



City of Austin Employees' Retirement System

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

**Tuesday, September 25, 2007 – 1:30 p.m.
418 E. Highland Mall Blvd., Austin, Texas 78752**

Board Members Present

Janet Bartles
Leslie Browder – *arrived 1:43 p.m.*
Eyna Canales-Zarate
Reagan David
Ed Golden
Elizabeth S. Gonzales
Mark Monteith
Cathy Rodgers
Anthony B. Ross, Sr.

Absent

Francis E. Benoit
Betty Dunkerley

Guests and Staff Present

Stephen C. Edmonds, Executive Director
Donna Boykin, Finance Manager
Rhonda Helm, Operations Manager
Barney Knight, General Counsel
Paige Saenz, Assistant General Counsel
Mike O'Brien, Sprouse and Anderson
Georgann Reynolds, Active Member
Company of Ms. Reynolds

The meeting was called to order at 1:36 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 10 may be moved up to accommodate the auditor.

B. Chairperson Comments

There were no comments.

C. Board Member Recognition

E.S. Gonzales was acknowledged for recently being recognized in the July 2007 "Austin Woman" for "Finance Femme\$: Honorable Mention Profiles". The Board also recognized the following birthdays: F. Benoit – July 14; E. Canales-Zarate – August 21; M. Monteith – September 3; C. Rodgers – September 22; and E.S. Gonzales – September 25.

A.B. Ross, Sr. reported that he had received notice that he passed the Certificate of Achievement in Public Plan Policy in Employee Pensions (CAPPP) course.

L. Browder arrived at 1:43 p.m.

D. Board Member Comments

1) Reports on Educational Programs Attended:

Board-Approved Policy T-1 "Training, Research, Education Expense Policies" requires that "Trustee Educational Program Feedback Report" forms be completed within 30 days of travel completion.

J. Bartles and E.S. Gonzales provided reports on the August TEXPERS conference; they both indicated they would recommend the conference to other Trustees. A.B. Ross, Sr. provided reports for his attendance at the August TEXPERS conference and the NAGDCA Annual Conference; he indicated that he would recommend the TEXPERS conference to other Trustees; however, he would not recommend the NAGDCA conference since it was geared toward Defined Contribution plans.

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

Board-Approved Policy C-3 "Code of Ethics" requires that "Ethics Policy Disclosure Statement" forms be completed within 30 days of the Board meeting.

Board Trustee Declarations:

J. Bartles declared dinners she attended at the TEXPERS conference. E. Canales-Zarate, M. Monteith, and Cathy Rodgers declared the following as part of the due diligence site visits in July and August: Working lunch at Aberdeen Asset Management; dinner provided by Eric Ralph, Summit Strategies Group; Working lunch provided by Walter Scott & Partners; and, Working lunch at Dimensional Fund Advisors. E.S. Gonzales declared dinner with Intech at the August TEXPERS conference, and contact she had with Intech, Principal, Alliance Bernstein, and Northern Trust. A.B. Ross, Sr. declared the receipt of two baseball caps from Gary Lawson, Godwin, Pappas, Langley, Ronquillo, dinner with Great West at the NAGDCA conference, and meeting with Dimensional Fund Advisors representative as a member of the Deferred Compensation Committee.

Staff Declarations:

S. Edmonds declared a book from Ted Aronson, AJO; he also declared the following as part of the due diligence site visits in July and August: Working lunch at Aberdeen Asset Management; dinner provided by Eric Ralph, Summit Strategies Group; Working lunch provided by Walter Scott & Partners; and, Working lunch at Dimensional Fund Advisors. D. Boykin declared a book from Marie Eastty at AusTex, lunch at the Austin AAFP Financial Professionals as a guest of JP Morgan Chase, lunch while attending a CPE course (MicroAssist Office 2007), and contact

with Financial Professionals AAFP. R. Helm declared cookies and a drink holder from LeadingEdge temporary agency.

