarial audits every five years, which COA ERS already does, and; d) HJR 95 proposes a constitutional amendment directing investments to benefit the Texas economy.

E. Golden made a motion to adjourn. R. David seconded the motion. The motion passed unanimously. The meeting adjourned at 4:43 p.m.

  
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Mark Monteith, Board Chair

4-24-07  
Date

  
\_\_\_\_\_  
Stephen C. Edmonds, Executive Director

4-24-07  
Date

## **Informal Procedure for Hearing of Appeals**

System policies provide requirements and timelines for filing, processing and scheduling appeals for hearing. However, the Board has considerable discretion with respect to the process and procedures for actually hearing the appeal and reaching the appropriate decision. The informal procedures recommended below are justified by the following:

Appeals are heard by the entire Board;

A formal hearing procedure requires much more time than does an informal process;

The results and decisions are not likely to be improved by a formal process; and

A formal procedure will place undue burden on Members that do not hire counsel.

### **General Recommendations**

It is recommended that, prior to the start of the hearing, Board members do not permit any person, including the System staff, the Member, or any third party, to present any facts or arguments to them regarding the subject of the appeal.

It is recommended that Board members recuse themselves if, prior to the hearing, they have been presented material facts, arguments, or lobbying, regarding the case.

The Board has the authority to continue any matter and direct that additional information be obtained and provided to the Board prior to its final decision.

Both the Board and the staff have an obligation to make an effort to assure that all relevant facts (that are then known) are submitted to the Board. The recommended procedures should be considered as an outline for general application, which may be varied by the Board as it deems necessary to ascertain the relevant facts.

It is recommended that Board members hold any questions until after both the Member and the General Counsel completes their initial presentations and evidence.

### **Procedures In General**

- (1) At the start of the hearing, the Board Chair briefly states the nature of the case.
- (2) Individual board members may recuse themselves, as appropriate, and leave the dais for the duration of the hearing.
- (3) The Member presents his or her appeal to the Board, including any relevant testimony or documentation evidence, and any argument based on that evidence, System policy, or state or federal law. Witnesses may be presented. (As used herein, the word "Member" includes his or her attorney if and as applicable.)

- (4) The General Counsel presents the applicable evidence, facts and relevant policy or statutory provisions, and includes a statement of the facts and plan provisions relied on by the Executive Director in making the decision that is being appealed. The General Counsel advises the Board of any legal opinions given with respect to the appeal or the issue that is being appealed. Witnesses may be presented.
- (5) The Board asks any questions it may have of the Member, witnesses, General Counsel or the System staff.
- (6) The Member is given an opportunity to make responsive follow-up comments, respond to the General Counsel's presentation and point out any evidence or law that is inconsistent with the General Counsel's presentation. The General Counsel is then permitted to respond to any of the Member's follow-up issues or points.
- (7) The Board asks any questions it may have of the Member, General Counsel, System Staff, Witnesses or the Executive Director.
- (8) The Board deliberates, asks any follow-up questions, requests additional information, and makes its decision, or continues the matter to a future date with directions.