



City of Austin Employees' Retirement System

**MINUTES**  
**CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM**  
**BOARD MEETING**  
**Tuesday, September 23, 2008**  
**418 E. Highland Mall Boulevard, Austin, Texas 78752**

**Board Members Present**

Janet Bartles  
Leslie Browder, *arrived 1:41 p.m.*  
Eyna Canales-Zarate, *arrived 1:38 p.m.*  
Reagan David  
Francine Gertz  
Ed Golden  
Elizabeth S. Gonzales  
Mark Monteith  
Anthony B. Ross, Sr.  
Ronnie Wilson, *arrived 1:37 p.m.*

**Absent**

**Staff and Guests Present**

Stephen C. Edmonds, Executive Director  
Donna Boykin, Finance Manager  
Rhonda Helm, Operations Manager  
Rosaree Koepsel, Administrative Supervisor  
Dr. Robert Dennison, Medical Consultant  
Barney Knight, General Counsel  
Mike O'Brien, Padgett Stratemann & Co.  
David Martin, Martin Associates Architects

The meeting was called to order at 1:34 p.m. by Board Chair, M. Monteith.

1. System Member and Citizen Comments / Correspondence

There was no Member or citizen comments/correspondence.

2. Reports from Chairperson, Board Members, and Staff

A. Review of Meeting Agenda

The Board was referred to the amended meeting agenda. No changes to the agenda order were made.

B. Chairperson Comments

- Correspondence from City Manager Designating Art Alfaro as a Member of the Board effective October 1, 2008
- Recognition of Outgoing Board Member, Leslie Browder

This item was deferred pending the arrival of L. Browder.

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 August 2008 TEXPERS conference were submitted in the Board packet by F. Gertz, E.S. Gonzales, and. A.B. Ross, Sr.; E. Golden provided copies of his TEXPERS report at the Board meeting. All Trustees indicated they would recommend the conference to other Trustees.

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: A.B. Ross, Sr. declared receipt of a book "Pioneering Portfolio Management" from Summit Strategies Group; he also noted incidental contact with existing or potential COA ERS service providers while attending the NAGDCA 2008 Annual Conference and the TEXPERS Summer Forum. F. Gertz declared attending the TEXPERS conference in San Antonio; E. Golden declared attending the Tuesday night dinner at the TEXPERS conference in San Antonio; E. Canales-Zarate declared dinner with various consulting firms with the TEXPERS Board Members and lunch at Four Seasons to review the current real estate status.

Staff Declarations: S. Edmonds declared attending a group dinner sponsored by Alliance Bernstein in conjunction with the annual conference of the National Association of State Retirement Administrators on August 2, 2008.

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 of the October meeting schedule: October 3, 8:30 a.m., Investment Committee meeting; October 14, 12:00 p.m., Benefits and Services Committee meeting; October 14, 1:00 p.m., Policy Committee meeting; October 15, 5:00 p.m., Annual Members Meeting. S. Edmonds advised that a Special Called Board meeting also needs to be scheduled, to be determined at a later date.

*R. Wilson arrived at 1:37 p.m.*

*E. Canales-Zarate arrived at 1:38 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. February 15, 2008 Special Called Board Meeting Minutes
- B. June 24, 2008 Board Meeting Minutes
- C. July 18, 2008 Special Called Board Meeting Minutes
- D. July 29, 2008 Special Called Board Meeting Minutes
- E. August 12, 2008 Special Called Board Meeting Minutes
- F. Ratification of April and May 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.

*L. Browder arrived at 1:41 p.m.*

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) William Crooks
  - 2) Mary A. Gonzales
  - 3) Donald Williams - Appeal
- B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding Disability Retirement Applications of:
  - 1) William Crooks
  - 2) Mary A. Gonzales
  - 3) Donald Williams - Appeal
- C. Minutes and Report from September 9, 2008 Disability Committee Meeting

Minutes from the September 9, 2008 meeting were included for Board information only.

The Board convened into Executive Session at 1:39 p.m. and reconvened at 1:51 p.m. No action was allowed while in Executive Session.

F. Gertz made a motion to approve the disability retirement application of William Crooks. A.B. Ross, Sr. seconded the motion. Motion carried unanimously with R. Wilson away from the dais.