E. 2007 Board and Committee Meeting Schedule

The schedule of upcoming meetings for 2007 was provided in the Board Packet. The November Quarterly Investment Committee meeting has been rescheduled to November 9, 2007. In addition, the October 9, 2007 Benefits and Services Committee meeting has been rescheduled to 11:00 a.m. on November 13, 2007.

3. Consent Items

- A. Revised April 24, 2007 Board Meeting Minutes
- B. June 26, 2007 Board Meeting Minutes
- C. July 24, 2007 Board Education & Planning Workshop Minutes
- D. August 28, 2007 Special Called Board Meeting Minutes
- E. Ratification of May and June 2007 Retirement and Death Benefits

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

4. Disability Applications

- 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 Application of Leroy Green
 - 2) Disability Application of Maclovio Reyna
 - 3) Disability Application of Georgann Reynolds
 - 4) Disability Application of John Segura
 - 5) Disability Application of Edith Valdespino-Salazar
 - 6) Disability Application of Janette Layton
- B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding:
 - 1) Disability Application of Leroy Green
 - 2) Disability Application of Maclovio Reyna
 - 3) Disability Application of Georgann Reynolds
 - 4) Disability Application of John Segura
 - 5) Disability Application of Edith Valdespino-Salazar
 - 6) Disability Application of Janette Layton

No action was allowed while in Executive Session.

The Board convened into Executive Session at 1:45 p.m. and reconvened into Public Session at 2:05 p.m.

C. Rodgers made a motion to recommend approval of disability retirement benefits for Leroy Green; R. David seconded the motion. Motion passed unanimously.

C. Rodgers made a motion to recommend approval of disability retirement benefits for Maclovio Reyna; R. David seconded the motion. Motion passed unanimously.

The Board noted that G. Reynolds had provided a written request for her case to be postponed until the November Board meeting. C. Rodgers made a motion to recommend postponement of making a decision concerning disability retirement benefits for Georgann Reynolds until the November Board meeting; E.S. Gonzales seconded the motion. Motion passed unanimously, with R. David indicating that this needs to be the last time the decision is postponed. Ms. Reynolds was in attendance and acknowledged that she understood.

C. Rodgers made a motion to recommend approval of disability retirement benefits for John Segura; R. David seconded the motion. Motion passed unanimously.

C. Rodgers made a motion to recommend approval of disability retirement benefits for Edith Valdespino-Salazar; R. David seconded the motion. Motion passed unanimously.

Concerning the disability application of Janette Layton, A.B. Ross, Sr. made a motion to refer falsification of documents to the proper authorities. E. Canales-Zarate seconded the motion. Motion passed unanimously.

E.S. Gonzales requested that consequences of documentation falsification be referred to the Disability Committee for inclusion in the application forms. No Board action was required.

Agenda item #10 was moved ahead on the agenda, with Committee Chair A.B. Ross, Sr. directing the order.

10. Audit and Finance Committee

A. Minutes from June 15, 2007 Meeting – Reported at June 26, 2007 Board meeting

No action was necessary.

B. Minutes and Report from August 28, 2007 Meeting

Minutes from the August 28, 2007 meeting were presented.

E. Sprouse and Anderson 2006 Business Processes Audit Report

Mike O'Brien, external auditor from Sprouse & Anderson, addressed the Board concerning the 2006 Business Process Audit Report as presented in the Board packet. He commented that he had reviewed the report and findings in detail with the Audit and Finance Committee at the August 28, 2007 meeting. He explained that the procedures were carried out as presented in the 2005 plan approved by the Board. He stated that there were no material weaknesses. Several recommendations were discussed in detail

with the Audit and Finance Committee, and management was in agreement with the recommendations.

A.B. Ross, Sr. made a motion to accept the Business Processes Audit Report. E.S. Gonzales seconded the motion. Motion carried unanimously.

