



City of Austin Employees' Retirement System

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

**Tuesday, June 26, 2007 – 1:30 p.m.**

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

**Board Members Present**

Eyna Canales-Zarate  
Reagan David  
Betty Dunkerley *arr. 1:57 p.m., dep.  
4:12 p.m.*  
Ed Golden, *arr. 1:41 p.m.*  
Elizabeth S. Gonzales  
Mark Monteith  
Cathy Rodgers *dep. 3:42 p.m.*  
Anthony B. Ross, Sr.

**Absent**

Janet Bartles  
Francis E. Benoit  
Leslie Browder

**Guests and Staff Present**

Stephen C. Edmonds, Executive Director  
Donna Boykin, Finance Manager  
Errin Garcia, Executive Assistant  
Rhonda Helm, Operations Manager  
Jesse Ortega, Administrative Supervisor  
Paige Saenz, General Counsel  
Dr. Robert Dennison, Medical Consultant  
Mike O'Brien, Sprouse and Anderson  
Susan Warren, KPMG  
Scott Ferguson, Active Member  
Sheila Hale, Retired Member  
Clark Hammond, Active Member  
Janette Layton, Active Member  
Georganh Reynolds, Active Member  
Daughter of Ms. Reynolds  
Elaine Smith, wife of Member Glen Smith  
Glen Smith, Active Member

The meeting was called to order at 1:37 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 the agenda may need to be reordered since C. Rodgers has to leave early. After discussion by the Board, E. Canales-Zarate made a motion to postpone Item 16, the Executive Director's evaluation, until the September 2007 Board Meeting. C. Rodgers seconded the motion. Motion passed unanimously. It was also mentioned that Agenda Items 6 and 7 were postponed at the request of the appellant and would be

considered at the September Board Meeting. No additional changes were made to the agenda.

B. Chairperson Comments

There were no comments.

C. Board Member Recognition

A.B. Ross, Sr. was recognized for recently receiving a Distinguished Service Award from the Austin Chapter of the Texas Society of Certified Public Accountants. The Board also recognized J. Bartles as having a birthday on May 28<sup>th</sup>.

D. Board Member Resignation – Francis E. Benoit, Retired Trustee Place 10

M. Monteith stated that a letter of resignation was submitted by Francis E. Benoit, Retired Board Member Place 10, effective June 30, 2007. A plaque honoring Mr. Benoit for his many years of service on the Board will be given to him by Board Chair M. Monteith.

*E. Golden arrived at 1:41 p.m.*

E. Board Member Comments

- 1) Reports on Educational Programs Attended (to be filed by Board Members (effective November 28, 2006)

E.S. Gonzales stated that she attended the Pension Review Board Seminar on June 25<sup>th</sup>, which was very informative. S. Edmonds, who also attended, commented that he felt the Pension Review Board Seminar, which covered fiduciary responsibility, was on an entirely different level of quality this year. A.B. Ross, Sr. commented that he attended the CAPP II Conference in Chicago on June 21<sup>st</sup> and June 22<sup>nd</sup>. He stated that the conference was very good and that it covered topics such as plan design and emerging issues, as well as investments.

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

Board Trustee Declarations: There were no Board declarations.

Staff Declarations: S. Edmonds reported receiving a book from Johnson + Johnson + Ortiz and a meeting with Cathy Williams of State Street on June 11, 2007. R. Helm reported receiving a book from Aronson + Johnson + Ortiz.

#### F. 2007 Board and Committee Meeting Schedule

The schedule of upcoming meetings for 2007 was provided in the Board Packet. The Board was reminded of the Planning and Educational Workshop, which will be held on July 24, 2007. The Board was also reminded of the Quarterly Investment Meeting which will be held on August 17<sup>th</sup>, as well as a Policy Meeting on the 21<sup>st</sup> of August, and an Audit and Finance Meeting on the 28<sup>th</sup> of August.

S. Edmonds stated that there is no tentative date for the continuation of the Peter Collins' appeal due to conflicts with Mr. Collins' attorney's schedule. He suggested that the Audit and Finance Meeting on August 28<sup>th</sup> be moved to 11:00 a.m. and that the Board hold the afternoon as a tentative time for a Special Called Board Meeting for the appeal continuation, contingent on the schedule of Mr. Collins and his legal counsel. The Board was agreeable to this tentative schedule.

