



City of Austin Employees' Retirement System

## MINUTES

### CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM BOARD MEETING

City of Austin Employees' Retirement System  
Friday, September 28, 2010 – 1:30 p.m.  
418 East Highland Mall Boulevard  
Austin, Texas 78752

#### Board Members Present

Art Alfaro  
Janet Bartles – *arr. 1:56 pm*  
Reagan David  
Francine Gertz  
Ed Golden  
Elizabeth S. Gonzales, Chair  
Sam Jones  
Mark Monteith  
Anthony B. Ross, Sr.  
Jim Williams – *arr. 1:35 pm*

#### Board Members Absent

William Spelman

#### Others Present

Stephen C. Edmonds  
Russell Nash  
Donna Boykin  
Kirk Stebbins  
JoAnne Norton  
Michelle Mahaini  
Mike O'Brien  
Paige Saenz

Chair Elizabeth Gonzales called the meeting to order at 1:33 p.m.

#### **1. System Member and Citizen Comments**

- A. Consider Committee Assignment of AFSCME Request for Assistance with Contacting Retirees and Membership Dues Deductions.

*Mr. Jim Williams arrived at 1:35 pm.*

Mr. Reagan David moved to assign the request to the Policy Committee. Mr. Art Alfaro seconded the motion. Motion passed unanimously.

#### **2. Reports from Chairperson, Board Members, and Staff**

- A. Review of Meeting Agenda
- B. Chairperson Comments
- C. 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:

Mr. Anthony B. Ross, Sr. declared a \$50 door prize at the Texpers Conference in August 2010 as well as a Deferred Comp Committee meeting with future plan administrator. Ms. Gonzales declared a gift of a commemorative silver dollar (400<sup>th</sup> year) from 1607 Partners and Mr. Mark Monteith declared attendance at the Corporate Library's 2010 Public Funds Forum in Laguna Beach in September 2010.

Staff Member Declarations:

Mr. Kirk Stebbins declared a meeting with Jim Link and Michael Harris of the PFM Group to discuss PFM Emerging/Minority Manager Program on September 16, 2010.

D. 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. Forms were received for the Texpers Summer Forum in June 2010 from Ms. Francine Gertz, Ms. Gonzales, Mr. Ross and Mr. Jim Williams. A form was also received on the IFEBP Hedge Funds, Real Estate and Alternative Investments Course completed July 2010 by Mr. Ross.

E. 2010 Board and Committee Meeting Schedule

An updated schedule of remaining 2010 meetings was provided in the Board packet. Ms. Gonzales pointed out the annual Members Meeting will be held on October 13, 2010 from 5:00 pm – 7:00 pm and that she would be out of the country, however, Mr. Ross will serve as Chair in her place. Mr. Steve Edmonds reminded the Board that there would likely be a Special Called Board Meeting in late October early November to have the last meeting on legislation prior to the City incorporating it into their final legislative agenda.

**3. Consent Items**

- A. July 27, 2010 Board Planning & Education Workshop Minutes
- B. September 10, 2010 Special Called Board Meeting Minutes
- C. Ratification of May, June, July 2010 Retirement and Death Benefits

Ms. Gertz moved to approve the consent items, Mr. Ross 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:
  - 1) Disability Retirement Application Ref: #0957
  - 2) Disability Retirement Application Ref: #7113

- 3) Disability Retirement Application Ref: #1037
  - 4) Disability Retirement Application Ref: #4186
- B. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding:
- 1) Disability Retirement Application Ref: #0957
  - 2) Disability Retirement Application Ref: #7113
  - 3) Disability Retirement Application Ref: #1037
  - 4) Disability Retirement Application Ref: #4186

*J. Bartles arrived at 1:56 p.m.*

The Board convened into Executive Session at 1:38 p.m. and reconvened at 2:41 p.m. No action was allowed while in Executive Session.

