



City of Austin Employees' Retirement System

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

**Tuesday, April 24, 2007 – 1:30 p.m.**

**418 E. Highland Mall Blvd., Austin, Texas 78752**

**Board Members Present**

Janet Bartles - *dep. 5:24 p.m.*  
Frances E. Benoit  
Leslie Browder - *dep. 2:38 p.m.*  
Eyna Canales-Zarate - *dep. 5:26 p.m.*  
Reagan David  
Betty Dunkerley  
Elizabeth S. Gonzales - *arr. 1:37 p.m.*  
Mark Monteith  
Cathy Rodgers - *dep. 3:40 p.m.*  
Anthony B. Ross, Sr.

**Absent**

Ed Golden

**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  
Barney Knight, General Counsel  
Paige Saenz, Assistant General Counsel  
Dr. Robert Dennison, Medical Consultant  
Lewis Ward, Gabriel, Roeder, Smith & Co.  
George Greene, Active Member  
Peter Collins, Active Member  
Tonia Lucio, Attorney for Mr. Collins

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 9 would be moved before item 4, and that agenda item 7 would be moved before item number 5.

B. Chairperson Comments

There were no comments.

C. Board Member Recognition

There was no Board Member Recognition.

D. Board Member Comments

- Reports on Educational Programs Attended (to be filed by Board Members – effective November 28, 2006): Forms from Janet Bartles, Ed Golden, Anthony B. Ross, Sr., and Elizabeth S. Gonzales were provided in the Board packet.

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

Board Trustee Declarations: E. Canales-Zarate, M. Monteith, and J. Bartles all stated that while on a site visit they had dinner with Summit Strategies, as well as working lunches with Systematic and AQR.

Staff Declarations: S. Edmonds stated that while on a site visit he had dinner with Summit Strategies, as well as working lunches with Systematic and AQR. He also stated he met with John Katalinich of Levi, Ray and Shoup on April 23, 2007.

F. 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 is no regular Board meeting scheduled in May. The Board was reminded that there is a quarterly Investment Committee meeting scheduled for Friday, May 18, 2007. In addition, the Audit and Finance Committee and Policy Committee meetings were changed from June 12, 2007 to Friday, June 15, 2007.

3. Consent Items

- A. March 27, 2007 Board Meeting Minutes
- B. Ratification of February 2007 Retirement and Death Benefits

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

*Item number 9 discussed.*

9. Disability Committee

- A. Minutes and Report from April 10, 2007 Meeting

The Disability Committee minutes were presented as information only and no Board action was required.

Committee Chair R. David reported that the appeal of Kathleen Tomeff was considered at the April 10, 2007 Disability Committee meeting. He advised that it is the recommendation of the Committee for the appeal to be denied (see agenda item 4. below).

#### 4. Disability Retirement

- A. Convene into Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:
- 1) Denial Appeal of Disability Retirement Application of Kathleen Tomeff
  - 2) Reconsideration of Disability Retirement Application of Larry Wagner
  - 3) Disability Retirement Application of:
    - a) Leroy Green
    - b) Steven A. Nolin
- B. Reconvene from Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:
- 1) Denial Appeal of Disability Retirement Application of Kathleen Tomeff
  - 2) Reconsideration of Disability Retirement Application of Larry Wagner
  - 3) Disability Retirement Application of:
    - a) Leroy Green
    - b) Steven A. Nolin

The Board convened into Executive Session at 1:40 p.m. and reconvened into Public Session at 2:18 p.m.

R. David made a motion to deny the appeal for disability retirement application of Kathleen Tomeff. A.B. Ross, Sr. seconded the motion. Motion passed unanimously.

E.S. Gonzales made a motion to deny reconsideration of disability retirement application of Larry Wagner. C. Rodgers seconded the motion. Motion passed unanimously.

R. David made a motion to approve disability retirement applications of Leroy Green and Steven A. Nolin. C. Rodgers seconded the motion. The motion was withdrawn after discussion concerning Mr. Green's application.

R. David made a motion to defer the decision on the disability retirement application of Leroy Green for 90 days pending additional information concerning his medical condition. Staff was requested to provide the Board with a report concerning Mr. Green's status at the City of Austin (amount of leave, Short Term Disability, Long Term Disability). C. Rodgers seconded the motion. Motion passed unanimously.

R. David made a motion to approve the disability retirement application of Steven A. Nolin. E. Canales-Zarate seconded the motion. Motion passed unanimously.

*Item number 7 discussed.*

7. Investment Committee

A. Minutes and Report from April 10, 2007 Meeting

The Investment Committee minutes were presented as information only and no Board action was required.

