



City of Austin Employees' Retirement System

MINUTES
ANNUAL MEMBERS' MEETING
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
Wednesday, October 15, 2008 – 5:00 pm
418 E. Highland Mall Blvd., Austin, Texas

Board Members Present

Art Alfaro
Janet Bartles
Reagan David
Francine Gertz
Elizabeth S. Gonzales
Mark Monteith
Anthony B. Ross, Sr.
Ronnie Wilson

Absent

Eyna Canales-Zarate
Ed Golden

Staff and Guests Present

Staff: Stephen C. Edmonds, Melissa Adams, Donna Boykin, Teresa Cantu, Bertie Corsentino, Craig Finkelstein, Laura Fugate, Rhonda Helm, Korrie Hoskins, Rosaree Koepsel, Lovie Robinson-Laurant, Bobbie Simpson, Kirk Stebbins, Barney Knight
Eric Ralph, Summit Strategies Group
Lewis Ward, GRS
Guests: Felix Coronado, Alvin Moozygemba, Ken Muenzler, Martin Gonzalez, Cathy DeCesare, Robert J. DeCesare, Arthur E. Henze, Elmo Miertschin, Ernie Nance, Don W. Kersey, Olan Kelley, Anna Laura Porter, Kathi Koenig, Sharon Justice, Susan Speyer, Biju Mathew, Wanda Bradburn, Wayne Painter, Sam Jones, T.W. Zeiss, Brad Norton, Don Reed, Charles Schoening, George Oswald, Jim Rodgers, Cathy Rodgers, Francia Baez, Angela Baez, Mrs. Alex B. Solanik, George L. Greene

The meeting was called to order at 5:10 p.m. by Board Chair, M. Monteith.

1. Welcome and Agenda Review

M. Monteith welcomed all attendees and reviewed the meeting agenda. There were no changes to the agenda. S. Edmonds briefly spoke about the recent turmoil in the financial markets. He advised that COA ERS is a long-term investor with a time horizon that lasts over decades. He also stated that because we have a traditional defined benefit retirement system, members can rest assured that their retirement benefits are secure.

2. Oath of Office, City Manager's Designee to the Board – Art Alfaro

Art Alfaro took the oath of office as City Manager's Designee to the Board. No Board action was required.

3. Introduction of Board Members, Executive Director, and Speakers

M. Monteith performed introductions of the Board, Executive Director, and speakers.

4. Introduction of Retirement Office Staff

S. Edmonds performed introductions of the staff.

5. Distribution of December 31, 2007 Comprehensive Annual Financial Report

S. Edmonds directed the Members to copies of the complete and summary versions of the December 31, 2007 Comprehensive Annual Financial Report. Both versions are also available online at the COA ERS website. He noted that nine years in a row awards have been received from the Government Finance Officers Association (GFOA).

6. Investment Performance Review

E. Ralph, Summit Strategies, provided an extensive overview of general market performance in light of the recent market environment showing the best and worst gain/loss case experiences in 5-year increments up to 30 years for the time period 1928-September 30, 2008. He presented COA ERS' fund specific information highlighting the total fund performance as of December 31, 2007 and preliminary performance as of September 30, 2008. He responded to questions concerning the effect of recent events on COA ERS' returns. COA ERS' total fund allocation summary was reviewed, and Members were advised that the Board is cautiously adding alternative asset classes for further diversification to the portfolio and to generate higher investment returns over the long-term.

7. Actuary's Report on December 31, 2007 Valuation

L. Ward of Gabriel, Roeder, Smith, and Company, discussed the Actuarial Valuation as of December 31, 2007; he advised that these results do not include the impact of any of the recent market events.

He explained the good news is that investment gains from 2003-2006 have offset the 2007 shortfall and produced a net actuarial gain on assets. The System's Unfunded Actuarial Accrued Liability has decreased the first time in the last 10 years. Unfortunately, the investment return on the market value of assets was less than the 7.75% assumed rate of return, employee turnover was lower than expected which produced an actuarial loss, and the funding period remains at "infinite".

He advised that COA ERS is a defined benefit plan and our Members' benefits are based on a formula; the difference between a defined benefit plan and a defined contribution plan was explained. In a defined benefit plan, the employer assumes most of the investment risk; retirees' accrued benefits are guaranteed and have no investment risk.

The City of Austin's Supplemental Funding Plan provides a 1% increase in the contribution subsidy rate to a total subsidy of 2% and a combined contribution from the City of 10% effective October 1, 2008. However, it would have taken a City contribution rate of 13.18% to produce a 30-year funding period.

He advised that the decline in the stock market since the December 31, 2007 valuation date could make earning 7.75% by December 31, 2008 very difficult. A significant shortfall of investment income could put more stress on the financing of the System. He reiterated that there should be no benefit enhancements without adequate contribution rate increases for the unforeseeable future, including no ad hoc increases; COA ERS' benefit structure does not provide for an automatic COLA.

Investment returns are still the most important factor in determining the long term viability of the current benefits and contribution pattern. However, even a short-term shortfall in investment income may mean the Supplemental Funding Plan will not be sufficient and other solutions may need to be considered. If the investment markets do not rebound and the System incurs significant actuarial losses without offsetting gains, then changes to either the benefit structure or the contribution rates may need to be considered.

Members expressed concerns about the loss of purchasing power of retirees and the disparity of the contributions provided by the City to COA ERS in comparison to the Police and Fire retirement systems. It was also suggested that reduced benefits for future employees should be considered. It was noted that all increases to benefits require concurrence of the City Manager and City Council and that any reduction in future benefits would require legislative action. The appointment of the City Council Member representative and the role of that person was also noted as a critical action item.

8. General Comments from Members

No additional questions were asked by the membership.

9. Adjournment

M. Monteith thanked the Members for attending and the meeting was concluded.

The meeting adjourned at 7:07 p.m.



Mark Monteith, Board Chair

11/25/2008
Date



Stephen C. Edmonds, Executive Director

11-25-08
Date