Mr. Sam Jones moved to deny disability retirement application Ref. #0957. Mr. David seconded the motion. The motion passed unanimously.

Mr. Jones moved to approve disability retirement application Ref. #7113. Mr. Golden seconded the motion. The motion passed unanimously.

Mr. Jones moved to approve disability retirement application Ref. #1037. Mr. David seconded the motion. Mr. Ross asked what happens if there is not a valid Power of Attorney (POA). Ms. Paige Saenz stated the POA is needed only for the mechanics of payment, it does not affect the approval of the application. If a POA is needed, staff would come back to the Board. The motion passed unanimously.

Mr. Jones moved to approve disability retirement application Ref. #4186. Ms. Gertz seconded the motion. The motion passed unanimously.

## **5. Audit and Finance Committee**

### **A. Minutes and Report from August 17, 2010 Meeting**

Mr. Ross noted that the Minutes of the August 17, 2010 meeting were provided for the Board in the packet.

### **B. 2010 Report of Extended Audit Procedures**

Mr. Ross asked Mr. Mike O'Brian to briefly summarize the results of the report of the Extended Audit Procedures. A total of fourteen observations and recommendations were made. All of these are improvements for controls and procedures. There were no material weaknesses found. Mr. Art Alfaro moved approval of the 2010 Report of Extended Audit Procedures, Mr. Golden seconded the motion. The motion passed unanimously.

### **C. 2011 Proposed Final Administrative Budget**

Mr. Jones moved approval of the Final Administrative Budget for 2011, as presented. Mr. Monteith seconded the motion. The motion passed unanimously.

D. Extended Audit Contract 2011-2015

Mr. Jones moved to approve the extended audit contract with Padgett Stratemann for 2011-2015, as presented. Mr. David seconded the motion. The motion passed unanimously.

6. **Policy Committee** *(This item was skipped and was reviewed later after item 7.)*

A. Report from September 21, 2010 Meeting

Ms. Gonzales gave a brief summary of the items discussed at the meeting.

B. Board-Approved Policy R-3 "Records Retention Schedule"

Ms. Gonzales explained that we are required by law to file a Records Management Policy that establishes a Records Management Program and includes filing a Records Retention Schedule with the Texas State Library and Archives Commission. The Committee has recommended the adoption of a new revised Policy R-3 "Records Retention Schedule." Mr. Ross moved to approve BAP Policy R-3 as amended. Ms. Gertz seconded the motion. The motion carried unanimously.

C. Board-Approved Policy P-1 "Statement of Personnel Policy and Guidelines" Annual Review

Ms. Gonzales explained that annually the Committee is to review and re-adopt the Policy P-1 "Statement of Personnel Policy and Guidelines". The committee is recommending the Board re-adopt Policy P-1 without changes. Ms. Gertz moved to re-adopt. Ms. Bartles seconded the motion. Mr. Ross explained that they would be adding a statement including the 457 Plan as a benefit in next year's annual review. The motion passed unanimously.

D. COAERS Staff Participation in City Deferred Compensation Plan

Ms. Gonzales explained the City of Austin Deferred Compensation Plan has extended an offer to allow participation by COA ERS staff in their plan. The Committee has recommended that the Board authorize the Executive Director to pursue participation in this plan. A draft letter to the Deferred Compensation Plan was included in the packet. Mr. Ross moved to approve. Mr. Jones seconded. The motion passed unanimously.

7. **Benefits and Services Committee**

*E. Gonzales departed the dais at 2:43 p.m. T. Ross acted as Chair while she was out. Chair Gonzales returned to the dais at 2:55 p.m.*

A. Minutes and Reports from July 13 and September 10, 2010 Meetings

Ms. Gertz began by thanking Mr. Russell Nash and Mr. Steve Edmonds for all their diligence and help with the process. She pointed out the minutes from the July 13 and September 10 Committee Meetings which are provided for the Board's information.