#### 3. Consent Items

- A. April 24, 2007 Board Meeting Minutes
- B. June 8, 2007 Special Called Board Meeting Minutes
- C. Ratification of March and April 2007 Retirement and Death Benefits

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

#### 4. Convene into Executive Session

- A. Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on Disability Retirement Applications of:
  - 1) Georgann Reynolds
  - 2) Janette Layton
  - 3) Glen Smith
  - 4) Bobby Munerlyn
  
- B. Pursuant to Texas Government Code 551.071 for Action on Non-compliant Annuitants re: Annual Affidavit Process:
  - 1) John Alba
  - 2) Bertha Barba
  - 3) Hilmer Barclay
  - 4) Margie Canada
  - 5) Robert Fleming
  - 6) Pauline Flores
  - 7) Dorothy Freeman
  - 8) Marilyn Henderson
  - 9) Maria Hernandez
  - 10) Woodrow Maybin
  - 11) Jimmy Ramirez
  - 12) Mary Rodriguez

- 13) Augustina Sanchez
- 14) Edward Simms
- 15) Ralph Small
- 16) Alice Spooner
- 17) Larry Stewart
- 18) Dorothy Stovall
- 19) Patricia Strieber
- 20) William Traylor
- 21) Enrique Vega

No action was allowed while in Executive Session.

*B. Dunkerley arrived at 1:57 p.m.*

5. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding:

A. Disability Retirement Applications of:

- 1) Georgann Reynolds
- 2) Janette Layton
- 3) Glen Smith
- 4) Bobby Munerlyn

The Board convened into Executive Session at 1:47 p.m. and reconvened into Public Session at 3:35 p.m.

R. David made a motion to postpone any decision regarding the disability retirement of Georgann Reynolds until such time that she is able to get the questionnaire from Dr. Dennison completed by her physicians, Dr. Weeks and Dr. Hicks. E. Canales-Zarate seconded the motion. Motion passed unanimously.

R. David made a motion to deny disability retirement benefits for Janette Layton based on falsification of information. B. Dunkerley seconded the motion. Motion passed unanimously.

R. David made a motion to approve disability retirement benefits for Glen Smith. E.S. Gonzales seconded the motion. Motion passed unanimously.

R. David made a motion to approve disability retirement benefits for Bobby Munerlyn. E. Canales-Zarate seconded the motion. Motion passed unanimously.

B. Action on Non-compliant Annuitants re: Annual Affidavit Process:

- 1) John Alba
- 2) Bertha Barba
- 3) Hilmer Barclay
- 4) Margie Canada

- 5) Robert Fleming
- 6) Pauline Flores
- 7) Dorothy Freeman
- 8) Marilyn Henderson
- 9) Maria Hernandez
- 10) Woodrow Maybin
- 11) Jimmy Ramirez
- 12) Mary Rodriguez
- 13) Augustina Sanchez
- 14) Edward Simms
- 15) Ralph Small
- 16) Alice Spooner
- 17) Larry Stewart
- 18) Dorothy Stovall
- 19) Patricia Strieber
- 20) William Traylor
- 21) Enrique Vega

R. David made a motion to suspend the monthly annuity payments of the following retirees until they comply with the affidavit requirement: Hilmer Barclay, Margie Canada, Pauline Flores, Maria Hernandez, Woodrow Maybin, Augustina Sanchez, Ralph Small, Alice Spooner, Dorothy Stovall, William Traylor, and Enrique Vega. C. Rodgers seconded the motion. Motion passed unanimously.

It was commented that no action was necessary on the other named retirees since their affidavits had been received at the time of the Board Meeting.

6. Review of Appeals Process – Paige Saenz, Assistant General Counsel

No action was necessary. The appeal hearing was postponed until the September Board Meeting at the request of the appellant.

7. Appeal – Otilita Sabana, Spouse of Deceased Member Bernabe Sabana

This appeal hearing was postponed until the September Board Meeting at the request of the appellant.

8. Investment Committee

A. Minutes and Report from May 18, 2007 Quarterly Meeting

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

B. Report from June 14, 2007 Meeting

Minutes from the June 14, 2007 meeting will be in the September 25, 2007 Board Meeting packet.