E.S. Gonzales made a motion to deny the disability retirement application of Mary A. Gonzales. J. Bartles seconded the motion. Motion carried unanimously with R. Wilson away from the dais.

F. Gertz made a motion to deny the disability retirement appeal of Donald Williams. E. Canales-Zarate seconded the motion. Motion carried unanimously with R. Wilson away from the dais.

*Board returned to agenda item 2.B.*

2.B. Reports from Chairperson, Board Members, and Staff

- B. Chairperson Comments
  - Correspondence from City Manager Designating Art Alfaro as a Member of the Board effective October 1, 2008
  - Recognition of Outgoing Board Member, Leslie Browder

M. Monteith referred the Board to correspondence concerning the City Manager designating Art Alfaro as the City Manager Designee Board Trustee replacing Leslie Browder. Ms. Browder was recognized for her dedication to the Board; a plaque will be presented to her personally at a later date.

5. Audit and Finance Committee Meeting

A. Minutes and Report from August 12, 2008 Meeting

No action was necessary.

B. Contract Extension – Levi, Ray & Shoup, Inc. – PensionGold Maintenance and Support Agreement 2000-2012

COA ERS' current PensionGold maintenance and support agreement with Levi, Ray & Shoup (LRS) will expires at the end of 2008; LRS has offered to extend the agreement another four years from 2009 to 2012. The new agreement is configured in a format currently being used for other LRS clients. A fixed annual fee will continue to cover maintenance of software; an hourly support fee will be used as necessary to address any software issues. The hourly rate for software enhancements will remain the same in 2009, but is subject to an estimated 5% increase annually thereafter. Applying the new billing structure to proposed 2009 utilization at a level equal to our 2008 activity would result in an estimated cost increase of 22%. It is anticipated that by utilization management, it will not be necessary to increase the budget for 2009. General Counsel has reviewed and approved the contract addendum. The contract was discussed extensively at the August 12<sup>th</sup> Committee meeting.

A.B. Ross, Sr. made a motion to approve the LRS PensionGold 2009-2012 Maintenance and Support agreement. E.S. Gonzales seconded the motion. Motion carried unanimously.

C. 2008 Report of Extended Audit Procedures

Mike O'Brien, Padgett Stratemann & Co. presented the 2008 Report of Extended Audit Procedures at the August 12, 2008 Audit and Finance Committee meeting. Copies of the report and COA ERS' management response were provided for Board information. Mr. O'Brien was available to answer any questions.

A.B. Ross, Sr. made a motion to accept the 2008 Report of Extended Audit Procedures. E. Canales-Zarate seconded the motion. Motion carried unanimously.

D. 2009 Proposed Final Administrative Budget

The budget as proposed was discussed in detail at the August 12, 2008 Committee meeting. It was noted that implementation of the market study results would require an additional \$70,000 (to be discussed during agenda item 8.C).

A.B. Ross, Sr. made a motion to approve the 2009 Administrative Budget as discussed at the August 2008 Committee meeting. E.S. Gonzales seconded the motion. The motion passed unanimously.

6. Benefits and Services Committee – The June 19, 2008 meeting was reported at the June 24, 2008 Board Meeting. The Committee meeting minutes were provided for information only, and no action was necessary.

7. Investment Committee

- A. Minutes and Report from August 15, 2008 Meeting
- B. Report from September 8, 2008 Meeting

No action was necessary.

*Board moved to agenda item 11.H.*

11. Executive Director's Report

- H. Investment News
  - Agincourt – Notification of Compliance Variance

Correspondence from Summit Strategies Group and Agincourt Capital Management was distributed to the Board concerning recent market issues, specifically equity holdings, fixed income holdings, and securities lending fallout concerning the Lehman Brothers bankruptcy and AIG takeover.

The Board discussed extensively these unprecedented issues. The Board acknowledged that as a long term investor, COA ERS can weather such circumstances better than short term investors. COA ERS Members' benefits are formula based, not individual investment based; in addition, annuity payments are protected from reduction by state constitution. S. Edmonds was requested to have Summit Strategies provide a review of the worst case scenario and to provide historical trend information concerning the securities lending program.

R. David made a motion to approve an exception to the Investment policy guidelines and authorize Agincourt to exercise its discretionary authority in holding or disposing Lehman Brothers bonds purchased prior to September 15, 2008. E.S. Gonzales seconded the motion. Motion passed unanimously. S. Edmonds was asked to follow-up with Agincourt and request that monthly status reports be provided to the Board concerning this situation.

