



City of Austin Employees' Retirement System

MINUTES

BOARD MEETING

CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM

Tuesday, November 27, 2007 – 1:30 pm

418 E. Highland Mall Blvd., Austin, Texas

Board Members Present

Janet Bartles, arrived at 1:50
Eyna Canales-Zarate
Betty Dunkerley, departed at 3:50
Reagan David, departed at 3:55
Elizabeth S. Gonzales
Mark Monteith
Cathy Rodgers, departed at 3:35
Anthony B. Ross, Sr.

Absent

Francis E. Benoit
Leslie Browder
Ed Golden

Staff and Guests Present

Stephen C. Edmonds, Executive Director
Rhonda Helm, Operations Manager
Babette Ruiz, Executive Assistant
Barney Knight, General Counsel
Lewis Ward, GRS
Guests: See attached listing of sign-in sheets

The meeting was called to order at 1:37 p.m. by Board Chair, M. Monteith.

1. System Member and Citizen Comments / Correspondence
- Email to Board from Retiree Don W. Kersey concerning 13th paycheck

Retiree Don Kersey's email was included in the packet for Board consideration; he was not present for the meeting. M. Monteith commented that this issue would be discussed in agenda item 11.

2. Reports from Chairperson, Board Members, and Staff

A. Review of Meeting Agenda

M. Monteith advised that agenda items 7, 10 and 13 would be moved up to accommodate the Board Members. In addition, agenda item 14, Board evaluation, would be moved to the December Board meeting.

B. Chairperson Comments

There were no comments.

C. Board Member Recognition

1. A.B. Ross, Sr., December 5 - Birthday
2. R. David, December 12 - Birthday
3. E. Golden, December 14 - Birthday
4. A.B. Ross, Sr., award from Mayor Winn, Austin Proclamation for National Save for Retirement Week, October 11, 2007.
5. A.B. Ross, Sr., award of recognition from the Texas State Public Accountancy Board.

B. Knight advised of the need for such items to be specifically listed on the agenda. S. Edmonds stated that he would work with General Counsel in determining the appropriate way to handle for future meetings.

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, E.S. Gonzales, and A.B. Ross, Sr. provided reports on the August TEXPERS conference; they all indicated they would recommend the conference to other Trustees. A.B. Ross, Sr. also provided reports for his attendance at the NAGDCA Annual Conference and the Basics of Options, Futures, and Other Financial Derivatives conference; he indicated that he would recommend the options conference to other Trustees; however, he would not recommend the NAGDCA conference since it was geared toward Defined Contribution plans. E.S. Gonzales also reported and recommended the client conference sponsored by Principal.

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: M. Monteith stated that he attended the 53rd International Foundation of Employee Benefits Plans on November 3rd thru November 8th, 2007.

Staff Declarations: S. Edmonds stated that while visiting Ronan Burke, Epock Investment Partners on September 26, 2007, he received a book. R. Helm received a book from Ted Aronson and a Halloween basket from Leading Edge Personnel.

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

E. 2007 Board and Committee Meeting Schedule

The schedule of upcoming meetings for 2007 was provided in the Board packet. The election results certification and oaths of office are scheduled for December 18th at 1:30 p.m.

3. Consent Items

A. September 25, 2007 Board Meeting Minutes

- B. October 17, 2007 Annual Members' Meeting Minutes
- C. Ratification of July and August 2007 Retirements and Death Benefits

E. Canales-Zarate moved to approve the consent items; A.B. Ross, Sr. seconded the motion. The motion passed unanimously (J. Bartles was not in attendance).

Agenda item #7 was moved up on the agenda.

7. Investment Committee

- A. Report of November 9, 2007 Meeting - Minutes will be included in January 2008 Board meeting packet.

- B. Emerging Markets Investment Manager Search

C. Rodgers made a motion to authorize staff, the Investment Consultant, and General Counsel to proceed to negotiate investment management agreements with Dimensional Fund Advisors, Inc. (DFA) and the City of London Investment Management Company, Ltd., with final agreements to be signed by the Board Chair. The amount attested to each manager will be approximately \$55 million (3.25% of the portfolio). Funding will be authorized using a dollar cost averaging approach over a 12-month period as recommended by the System's Investment Consultant, unless conditions in the financial markets suggest otherwise. E. Canales-Zarate seconded the motion. The motion passed unanimously (J. Bartles was not in attendance.)

- C. Board Approved Policy I-1 "Statement of Investment Policies and Objectives"

C. Rodgers made a motion to approve the proposed revisions to Board Approved Policy I-1. The revisions are primarily to reflect changes in the portfolio allocation resulting from the Asset/Liability study and to provide clarification for compliance questions raised by AQR and Pzena. The proposed revisions align our policy with the 65/35 portfolio allocation adopted by the Investment Committee in January. An adjustment to the chart in Appendix IV includes emerging markets within the increased internal allocation. The specific changes include:

- I. Statement of Policy – Investment Philosophy – Addition of diversification statement.
- IV. Permissible Investment – Allows investment in ADRs by all equity managers.
- Appendix I Asset Allocation – Adds asset/liability study statement.
- Appendix I Rebalancing – Adjusts target allocations and rebalancing triggers.
- Appendix II Asset Class Diversification – Revises equity allocations.
- Appendix IV Individual Manager Allocation Targets – Revises allocations.
- Appendix VII Manager Reporting Requirements – Requires quarterly reporting of current market values and investment performance.

- Addition of Appendix IX – Summary of Specific Manager Policy Deviations.

