



City of Austin Employees' Retirement System

**MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM**

**Tuesday, June 21, 2005 – 1:30 pm
418 E. Highland Mall Blvd.**

Board Members Present

Janet Bartles
Eyna Canales-Zarate
Reagan David
Francine Gertz
Ed Golden
Mark Monteith
Cathy Rodgers
Dennis Waley

Absent

Francis E. Benoit
Betty Dunkerley
Elizabeth S. Gonzales

Guests and Staff Present

Stephen C. Edmonds, Executive Director
Donna Boykin, Finance Manager
Mayor Pro Tem Jackie Goodman
Rhonda Helm, Operations Manager
Don Kersey, Retired Member
Barney Knight, General Counsel
Tom Medders, Members' Association
Jesse Ortega, Administrative Supervisor
Paige Saenz, Barney Knight Associates
George VanEcken, Retired Member

The meeting was called to order at 1:30 p.m. by Board Chair, D. Waley.

I. System Member and Citizen Comments/Correspondence

Tom Medders from the Members' Association advised that he wanted to recognize Mayor Pro Tem Jackie Goodman for her excellent service and to congratulate Council Member Betty Dunkerley on her appointment since her experience and knowledge will be helpful to the Board. He also congratulated the new Board Chair and Vice-Chair, Reagan David and Mark Monteith.

II. Reports from Chairperson, Board Members, and Staff

A. Review of Meeting Agenda - *Consent Items

There were no comments or changes to the agenda from Board Members or staff.

The agenda items recommended to be taken on consent included items III. April 26, 2005 Board Meeting Minutes, IV. June 7, 2005 Special Called Board Meeting Minutes, and V. Ratification of April and May 2005 Retirement and Death Benefits. R. David made a motion to recommend approval of the three consent items. E. Canales-Zarate seconded the motion. Motion carried unanimously.

B. Chairperson Comments

D. Waley advised that he had nothing to report.

C. Board Member Recognition and Recognition of Prior Service

R. David presented Dennis Waley with a plaque and recognized his service on the Board of Trustees. The Board expressed gratitude to Mr. Waley for being an asset to the Board and System.

D. Board Member Comments

There were no Board Member comments.

E. Ethics Policy Disclosure Statement – To be filed by Board Members and included in Board Meeting Minutes

D. Waley asked the Board to submit the Ethics Policy Disclosure Statements even if there was nothing to declare.

The Board Trustees had no declarations to make. S. Edmonds declared meetings/contact with Trevor Lavin, Bank of Ireland, Eric Ralph, Summit Strategies Group, Jeff Patterson, McKinley Capital, and John Katalanich, LRS/Pension Gold, and receipt of pens for staff. R. Helm declared meeting and receiving a pen from John Katalanich, LRS.

F. 2005 Board and Committee Meeting Schedule

D. Waley advised that there was a request to change the Annual Members' Meeting from October 12 to October 19, 2005. The Board accepted this change in the schedule.

(Mayor Pro Tem Jackie Goodman arrives.)

C. Board Member Recognition and Recognition of Prior Service

D. Waley presented Mayor Pro Tem Jackie Goodman with a plaque and recognized her service on the Board of Trustees. The Board expressed gratitude to Ms. Goodman, in particular her role with the supplemental funding plan.

I. System Member and Citizen Comments/Correspondence

J. Goodman requested to address the Board. She thanked the Board for having one of the best retirement systems and recognized that the intentions of the Board and System management are excellent.

She expressed that she wanted to leave the System employees and employees of the City of Austin with a little present. She expressed concern that City employees are not being recognized for the value that they bring and cautioned the System against doing the same with its employees. She recognized that the employees of the System are excellent and always have been. She wanted to remind the Board that when they evaluate someone based on standard forms and

personnel policies, they should also double check to ensure that they are being objective in their evaluations as far as the employee's value to the organization. She also recommended that the Board consider previous work experience as achievements to the System. She concluded that she knows the System is safe in the Board's hands since she knows the Board values its employees.

J. Goodman was thanked for her comments.

The Board also recognized that J. Bartles had a birthday on May 28, and recognized Francine Gertz on attainment of her Certificate of Achievement in Public Plan Policy.

III. April 26, 2005 Board Meeting Minutes

This item was taken on consent by the Board (see item II.A.).

IV. June 7, 2005 Special Called Board Meeting Minutes

This item was taken on consent by the Board (see item II.A.).

V. Ratification of April and May 2005 Retirement and Death Benefits

This item was taken on consent by the Board (see item II.A.).

VI. Active Member Places 8 and 9 – Nominating and Election Committee Nominees

D. Waley reported that staff is recommending the list of nominees for the Nominating and Election Committee as presented in the Board packet, and is also recommending that staff be authorized to continue to recruit the remaining alternate Committee members.

D. Waley made a motion to approve the list of nominees and to authorize staff to continue recruiting the remaining two Committee members. R. David seconded the motion. Motion carried unanimously.

VII. Investment Committee Minutes and Report from May 20, 2005 Meeting

Committee Chair C. Rodgers referred the Committee to the meeting minutes. She reported that there are concerns with Sterling, COA ERS' small cap value manager, with recent ownership change and continuing performance issues. She advised that the Committee requested Eric Ralph, Summit Strategies, to develop a list of potential small cap value managers for review in anticipation of a Request for Proposal (RFP). She advised that any RFP would come to the Board for approval. If Sterling's performance starts to improve and there are no additional ownership concerns, the Board may not need to proceed with the search process.

She also advised that EBS, Wall Street, and Alliance are continuing to be watched. She advised that at the July 26, 2005 Board meeting, there will be a

Board education session on enhanced indexing and use of derivatives to maintain constant portfolio allocation.