C. KPMG Professional Services Engagement

KPMG presented an audit engagement letter for the five years ending December 31, 2007 – 2011 at the June 15, 2007 Audit and Finance Committee meeting. The Committee recommended for Board approval pending legal review. The Board, at their June 26, 2007 meeting, requested that language be added to the letter regarding notification of any disciplinary actions and that litigation not be precluded as a possible remedy. COA ERS' General Counsel has been in discussion with KPMG regarding the possibility of accommodating the Board's requests in a revised engagement letter.

The mediation clause is a standard provision in all KPMG engagement letters and is also thought to be a requirement of the other three major public accounting firms. There is no option to modify this clause. A modification has been made to address the notification issue. The revised engagement letter as approved by COA ERS' General Counsel and KPMG was provided.

A.B. Ross, Sr. made a motion to approve the revised Professional Services Engagement Letter as proposed. E. Canales-Zarate seconded the motion. Motion carried unanimously.

F. Proposed 2008 Administrative Budget

A.B. Ross, Sr. stated that the Audit and Finance Committee had gone through the budget in great detail at the August 28, 2007 Committee meeting and made a motion for approval of the 2008 Administrative Budget as proposed. R. David seconded the motion. Motion passed unanimously.

D. Open Records Request to Texas State Board of Public Accountancy

A.B. Ross, Sr. reported that the Audit and Finance Committee is recommending that the Board consider making an open records request of the Texas State Board of Public Accountancy (TSBPA) for required reporting by KPMG (under Rule 501.91 Reportable Events) of actions taken against them by any governmental body or agency, or other licensing authority. The confidentiality of public firm licensees' communications under this rule with the TSBPA has not been tested. Our inquiry would cause the TSBPA to seek an Attorney General ruling on the release of such information. This release would provide us information about any such filings currently on record concerning KPMG. A draft request was presented.

A.B. Ross, Sr. made a motion to approve for Staff to send this request for information for the last two years on behalf of the Board. R. David seconded the motion with a friendly

amendment to request the same information for Sprouse and Anderson. A.B. Ross, Sr. accepted the amendment. Motion passed unanimously with J. Bartles away from the dais. The Board discussed requesting the information periodically (e.g. every three years).

The meeting resumed to agenda #5.

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

B. Knight reviewed the “Informal Procedure for Hearing of Appeals”. He advised that the procedures are in place to provide structure to the meeting; however, it also keeps the process informal enough so that members are not required to hire attorneys for representation. He advised that the Board has approved to generally follow this process but is not held to the process as a strict rule.

Additional discussion ensued, in particular, the right for Board Trustees to inform the Executive Director and General Counsel if they have concerns that another Board Trustee should recuse him / herself due to a conflict of interest.

No action was necessary.

6. Appeal – Otilita Sabana, spouse of deceased member Bernabe Sabana

S. Edmonds reported that this appeal was postponed from the last Board meeting. He informed the Board that Otilita Sabana’s daughter had contacted him requesting a continuance until November. He advised the Board that he encouraged the daughter to send something in writing from Ms. Sabana, however, no request has been received.

Although the Board is entitled to act regardless if the appellant is in attendance, P. Saenz recommended that the appeal be continued in November. E.S. Gonzales made a motion to grant a continuance for this appeal one last time at the November Board meeting. E. Golden seconded the motion. The Board discussed the need to have something in writing from the appellant in the future with a reason for the postponement. The motion passed unanimously, with an abstention from E. Canales-Zarate.

7. GRS Engagement Letter for Actuarial Services for Calendar Year 2008

GRS provided a letter to the Benefits and Services Committee at their April 10, 2007 meeting describing the actuarial services proposed in 2008 as well as an estimate of their professional fees for the 2008 calendar year reflecting an average increase of approximately 5%. The Committee voted to continue using GRS as our actuarial consultant and to recommend approval of the proposed fee increase to the Audit and Finance Committee for inclusion in the 2008 budget (see agenda item 10.F.).

E. Canales-Zarate made a motion to approve the engagement letter with GRS for actuarial services for 2008. A.B. Ross, Sr. seconded the motion. Motion passed unanimously, with C. Rodgers away from the dais.