



*City of Austin Employees' Retirement System*

**MINUTES**  
**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM**  
**BOARD MEETING**  
**Tuesday, May 27, 2008**  
**418 E. Highland Mall Boulevard, Austin, Texas 78752**

**Board Members Present**

Janet Bartles  
Leslie Browder  
Eyna Canales-Zarate  
Reagan David  
Francine Gertz  
Ed Golden  
Elizabeth S. Gonzales  
Mark Monteith  
Anthony B. Ross, Sr.  
Ronnie Wilson

**Absent**

Betty Dunkerley

**Staff and Guests Present**

Stephen C. Edmonds, Executive Director  
Donna Boykin, Finance Manager  
Rhonda Helm, Operations Manager  
Babette Ruiz, Executive Assistant  
Dr. Robert Dennison, Medical Consultant  
Barney Knight, General Counsel  
Paige Saenz, Assistant General Counsel  
Susan Warren, Partner, KPMG

The meeting was called to order at 1:48 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

There were no changes to the agenda.

B. Recognition of Outgoing Board Member, Mayor Pro Tem Betty Dunkerley

M. Monteith recognized outgoing Board Member Betty Dunkerley and expressed gratitude for her contributions and dedication to service to the COA ERS Board of Trustees. A plaque to honor Ms. Dunkerley will be delivered to her at a later date.

C. 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.

Reports on the March TEXPERS conference were submitted by E. Golden, E.S. Gonzales, M. Monteith, and A.B. Ross, Sr.; all indicated that they would recommend the conference to other Trustees. E.S. Gonzales also attended the

TEXPERS Subprime Crisis Workshop which she recommended for other Trustees to learn about the perspectives from relevant investment managers and how the different markets have been affected. In addition A.B. Ross, Sr. indicated that he would recommend the Investment Institute Conference which he attended in April to learn about the current trends in the area of investing, as well as for Trustees to participate on an investment manager search site visit team; he was a member of the Small Cap team and expressed that direct observation is extremely valuable for the selection process.

D. Ethics Policy Disclosure Statements

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: R. David met with Alan MacFarlane of Walter Scott & Partners on May 5, 2008. E.S. Gonzales attended a luncheon with Brandy Wine, Museum Tour with Janus Intech, etal and dinner with ING, all hosted by NCPERS. E.S. Gonzales visited Northern Trust and Principal at the NCPERS conference as well. M. Monteith and A.B. Ross, Sr., attended working lunches while on small cap site visits (April 30 – May 2, 2008) Magnetar, Columbus Circle, and Columbia Partners.

Staff Declarations: S. Edmonds attended working luncheons while on small cap site visits (April 30 – May 2, 2008) Magnetar, Columbus Circle, and Columbia Partners. S. Edmonds attended meeting with Global Transition Solutions, Dave Bergman, April 9, 2008; Walter Scott 7 Partners, Alan McFarlane on May 5, 2008 and Guarantee Insurance, Jan Patterson on April 24 & May 14, 2008 as well.

E. 2008 Board and Committee Meeting Schedule

The schedule of remaining meetings for 2008 was provided in the Board packet. In particular, the Board was reminded there will be a Policy Committee meeting on June 10<sup>th</sup> at 12:00 p.m., a Benefits and Services Committee meeting (tentative) on June 19<sup>th</sup> at 10:00 a.m., and the Board Meeting on June 24<sup>th</sup> at 1:30 p.m.

3. Consent Items

All of the consent items may be acted upon by one motion. No separate discussion or action on any of the items is necessary unless desired by a Board Member

- A. March 25, 2008 Board Meeting Minutes
- B. Ratification of January and February 2008 Retirement and Death Benefits

E. Canales-Zarate moved to approve the consent items. A.B. Ross, Sr. seconded the motion. The motion passed unanimously.

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 Disability Retirement Applications of:
  - 1) Telesforo Casarez
  - 2) Sandra DeLeon
  - 3) Donald Williams
- B. Reconvene from Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on Disability Retirement Applications of:
  - 1) Telesforo Casarez
  - 2) Sandra DeLeon
  - 3) Donald Williams

The Board convened into Executive Session at 1:55 p.m. and reconvened at 2:13 p.m. No action was allowed while in Executive Session.

F. Gertz made a motion to approve disability retirement benefits for Telesforo Casarez. A.B. Ross, Sr. seconded the motion. Motion carried unanimously.

F. Gertz made a motion to approve the disability retirement application for Sandra DeLeon. E.S. Gonzales seconded the motion. Motion carried unanimously.

F. Gertz made a motion to deny the disability retirement application for Donald Williams. E. Canales-Zarate seconded the motion. Motion carried unanimously.

5. Investment Committee

- A. Report from May 16, 2008 Meeting

Minutes will be included in the next Board meeting packet.

- B. Recommendation for Chief Investment Officer Position

At the July 2007 Board Education and Planning Workshop, future staffing needs for COA ERS were discussed. At that time, a priority was established for consideration of a Chief Investment Officer position. The Executive Director was asked to develop additional information for consideration by the Board; such information was presented and discussed by the Investment Committee at the May 16, 2008 meeting. The Committee is recommending: authorization for the position; for the position to report to the Executive Director; and, for establishment of the pay grade at Grade N.

R. David made a motion to approve the Chief Investment Officer position as recommended by the Investment Committee. E. Zarate-Canales seconded the motion. The motion passed unanimously.