Investment Committee Chair C. Rodgers discussed the June 14<sup>th</sup> presentations for the Emerging Markets Equity Manager search. She stated that a site visit team is scheduled to visit Aberdeen Asset Management and City of London Investment Management, and make use of the proximity to conduct a due diligence site visit to Walter Scott & Partners. She mentioned that upon return, a site visit team will schedule a due diligence visit with Dimensional Fund Advisors (DFA).

*C. Rodgers departed at 3:42 p.m.*

9. Benefits and Services Committee

A. Board-Approved Policy D-4 “Option Selection and Survivor Designation Policy”

R. Helm reviewed the recommended policy changes as presented in the Board packet advising the Board that the changes were discussed in detail at the April 10, 2007 Benefits and Services Committee meeting. Substantive changes include: Allows Executive Director to approve retirement applications and annuities subject to Board review and ratification or correction (documents current practice into policy); Clarifies that a Member may select annuity option at any time before retirement, change the option at any time prior to retirement, and apply for retirement at any time after they become eligible to retire by completing and filing the required application form(s); Clarifies that only one Beneficiary may be designated to receive Survivor Benefits; Clarifies that the Beneficiary for all options must be a person except for Option V. 15-Year and Certain; Clarifies COA ERS’ retirement eligibility criteria; Clarifies the options available if a Member was eligible for retirement prior to death but not yet retired; and, Clarifies how Survivor Benefits are paid if there are multiple Beneficiaries designated prior to January 1, 2005 and the Member was eligible to retire prior to January 1, 2005.

E. Canales-Zarate made a motion to approve the changes made to Policy D-4 “Option Selection and Survivor Designation Policy”. R. David seconded the motion. Motion passed unanimously.

10. Policy Committee

A. Report from June 15, 2007 Meeting

Minutes from the June 15, 2007 Meeting will be included in the September 25, 2007 Board Meeting packet.

B. Annual Review of Board Policy E-1 “Election Policy for Active-Contributory and Retired Board Members”

C. Board-Approved Policy D-2 “Duties and Responsibilities of Trustees, Officers and Committee Chairs”

Policy Committee Chair M. Monteith advised that both Board-Approved Policies E-1 “Election Policy for Active-Contributory and Retired Board Members” and D-2 “Duties and Responsibilities of Trustees, Officers and Committee Chairs” were discussed in detail at the June 15, 2007 Policy Committee meeting.

S. Edmonds advised that additional changes were made to Policy D-2 concerning a provision for Committee Member Meeting attendance. R. Helm referred the Board to Section II.B.5. which states “Failure to consistently attend assigned Committee meetings may result in removal from the Committee by the Board Chairperson. Attendance at all Committee meetings of the Board is encouraged since extensive detail is discussed at the Committee level in consideration of any recommendations for Board action.” Section II.C.3. further clarifies that the Board Chairperson “may reconfigure Committees or add or remove members at any time as determined appropriate.”

S. Edmonds advised that the Statute requires all Board Members to be on at least one Committee, however required Committee meeting attendance is outside the scope of the Board’s authority. B. Dunkerley stated that Committee meeting attendance by City Council Members is difficult due to other commitments. The Board recognized Ms. Dunkerley’s commitment to the Board, and S. Edmonds expressed appreciation for her efforts in attendance at Board Meetings. A.B. Ross, Sr. expressed his concerns with the changes regarding attendance, feeling that there should be more accountability for those Trustees who are frequently absent from Committee and Board Meetings. The Board clarified the importance of attendance due to quorum requirements.

E. Canales-Zarate made a motion to approve the proposed changes to Policy E-1 “Election Policy for Active-Contributory and Retired Board Members” and Policy D-2 “Duties and Responsibilities of Trustees, Officers, and Committee Chairs”. E. Golden seconded the motion. The motion passed with A.B. Ross, Sr. opposing.

*Item 11 was delayed until the arrival of Susan Warren of KPMG.*

12. Active-Contributory Member Election Place 6 and Place 7 – Nominating and Election Committee Nominees

An updated list of Nominating and Election Committee Nominees was distributed. E. Canales-Zarate motioned to approve the revised list of Active-Member volunteers who will serve on the Nominating and Election Committee. R. David seconded the motion. Motion passed unanimously.

A schedule of election events was provided for Board information only.