B. Non-Large Cap Investment Manager Recommendations

Committee Chair C. Rodgers discussed the site visit that was made at the beginning of April by S. Edmonds, M. Monteith, J. Bartles, E. Canales-Zarate, and E. Ralph, Summit Strategies. Their two-day visit took them to Pzena Investment Management, Systematic Financial Management, and AQR Capital Management. Based on the group's observations and the information obtained during the visit, the Committee is recommending termination of Eubel Brady & Suttman and contracting with Pzena Investment Management as manager of the system's midcap value portfolio.

C. Rodgers advised that this change would require an exception to our Investment Policy since Pzena operates with individual holding limits of 5% of portfolio at purchase and 7.5% of current portfolio market value. Our current investment manager contract and policy specifies maximums of 4% and 6% respectively.

C. Rodgers moved to authorize negotiation of a contract with Pzena Investment Management, with the final contract to be executed by the Board Chair, and termination of our existing contract with Eubel, Brady and Suttman. The Pzena Contract will include an exception to the Investment Policy as previously stated. The Investment Policy will be modified as appropriate later this year. E. Canales-Zarate seconded the motion. Motion passed unanimously.

*L. Browder departed at 2:38 p.m.*

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

General Counsel Barney Knight reviewed the "Information Procedure for Hearing of Appeals".

6. Appeal – Active Member Peter Collins

Active Member Peter Collins appeal was originally scheduled for March 27, 2007. Mr. Collins requested a postponement of his March 27, 2007 appeal hearing.

Board Chair M. Monteith stated the nature of the case. C. Rodgers recused herself from the appeal hearing.

*C. Rodgers recused herself and left the dais at 2:47 p.m. and departed the Board meeting at 3:40 p.m.*

An error was contained in Mr. Collins' retirement record. As a result of the error, his retirement contribution start date (membership date) was misstated on his annual member statements and he received incorrect retirement benefit estimates. Mr. Collins states that he made important financial decisions based on the incorrect information. Executive Director S. Edmonds responded to Mr. Collins correcting his retirement record and stating that the incorrect estimates must be disregarded. Mr. Collins is appealing that decision to the Board of Trustees.

The issues for determination include: Did the Executive Director properly follow Texas law in correcting the retirement records of Mr. Collins? What is the correct membership date for Mr. Collins? Must the incorrect estimates be disregarded? Should the military purchase completed by Mr. Collins be corrected?

Written documentation from both Mr. Collins and the System was provided for Board review prior to the meeting.

Tonia Lucio, attorney of Mr. Collins, presented and called witnesses Peter Collins, Laura Fugate, and Stephen C. Edmonds. The System's General Counsel presented the System's case. Additional documentation was submitted by both parties for Board consideration.

Ms. Lucio advised that Mr. Collins is requesting that he be allowed to purchase the additional service credit at the 1996 cost, allowing him to pay it out throughout the rest of his career with the City, and to reimburse him for his attorney fees currently estimated to be \$7,500.00.

*J. Bartles departed at 5:24 p.m.*

*E. Canales-Zarate departed at 5:26 p.m.*

Due to time and Board quorum issues, E.S. Gonzales made a motion to table the appeal until another time.. F. Benoit seconded the motion. The motion passed unanimously. Staff was requested to make available a recording of the hearing to all Board members. The hearing would reconvene with an overview by both parties, questions from the Board, with closing rebuttal, questions, and arguments.

8. Benefits and Services Committee
  - A. Minutes and Report from April 10, 2007 Meeting
  - B. Acceptance of December 31, 2006 Actuarial Valuation Results
  - C. Board-Approved Policy D-4 "Option Selection and Survivor Designation Policy"

The Benefits and Services Committee minutes were presented as information only and no Board action was required.

E.S. Gonzales made a motion to accept the December 31, 2006 Actuarial Valuation Results. F. Benoit seconded the motion. The motion passed unanimously.

*Item 8.C. was deferred until the June Board meeting.*

10. General Counsel Report

There was no report.

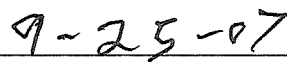
11. Executive Director's Report


- 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. First Quarter 2007 Financials
- I. Comparative Calculation and Retirement Activity Levels

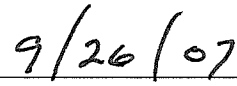
Due to time constraints, this information was presented in the Board packet only. No discussion followed.

The meeting adjourned at 5:46 p.m.

  
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Mark Monteith, Board Chair

  
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Date

  
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Stephen C. Edmonds, Executive Director

  
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Date