There was no Board action necessary.

VIII. Policy Committee Minutes and Report from June 7, 2005 Meeting

A. Certification Pay Adjustment Guidelines

Committee Chair D. Waley referred the Board to the Certified Employee Benefits Specialist Program proposal which had been discussed at length with the Policy Committee. D. Waley made a motion to authorize the Executive Director to compensate employees with a 5% differential for attainment of the RPA (Retirement Plan Associate) certification and an additional 5% for attainment of the CEBS (Certified Employee Benefits Specialist) certification. E. Golden seconded the motion. Motion passed with E. Canales-Zarate opposing.

IX. Goals and Objectives Committee Minutes and Report from June 7, 2005 Meeting

Committee Chair E. Canales-Zarate referred the Board to the meeting minutes. She advised that the Committee provided clarification on two issues concerning retirees returning to work for the City of Austin. First, the budgeted allocation should be based on the budgeted position, not the employee. Secondly, the exempt status of an employee does not matter; they can only work 29 hours per week in order to be in compliance.

A. Revisions to Board-Approved Policy Q-1 "Qualified Domestic Relations Orders"

S. Edmonds reviewed the recommended changes to Policy Q-1 "Qualified Domestic Relations Orders". He explained that the changes include that instead of requiring mandatory lump-sum conversions, two forms of payment will be provided (lump-sum or division of annuity). He explained that it will be encouraged for any lump-sum amount to be less than the Member's deposits so that they can be paid immediately. If the lump-sum amount exceeds the Member's deposits, the QDRO amount will be converted for division of annuity at the time of the Member's retirement. The policy clarifies when an asset is payable by the System to the Alternate Payee. Further, the policy clarifies that in the event of death of either the Member or the Alternate Payee, the QDRO ceases.

E. Canales-Zarate made a motion to approve the changes to Policy Q-1 "Qualified Domestic Relations Orders". M. Monteith seconded the motion. Motion carried unanimously.

B. Board Policy B-4 "Benefit Selection Under 'Equivalent Benefit Plan' Option"

S. Edmonds advised this was a new policy clarifying restrictions on Option VI. which allows Members to design their own benefit plan. He advised that Level Income was a previous benefit option provided in the Statute which was subsequently eliminated by Statute. Therefore, the Committee felt that there was more than adequate basis to eliminate Level Income, and one of the recommended limitations is that benefits may not be structured to provide for a decrease in annuity payments at a future date.

In addition, partial lump-sum distributions will be limited to no more than the equivalent of 60 months of annuity payments under a basic Life Annuity, the same limitation as the Deferred Retirement Option Program (DROP). If a Member also elects to participate in the DROP, the combined months allowable for partial lump-sum and DROP may not exceed 60.

Full lump-sum distributions will be permitted if the projected Life Annuity amount is less than \$100.00 per month. Most instances of these minimal annuities are the result of proportionate service.

Finally, the Executive Director may require a Member to pay the cost of estimates prepared by the actuarial consultant to the System for any estimates in excess of three.

E. Canales-Zarate made a motion to approve Policy B-4 "Benefit Selection Under 'Equivalent Benefit Plan' Option". M. Monteith seconded the motion.

Additional discussion ensued about the 60 month limitation. S. Edmonds explained that it is common for plans to have limits on partial lump-sums. The purpose of a defined benefit plan is to provide ongoing retirement benefits. The Board can always review and amend the policy as they determine necessary.

After thorough discussion, the motion passed with F. Gertz abstaining.

X. General Counsel Report

General Counsel had no agenda items to report.

XI. Executive Director's Report

- A. Calendar Items/Conferences/Training**
- B. Retirement Office News**
- C. Member News**
- D. Public Pensions in the News**
- E. Investment News**
- F. Comparative Calculation and Retirement Activity Levels**

S. Edmonds briefly reviewed the information presented in the Executive Director's Report. It was noted that the extended audit had been completed and would be reported to the Audit and Finance Committee in September. The 2004 Annual Report has gone to press and will be available in July.

S. Edmonds summarized three bills of interest to COA ERS that survived the legislative session: SB 121 relating to disclosure of investment information; SB 286 relating to required training regarding open meetings and public information laws; and HB 410 relating to property interests of spouses related to retirement plans. None of the bills has significant impact on COA ERS. He also noted that the Pension Review Board has been notified of the supplemental funding plan.

Calculation and retirement activity level charts were included in the Board packets.

XII. Convene into Executive Session:

- A. Pursuant to Texas Government Code 551.071 for Action on Non-compliant Annuitants re: Annual Affidavit Process**
- B. Pursuant to Texas Government Code 551.074 re: Evaluation and Duties of the Executive Director**

XIII. Reconvene into Public Session and Take Action as Determined Appropriate by the Board regarding:

- A. Action on Non-compliant Annuitants re: Annual Affidavit Process**

The Board convened into Executive Session at 2:25 p.m. and reconvened at 2:50 p.m.

F. Gertz made a motion to suspend the annuity payments for the non-compliant annuitants of the annual affidavit process: Nathaniel Clark, Gabriela Gamboa, Jesus Sarate, Jim Simpkins, Alice Spooner, and Patricia Strieber. C. Rodgers seconded the motion. Motion carried unanimously.


B. Action on Evaluation and Duties of Executive Director

No action was necessary.


The meeting adjourned at 2:52 p.m.



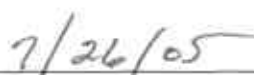
Reagan David, Board (Vice-)Chair



Date



Stephen C. Edmonds, Executive Director



Date