B. Report from September 21, 2010 Meeting

Ms. Gertz summarized the issues addressed at the September 21 meeting: First, the GRS engagement letter for year 2011 which will be discussed under Item D. Second, they discussed the retirees returning to work. Finally, they reviewed potential legislative changes.

C. Benefits & Services Committee Charter

Ms. Gertz explained the recommended amendments to Item 8 under Duties and Responsibilities in the Committee Charter. Mr. Ross further recommended changing the word "improvements" to "amendments." Chair Gertz moved to approve the Committee Charter as amended. The motion was seconded by Mr. David and it passed unanimously.

D. Engagement Letter for Actuarial Services for Calendar Year 2011

For a number of years, COA ERS has retained Gabriel, Roeder, Smith and Company (GRS) for actuarial services. They are proposing a five percent increase in actuary rates in the new engagement letter for calendar year 2011. In November of 2009, the Committee evaluated the performance of GRS and Mr. Lewis Ward. The Committee's comments were favorable pointing out Mr. Ward's positive interaction with the Board and Staff, his knowledge of COA ERS history and the benefit design, the timeliness of his opinions, and his helpfulness at the annual Members Meeting. The Committee recommended approval of the engagement letter, and staff will then address a longer term of engagement for future contracts.

Ms. Gertz moved to approve the GRS Engagement letter under the terms of the September 14, 2010 letter. Mr. Ross seconded the motion. Mr. Ross also noted that the rates had been lowered after the Board had asked them to review them. The motion passed unanimously.

**8. Investment Committee**

A. Minutes and Report from June 22, 2010 Meeting

B. Minutes and Report from August 20, 2010 Meeting

Mr. David reminded the Board that the minutes were provided for Board information. He noted that 1607 Capital Partners has now been completely funded. A due diligence site visit with Summit Strategies will occur on October 18, 2010. There is an upcoming November Investment Committee meeting scheduled in which there will be presentations from four potential alternatives to our Large Cap Growth Equity Manager. Mr. Ross inquired about the four candidate firms chosen to review. Mr. David stated they are Brown Investment Advisory, CastleArk, Sawgrass, and Westfield Capital. Ms. Gonzales

pointed out that the most recent investment performance report from Mr. Stebbins indicates our current year-to-date return on investments is approximately 7.5%.

**9. General Counsel Report**

There was no report. Ms. Gertz had a question about legislation with the City. Ms. Saenz explained Mr. Knight is working on this with Mr. Crawford at the City and we will have further information soon.

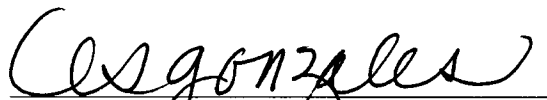
**10. Executive Director's Report**

- A. Educational Opportunities
- B. Retirement Office News
- C. Trustee Election Update
- D. Communications Update
- E. Member and Employer News / Discussions
- F. Public Pensions in the News
- G. 2Q10 Financials
- H. Comparative Calculation and Retirement Activity Levels


Mr. Edmonds expressed his thanks to the staff for their hard work and teamwork over the past months which have been unusually busy. He again reminded everyone of the annual Members Meeting on October 13 and noted the possibility that they might have a larger attendance this year in light of the legislative changes coming. Regarding the trustee election, there are five candidates. One of the original candidates, Ms. Kim Peterson, withdrew because of the time commitment. The remaining candidates are Eyna Canales-Zarate, Janet Bartles, Peggy Cheek, Mark Lee and Peter Rieck.

Mr. Edmonds mentioned there were two possible upcoming appeals. He also pointed out the articles included in the packet and noted that public pensions are still at the forefront in the press.

Mr. Golden moved to adjourn. Mr. Ross seconded the motion. The meeting adjourned at 3:17 p.m.

  
Elizabeth S. Gonzales, Board Chair

11.23.10  
Date

  
Stephen C. Edmonds, Executive Director

11-23-10  
Date