



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING
Tuesday, June 23, 2009
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Art Alfaro
Janet Bartles
Eyna Canales-Zarate
Reagan David – *arrived at 1:36 p.m.*
Francine Gertz
Ed Golden – *arrived at 1:32 p.m.*
Elizabeth S. Gonzales
Sam Jones
Mark Monteith
Anthony B. Ross, Sr.

Absent

Mayor Will Wynn

Staff and Guests Present

Stephen C. Edmonds, Executive Director
Donna Boykin, Finance Manager
Rhonda Helm, Operations Manager
Rosaree Koepsel, Administrative Supervisor
Kirk Stebbins, Chief Investment Officer
Paige Saenz, Assistant General Counsel
Dr. Robert Dennison, Medical Consultant
Susan Warren, KPMG

The meeting was called to order at 1:31 p.m. by Board Chair, E.S. Gonzales.

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

Agenda items 6. and 7. will be moved after item 3. to allow action on the December 31, 2008 Financial Audit Report and the December 31, 2008 Actuarial Valuation Results – Update prior to the Board going into Executive Session to consider the disability applications.

E. Golden arrived at 1:32 p.m.

B. Chairperson Comments

There were no comments.

C. Recognition of Outgoing Board Member, Mayor Will Wynn

A plaque recognizing W. Wynn for his service on the Board for the City of Austin Employees' Retirement System will be given to him since he was unable to attend the meeting.

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. Alfaro disclosed meeting with David Saunders and Joe Hernandez; they represent hedge fund of funds from K2. M. Monteith declared receiving lunch as a participant of the Texas Pension Review Board seminar. A.B. Ross, Sr. declared meeting with a potential provider, PFM (Deferred Comp RFP).

Staff Declarations: S. Edmonds and K. Stebbins declared receipt of a book from Ted Aronson, Aronson+Johnson+Ortiz. K. Stebbins declared meeting with Greg A. Joslyn, Vice President, Marketing and Investor Relations of Plainfield Asset Management, LLC, regarding Plainfield specialty and distressed debt strategies.

R. David arrived at 1:36 p.m.

E. 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. A form from A.B. Ross, Sr. re: the June, 2009 Texas Pension Review Board Seminar was included in the packet for Board information.

F. 2009 Board and Committee Meeting Schedule

An updated schedule of remaining 2009 meetings was provided in the Board packet. The June 30th 10:00 a.m. Benefits and Services Committee meeting and the Board workshop scheduled for July 28th at 8:30 a.m. were highlighted. The Board was alerted that a Special Called Disability Committee meeting has tentatively been scheduled for July 14, 2009 at noon to discuss a disability appeal.

3. Consent Items

All of the following 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. May 26, 2009 Board Meeting Minutes
- B. Ratification of March 2009 Retirement and Death Benefits

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

Moved to agenda item 6.

6. Audit and Finance Committee

A. Minutes from May 26, 2009 – The minutes were provided for Board information only; they were reported at the May 26, 2009 Board meeting.

B. Minutes and Report from June 9, 2009 Meeting

Committee Chair A.B. Ross, Sr. introduced Susan Warren, KPMG. He explained that KPMG provided an indepth review of the December 31, 2008 Financial Audit Report to the Audit and Finance Committee on June 9, 2009.

C. December 31, 2008 Financial Audit Report

Susan Warren summarized the results of the audit: An unqualified, clean opinion has been given; There were no material weaknesses or significant deficiencies identified; There was a unique, but not unexpected issue, with securities lending transactions that resulted in unrealized loss presentation for 2008.

E. Golden moved to accept the December 31, 2008 Financial Audit Report from KPMG. F. Gertz seconded the motion. The motion passed unanimously.

7. December 31, 2008 Actuarial Valuation Results - Update

S. Edmonds advised that the securities lending issue discovered in the December 31, 2008 financial audit affected the December 31, 2008 net plan assets and impacted slightly the actuarial valuation results. Consequently, updated results are being presented to the Board for acceptance. The bottom-line effect is that the System's funding ratio, which was originally reported as 66.0%, has decreased slightly to 65.9%. A copy of the finalized December 31, 2008 Actuarial Valuation Report was included.

A.B. Ross, Sr. moved to accept the December 31, 2008 actuarial valuation results as updated. E. Canales-Zarate seconded the motion. The motion passed unanimously.

Returned to agenda item 4.

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:

- 1) Disability Retirement Application Ref: 3508
- 2) Disability Retirement Application Ref: 2866

B. Reconvene from Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:

- 1) Disability Retirement Application Ref: 3508
- 2) Disability Retirement Application Ref: 2866

The Board convened into Executive Session at 1:42 p.m. and reconvened at 2:00 p.m. No action was allowed while in Executive Session.