*Board returned to agenda item 8.*

8. Policy Committee

- A. Minutes and Report from September 9, 2008 Meeting

No action was necessary.

- B. Space Planning Agreement

The COA ERS facility has reached full capacity for the current staffing level. With the appointment of the Chief Investment Officer, alternatives for building restructuring are being researched in 2008 with possible building reconfiguration in 2009. David Martin,

the architect of the COA ERS building, addressed the Committee at the September 9, 2008 meeting and provided general suggestions for the Board's consideration. The Committee recommended authorization for the Executive Director and General Counsel to propose a limited scope architect services agreement.

Mr. Martin has quoted a fixed fee of \$8,500 to prepare schematic design, program, initial project budget, and assistance in developing the scope. Discussion ensued about potential future phases of the services contract.

After extensive discussion, E. Golden made a motion to approve phase I of the architect services agreement with Martin Associates Architects to prepare schematic design, program, and initial project budget for a fixed fee of \$8,500. F. Gertz seconded the motion. The motion passed unanimously with A.B. Ross, Sr. away from the dais. The contract proposed in the Board packet will be rewritten to address only phase I of the project.

#### C. Market Compensation Study

At the September 9, 2008 Policy Committee meeting, Ruth Ann Eledge from WCG presented the market study results, proposed pay structure, and proposed implementation which was discussed in detail. Due to a schedule conflict, Ms. Eledge was unable to attend the Board meeting, however, the information previously presented was included for Board consideration.

It was noted that the market study results are not yet complete for the Chief Investment Officer position; consideration of any possible implementation with respect to that position is being deferred. It was also noted that the Executive Director is continuing dialogue with the consultant regarding the job title for the Administrative Supervisor as well as other positions within the organization for a better fit with the actual duties of the positions. As mentioned in 5.D. above, implementation of the results would require an additional \$70,000 to be added to the budget; pay for performance would be deferred for 2009, in order to fully implement the market study results.

E.S. Gonzales made a motion, to be effective the first pay period of 2009, to: Accept the market study results and adopt the updated grade structure; and, Implement the results by maintaining the current staff comp-ratios (relationship to grade mid-point); and, Remove the Executive Director position from the grade structure and establish his salary at the market average identified in the study. R. David seconded the motion. Motion passed unanimously. The administrative budget will be adjusted accordingly.

#### D. Permissive Time Resolution

S. Edmonds advised that in anticipation of going to the IRS for a new plan determination letter, the resolutions in 8.D. and 8.E. are being recommended since Board resolutions become part of the Plan documents.

Tax Counsel has recently clarified that 5 years of membership participation service is required for Members to purchase non-qualified Permissive Time, not 5 years of

Creditable Service. General Counsel has recommended that a new Board resolution be developed to immediately clarify this issue.

Resolution No. 2008-09-23A documents the January 1, 2002 benefit authorizing, approving, and directing that the purchase of up to five years of nonqualified permissive time by qualified System Members be permitted as provided by law, available to all qualifying Active and Inactive-Vested Members that have five years of actual membership service with the System.

E. Canales-Zarate made a motion to approve Resolution No. 2008-09-23A. F. Gertz seconded the motion. Motion passed unanimously with E.S. Gonzales away from the dais.

E. Resolution re: Prior Service Buyback “Window” and Waiting Period

The Act allows the Board to permit the reinstatement of forfeited membership service (Prior Service). Although Board policy allows this “window” to remain open each calendar year unless and until it is closed by Board action, General Counsel is recommending that a new Board resolution be developed.

In addition, the Act requires that Members be employed by the employer for 24 months prior to being allowed to purchase their forfeited Prior Service. The Board voted on September 26, 2000 to eliminate the Prior Service buyback waiting period effective October 2001. Although the proportionate retirement legislation that passed in 2001 eliminated the need for the Board to take additional action, General Counsel recommended that a new Board resolution be developed to document this 2001 Board action.

Resolution No. 2008-09-23A documents the September 26, 2000 action authorizing, approving, and directing that the “window” for allowing prior service buybacks will be open unless and until closed by future action of the Board, no longer requiring annual approval; and that the requirement that a former Member that returns to active System membership must continue System membership for a period of 24 months prior to becoming eligible to reinstated prior service be eliminated.