13. Special Election – Retired Trustee Place 10

S. Edmonds stated that in compliance with Board policy, Staff is recommending that a Special Election for Retired Trustee Place 10 be held at the same time as the general election for Active-Contributory Member Places 6 and 7, and that the Board authorize staff to recruit a Nominating and Election Committee to oversee the process. A Special Election is necessary since the term of this vacant Place exceeds one year.

E. Canales-Zarate made a motion to authorize a Special Election for Retired Trustee Place 10 and authorize Staff to coordinate the Nominating and Election Committee. E.S. Gonzales seconded the motion. Motion passed unanimously.

14. General Counsel Report

There was no General Counsel Report.

15. 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 received a 30-day extension from the Government Finance Officers Association in order to submit our Comprehensive Annual Financial Report. The extension was necessary because of the actuarial experience study, which delayed finalization of the actuarial valuation report. He also mentioned that the Retirement Office has a new employee, Bobbie Simpson, who will be working as the new Office Coordinator.

*Return to Item 11.*

11. Audit and Finance Committee

- A. Report from June 15, 2007 Meeting

Minutes from the June 15, 2007 Meeting will be included in the September 25, 2007 Board Meeting packet.

- B. 2006 Financial Audit Report Acceptance

Susan Warren of KPMG presented the 2006 Financial Audit Report. Ms. Warren discussed the mechanics of the audit, as well as what was audited. She stated that the System received an “unqualified opinion” which is in the desired result for this type of audit. The audit was “clean” and there was nothing out of the ordinary that required reporting to the Board. A.B. Ross, Sr. made a motion to accept the 2006 Financial Audit Report. E. Golden seconded the motion. Motion passed unanimously with E.S. Gonzales absent from the dais.

#### C. KPMG Professional Services Proposal 2007-2011

The Audit and Finance Committee recommended approval of the five-year (2007-2011) Professional Services Engagement Letter pending General Counsel review.

Audit and Finance Committee Chair A. B. Ross, Sr. stated that the Committee had some concerns with the proposal, one item being that the Board should be informed of any disciplinary action taken against KPMG by any regulatory agency (e.g. Texas State Board of Public Accountancy, Department of Justice, Internal Revenue Service). Ms. Warren advised that this action only involved KPMG’s tax shelters on a national level. Language concerning disclosure of disciplinary action will be included in the contract.

Mr. Ross also expressed the desire to modify the language in the contract to allow for litigation in the event of a dispute, as was also advised by General Counsel, in order to keep all options open.

A.B. Ross, Sr. motioned to accept the KPMG Professional Services Proposal 2007-2011 with provisions concerning the retaining of ability to litigate in court, as well as disciplinary action disclosure issues as discussed and recommended by General Counsel. E. Canales-Zarate seconded the motion. Motion passed unanimously with E.S. Gonzales absent from the dais. The Board Chair, M. Monteith, in consultation with the Audit and Finance Committee Chair, A.B. Ross, Sr., will work with Staff, General Counsel, and KPMG in finalizing the five-year contract.

*Return to Item 15.*

*B. Dunkerley departed at 4:12 p.m.*

*No Board quorum; no Board action taken.*

#### 15. Executive Director’s Report

S. Edmonds mentioned that there are four bills of legislation enacted during the most recent legislative session that are of particular interest to the System: a) HB 155 prescribes procedures regarding the correction of errors in annuity payments b) HB 2664 requires actuarial audits every five years. The City will be required to procure the independent actuary and pay for the audit. c) SB 1107 establishes a special proportionate relationship between the Travis County Health District and COA ERS according to language that was drawn up with input from COA ERS. and; d) SB 1626 modifies the process for the Austin Police and Austin

Fire Fighters Retirement Systems to become part of the proportionate system. A study must be conducted to determine the cost of the program and the City must pay the difference in the contribution rate. Both the City and the retirement board must agree to join the program. Mr. Edmonds advised that GRS has been requested to analyze the impact on COA ERS.

16. Executive Director's Annual Performance review

This item was postponed until the September 25, 2007 Board Meeting.

*E.S. Gonzales returned to the dais at 4:30 p.m.*

E. Canales-Zarate made a motion to adjourn. A.B. Ross, Sr. seconded the motion. The motion passed unanimously. The meeting adjourned at 4:31 p.m.

*Mark Monteith*  
Mark Monteith, Board Chair

9-25-07  
Date

*Stephen Edmonds*  
Stephen C. Edmonds, Executive Director

9/25-07  
Date