J. Bartles excused herself from discussion/action on Disability Retirement Application Ref: 2866.

F. Gertz made a motion to approve Disability Retirement Application Ref: 3508. M. Monteith seconded the motion. The motion passed unanimously.

F. Gertz made a motion to deny Disability Retirement Application Ref: 2866. E. Canales-Zarate seconded the motion. The motion passed with J. Bartles abstaining.

5. Active-Contributory Member Places 8 and 9 – Nominating and Election Committee Nominees

A list of nominees for the Nominating and Election Committee for the upcoming Active-Contributory Member election Places 8 and 9 was presented for Board review/approval. According to Board-Approved Policy E-1 “Election Policy for Active-Contributory and Retired Board Members”, the Board will appoint five Active-Contributory or Retired Members, as appropriate, and seven alternates to serve on the Nominating and Election Committee. Policy also allows for the Board to authorize staff to recruit and appoint Committee members as appropriate.

F. Gertz noted one department name correction on the list. A.B. Ross, Sr. made a motion to approve the list of nominees, as corrected, and authorized staff to recruit and appoint additional Committee members as appropriate. He also suggested that the Active-Contributory Board Members encourage employees to participate on the Committee. F. Gertz seconded the motion. The motion passed unanimously.

A schedule of events was provided for Board information only.

8. Investment Committee – Minutes from May 22, 2009 - The minutes were provided for Board information only; they were reported at the May 26, 2009 Board meeting.

9. Policy Committee

A. Minutes and Report from June 9, 2009

E.S. Gonzales provided an update to the Board.

B. Board Approved Policy E-1 “Election Policy for Active-Contributory and Retired Board Members”

Sec.4.(b)(5)(m) of the statute governing COA ERS states “The retirement board shall approve written procedures for the conduct of the election no later than August 1 of each year in which an election is held.” The Committee is recommending readopting BAP E-1 with no changes.

E. Canales-Zarate moved to readopt Board Approved Policy E-1 with no changes. A.B. Ross, Sr. seconded the motion. The motion passed unanimously.

10. General Counsel Report

- A. Convene into executive session pursuant to Secs. 551.071, Tex. Gov't. Code, Sec. 1.05, Tex. Disciplinary Rules of Professional Conduct, Sec. 13, art. 6243n, Tex. Rev. Civ. Statutes, and Sec. 551.0785, Tex. Gov't Code to consult with legal counsel regarding Disability Retirement Application Ref: 4598
- B. Reconvene into open session and take action as deemed appropriate in the Board's discretion regarding Disability Retirement Application Ref: 4598

The Board convened into Executive Session at 2:10 p.m. and reconvened at 2:28 p.m. No action was allowed while in Executive Session.

F. Gertz made a motion to authorize staff to work with General Counsel on Disability Retirement Application Ref: 4598 and take action as necessary. A. Alfaro seconded the motion. The motion passed unanimously.

11. Executive Director's Report

- A. Educational Opportunities
- B. Retirement Office News
- C. Legislation
- D. Communications Update
- E. Member and Employer News / Discussions
- F. Public Pensions in the News
- G. Comparative Calculation and Retirement Activity Levels

As mentioned in a broadcast email, Rhonda Helm has announced her intention to retire at the end of November. S. Edmonds expressed that she will be sorely missed and indicated that recruitment efforts have already started. He hopes to have the position filled by October in order to provide for an overlap for a smooth transition.

Copies of the 2008 Comprehensive Annual Financial Report (CAFR) were provided to the Board. Donna Boykin, Rosaree Koepsel, and staff were recognized for their involvement in undertaking this difficult task.

As mentioned earlier in the meeting, the Board election process for Places 8 and 9 has begun. The first meeting of the Nominating and Election Committee will be held on Friday, June 26, 2009. The Candidates' Training Workshop is scheduled for September 10, 2009.

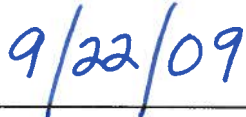
The Board was referred to the 3Q09 newsletter. In addition to the new design, S. Edmonds mentioned the "Did you know? COA ERS has a big impact on the local economy" article. For more information, the study may be accessed at www.nirsonline.org.

HB 1979, which relates to the PSEM transfer, and SB 1063, related to the Travis County Healthcare District (TCHD) proportionate program, have both been signed by the governor. Another piece of legislation, HB 2559, is a bill that makes changes related to the Employees Retirement System of Texas, including a modified benefit structure for new employees.


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

The meeting adjourned at 2:37 p.m.


Elizabeth S. Gonzales, Board Chair


Date


Stephen C. Edmonds, Executive Director


Date