**C. Selection of Small Cap Growth Investment Manager**

After termination of Driehaus in December 2006, the portfolio allocation to small cap growth was placed in ETFs to maintain appropriate market exposure until a new active manager could be selected. Performance issues by mid-cap value manager, Eubel Brady Suttman, required a search for a replacement in that category as well. The Investment Committee decided to proceed with the mid-cap value search first, ultimately selecting Pzena. After candidate presentations to the Committee, three managers were selected and site visits were made April 30 - May 2, 2008. The site visit team presented its report at the May 16, 2008 Investment Committee meeting. The Investment Committee is recommending Columbus Circle.

E.S. Gonzales made a motion to approve Columbus Circle subject to fee/contract negotiations. A.B. Ross, Sr. seconded the motion. The motion passed unanimously. It is anticipated that the process should be completed by the end of June 2008.

**6. Policy Committee**

**A. Report from May 27, 2008 meeting**

Minutes will be included in the next Board meeting packet.

**B. Establishment of Chief Investment Officer Position**

This item was conferred in agenda item 5.B. The Board discussed the reasonableness of pay grade N to hire the caliber needed. S. Edmonds advised that research indicates that viable candidates should be available at the targeted range within the pay grade; if the hiring process proves otherwise, he will seek further consultation.

**7. Benefits and Services Committee**

**A. Minutes and Report from May 13, 2008 Meeting**

The Benefits and Services Committee meeting minutes were presented as information only.

**B. Board Approved Policy D-3 "Death Benefit Distribution"**

One slight correction is being recommended to Board Approved Policy (BAP) D-3 clarifying that a "custodian" may be listed as a beneficiary for the benefit of the persons that are listed on the Beneficiary Designation Form (changed from "estate").

E. Canales-Zarate made a motion to approve the revision to Board Approved Policy D-3 "Death Benefit Distribution". R. David seconded the motion. The motion passed unanimously.

8. Audit and Finance Committee

A. Minutes and Report from May 13, 2008 Meeting

The Audit and Finance Committee meeting minutes were presented as information only.

B. December 31, 2007 Financial Audit Report

KPMG reported on the December 31, 2007 audit process and findings at the May 13, 2008 Audit and Finance Committee meeting. Susan Warren, Partner, was available to discuss the results of the audit, which were presented in the Board meeting packet.

A.B. Ross, Sr. made a motion to accept the 2007 Financial Audit Report. R. David seconded the motion. The motion passed unanimously.

9. General Counsel Report

A. Strasburger Tax Counsel Contract

Gus Fields and Gary Lawson, COA ERS' attorneys for tax matters, have joined the law firm of Strasburger & Price, LLP. They were previously associated with the firm Godwin Gruber. The engagement letter, including billing rates, was requested as a result of the move and presented in the Board meeting packet.

R. David made a motion to approve the contract with Strasburger & Price, LLP. E. Golden seconded the motion. The motion passed unanimously.

10. Executive Director Annual Performance Review

A. Convene into Executive Session Pursuant to Texas Government Code 551.074 to Confer with Board of Trustees regarding Executive Director's Annual Performance Review

B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding Executive Director's Annual Performance Review

The Board convened into Executive Session at 2:38 p.m. and reconvened at 4:15 p.m. No action was allowed while in Executive Session.

E.S. Gonzales motioned to approve a 3.5% increase for the Executive Director based on the evaluation effective April 1, 2008. F. Gertz seconded the motion. The motion passed with A.B. Ross, Sr. opposing.

11. Executive Director's Report

- A. Calendar Items / Conferences / Training
- B. Retirement Office News
- C. Communications Update
- D. Member / Employer News
- E. Public Pensions in the News
- F. Investment News
- G. First Quarter 2008 Financials
- H. Comparative Calculation and Retirement Activity Levels

Lovie Robinson-Laurant was introduced as the newest COA ERS team member hired for the Member Services Coordinator position.

S. Edmonds reported that staff was continuing to pursue annuitants with outstanding affidavits. Direct deposits will be suspended in June with checks to be printed and held until affidavits are received.

The Comprehensive Annual Financial Report (CAFR) for December 31, 2007 will be submitted to the Government Finance Officers Association (GFOA) by the end of June. As has been the past practice, the complete CAFR will be posted on the COA ERS website; an Annual Report Summary in newsletter format will be distributed to all members later this year.

An April 8, 2008 Attorney General Opinion relating to the constitutional guarantees on public pension benefits in Texas was included in the Board packet. The opinion was in response to an inquiry about a change proposed by the City of Fort Worth to change the calculation of final average compensation. The proposed change would have limited the amount that could be used for calculating retirement to an increase of 12% per year, presumably to curtail the potential for "spiking". The Attorney General opined that the change would violate the Texas constitution to the extent that it reduced or impaired retirement benefits that vested employees would have received before the effective date of the change.

S. Edmonds reported new COA ERS beneficiary designation forms have been mailed to all active members at their home addresses. He also reports that the group meetings with employees affected by the upcoming transition of Community Care to the Travis County Healthcare District have been successfully concluded; each of the affected employees will soon be contacted by mail offering individual assistance.

*L. Browder departed at 4:23 p.m.*

The Board was referred to an article concerning IRS scrutiny of public pension plans. The remaining items were included in the packet for Board information.

The meeting adjourned at 4:28 p.m.

Mark Monteith  
Mark Monteith, Board Chair

6-24-08  
Date

Stephen Edmonds  
Stephen C. Edmonds, Executive Director

6/24/08  
Date