R. David made a motion to approve Resolution No. 2008-09-23B. E. Golden seconded the motion. Motion passed unanimously.

F. Annual Review of Board Approved Policy P-1 “Statement of Personnel Policy and Guidelines”

The Policy Committee is charged with annually reviewing the personnel policy to recommend additions, deletions, and modifications. The proposed changes, discussed in detail at the September 9, 2008 Committee meeting, were presented for Board approval: clarification that employees be required to notify management of change in either drivers’ license or insurance coverage status; incorporating established practice into policy for newly promoted COA ERS employees to be placed on probation for six months, and establishing that the initial probationary period for new employees cannot be extended more than an additional six months; modified the policy to allow up to 12

weeks leave of absence for medical reasons to allow for general compliance with FMLA; and, defined insubordination as recommended by the Society of Human Resource Management.

R. David made a motion to approve the proposed revisions to Board Approved Policy P-1 "Statement of Personnel Policy and Guidelines". F. Gertz seconded the motion. Motion passed unanimously.

G. The Cooperative Purchasing Network (TCPN) Resolution

As a governmental entity, COA ERS must comply with procurement policies, laws, and regulations. The Cooperative Purchasing Network (TCPN) is one of several programs available to governmental entities to streamline the procurement process and eliminate duplication of efforts. To participate in this particular cooperative, the governmental body of COA ERS is required to approve a resolution and grant authority to execute an Interlocal Agreement.

R. David made a motion to approve the resolution for COA ERS to participate in the TCPN purchasing program and grant authority to the COA ERS Executive Director or designee to execute the Interlocal Agreement as appropriate. E. Canales-Zarate seconded the motion. The motion passed unanimously.

9. Review Evaluation of Executive Director, if Necessary

- A. Convene into Executive Session Pursuant to Texas Government Code 551.074 to Review Evaluation of Executive Director, if necessary
- B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding Evaluation of Executive Director, if necessary

This agenda item was posted in conjunction with item 8.C. above (Market Compensation Study) to be utilized as appropriate. The Board did not find it necessary to go into executive session.

The Executive Director evaluation process will be included on the agenda for a future Policy Committee meeting.

10. General Counsel Report

There was no General Counsel report.

11. Executive Director's Report

- A. Calendar Items / Conferences / Training
- B. Trustee Election Update
- C. Retirement Office News / Staff Changes
- D. Communications Update
- E. Member / Employer News
- F. Supplemental Funding Plan

- G. Public Pensions in the News
- H. Investment News
  - Agincourt – Notification of Compliance Variance
- I. 2Q08 Financials
- J. Comparative Calculation and Retirement Activity Levels

S. Edmonds reported that an educational workshop for the Place 10 candidates was held on September 11<sup>th</sup>; all four candidates attended and the workshop was well received.

Melissa Adams has been promoted to the Member Services Specialist position vacated by John Behner's recent retirement. Kirk Stebbins, CFA, has accepted the position of Chief Investment Officer and will begin work on October 13; he is planning to attend the October 3<sup>rd</sup> Investment Committee meeting.

Only one affidavit is still outstanding. Direct deposits continue to be suspended with checks printed and held until the affidavit is received.

Preparations are underway for the Annual Members' Meeting on October 15<sup>th</sup> at 5:00 p.m.; all Trustees are encouraged to attend.

S. Edmonds referred the Board to copies of numerous emails from retirees on a variety of issues, including impact from City reorganization, concern about System funding, suggestions for changing benefits, Board minutes, and changes in survivor beneficiary after divorce.

A Special Called Board meeting will need to be held before the next regular Board meeting to hear the two appeals related to miscalculations discovered during and after the recent audit.

The results of the actuarial audit contracted by the City are anticipated within the next few weeks.

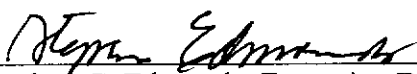
L. Browder advised that she expects the City Council to appoint a representative to the Board within the next few weeks.

The remaining items were included in the packet for Board information.

The meeting adjourned at 3:37 p.m.

  
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 Mark Monteith, Board Chair

11/25/2008  
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 Date

  
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 Stephen C. Edmonds, Executive Director

11/25/08  
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 Date