E.S. Gonzales seconded motion. The motion passed unanimously.

The meeting returned to agenda item #4.

The Board convened into Executive Session at 1:57 p.m. and reconvened into Public Session at 3.14 p.m. for agenda items 4 and 13. No action was allowed while in Executive Session.

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 Georgann Reynolds
 - 2) Disability Application of Terri Rice
 - 3) Disability Application of Richard Sustaita
- B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board Regarding:
 - 1) Disability Application of Georgann Reynolds
 - 2) Disability Application of Terri Rice
 - 3) Disability Application of Richard Sustaita

R. David made a motion to deny of disability retirement benefits for Georgann Reynolds based on information on file, recommendation from the System's Medical Consultant, and Ms. Reynolds' medical condition at the time of her original application. A.B. Ross, Sr. seconded the motion. The motion passed unanimously.

R. David made a motion to approve of disability retirement benefits for Terri Rice, subject to a court appointed guardian for disbursement of the disability retirement benefits. E. Canales-Zarate seconded the motion. The motion passed unanimously.

R. David made a motion to postpone a decision on the application of disability retirement benefits for Richard Sustaita until June of 2008 unless interim medical information submitted to the Medical Consultant is sufficient to make an earlier determination on Mr. Sustaita's disability condition. E. Canales-Zarate seconded the motion. The motion passed unanimously.

13. General Counsel Report

- A. Convene into Executive Session Pursuant to Section 551.071 of the Texas Open Meetings Act for Board to consult with its Attorney Regarding Public Information Act Matters Pending before the Attorney General's Office and Any Related Opinions that Are Issued, as well as Possible Litigation

B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board

No Board action was taken.

The meeting returned to agenda item #5.

5. Appeal

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

General Counsel reviewed the process for Board information only. There were no questions or comments from Board Members.

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

M. Monteith provided a summary of the appeal: Ms. Otilita Sabana is the widow of Mr. Bernabe Sabana who was a retired member of COA ERS. At the time of retirement, Mr. Sabana selected a Life Annuity (basic retirement plan), which ceased upon his death. Ms. Sabana requested reconsideration to change the life annuity plan (basic Plan) elected by Mr. Sabana. The Executive Director has ruled that the original benefit selection made by Mr. Sabana cannot be changed. Ms. Sabana is appealing the decision. Ms. Sabana did not attend the hearing.

E.S. Gonzales and E. Canales-Zarate recused themselves and left the Boardroom during the discussion.

C. Rodgers made a motion to support the Executive Director's decision and deny the appeal. B. Dunkerley seconded the motion. The motion passed unanimously.

Agenda item #10 was moved ahead on the agenda.

10. Disability Committee

A. Report of November 13, 2007 Meeting

Minutes will be included in January 2008 Board meeting packet.

B. Board Approved Policy D-1 "Disability Retirement"

The following proposed changes were discussed in detail at the November 13, 2007 Board meeting:

- II.A.; III.A2. – Establishes that disability determination will be based on the mental or physical incapacitation of the Member as of the date of the Member's application for disability retirement.
- II.A. – Addresses consequences of falsification of records.
- II.B. – Clarifies that the burden of proof to establish qualification for disability retirement remains on the Member, and consequently, the cost of such

examination is at the Member's expense. Allows that the Board may request an additional medical evaluation, which the System may, but is not required to, fund.

- II.C.; III.C.3.a. – Clarifies that the Committee and/or Board may authorize System payment of examination(s) if an independent evaluation is needed to determine the ongoing condition of a Disability Retiree.
- II.D. – Clarifies that additional medical expertise requested by the Medical Consultant is at the System's expense.
- II.E.; III.B.11. – Establishes that the Board may, as appropriate, require that a Guardian be appointed for a Member in cases where there are representations or evidence that the Member is mentally incompetent or the Member has applied for disability on the basis of mental incapacity. Such Guardianship is required prior to processing the disability retirement and disbursement of the retirement annuity payments.
- III.A.2. – Establishes that any medical condition(s) not defined or existing on the date of the Member's date of application is not applicable and will not be considered in the disability application process.
- III.B.1.c.; III.C.3. – Clarifies Normal Retirement Age as age 62, age 55 with 20 years of Creditable Service, or any age with 23 years of Creditable Service.
- III.B.4.; III.B.7. – Clarifies that it is the Member's responsibility to submit a complete application packet. All information provided in the disability retirement application packet as of the date the Board reviews the Member's disability retirement application will be considered in the Board's decision; new information will be considered if requested by the Board.
- III.B.6. – Clarifies that Member must submit a written request for the Board Chair to consider a Special Called Board meeting for application review.
- III.B.7. – Clarifies that disability determination will generally be based on the Member's application and the Medical Consultant's opinion.
- III.B.8. – Establishes that the Board may postpone its decision until a future meeting date and request supplemental information from the Member. Establishes that as a general rule, the Board will take action on an application for disability retirement within six months of the date the disability retirement application was received. Applications will be denied if the Member has failed to establish a likely permanent inability to perform any employment duties as of the Member's date of application for disability retirement.
- III.B.9. – Defines "Date of Receipt of the Disability Application Packet" as the date either the Member's Statement or the physician's statement is received, whichever is first.
- III.C.1. – References Section 8(f) of the Act.
- V. – Eliminates reconsideration based on Social Security approval which is not required by Statute.

R. David made a motion to approve revisions to the policy as proposed. J. Bartles seconded the motion. Motion passed unanimously.

The meeting returned to agenda item #6.