



City of Austin Employees' Retirement System

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

**Tuesday, January 24, 2006 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752**

Board Members Present	Absent	Guests & Staff Present
Francis Benoit	Francine Gertz	Stephen C. Edmonds, Executive Director
Janet Bartles		Donna Boykin, Finance Manager
Leslie Browder		Rhonda Helm, Operations Manager
Eyna Canales-Zarate		Jesse Ortega, Administrative Supervisor
Reagan David		Rosaree Koepsel, Executive Assistant
Betty Dunkerley		Barney Knight, General Counsel
Ed Golden		Gregory Lassman, Pension Review Board
Elizabeth S. Gonzales		Tom Medders, Active Member
Mark Monteith		Donna Jackson, Active Member - Nominating & Election Committee Chair
Cathy Rodgers		
Anthony B. Ross, Sr.		

The meeting was called to order at 1:33 pm by Board Chair, R. David.

1. System Member and Citizen Comments / Correspondence
 - A. Don W. Kersey – 13th Paycheck

No comments were made, and no Board action was required.

2. Reports from Chairperson, Board Members, and Staff
 - A. Review of Meeting Agenda

R. David did not have any agenda changes; however, during the meeting, B. Knight advised that Items 5. A through C, Oaths of Office for Places 4, 8, and 9 should be taken out of order to immediately follow Item 3. Certification of Board of Trustees Active Elected Members Places 8 and 9. Item 5. D. Oath of Office Place 5 occurred in the original agenda order.

- B. Chairperson Comments

R. David did not have any special comments.

C. Board Member Recognition

R. David acknowledged the service of outgoing Board Member Francine Gertz and expressed his gratitude for her contributions and dedication to service. A plaque will be presented to Ms. Gertz at a later date.

R. David recognized that B. Dunkerley's birthday was January 7 and L. Browder's birthday is February 9.

D. Board Member Comments

– City of Austin Audit & Finance Committee Report – Leslie Browder

L. Browder noted that the Third Quarter 2005 Review (through September 2005) of the three City of Austin subsidized pension plans occurred at the City's Audit and Finance Committee on December 6, 2005. The full year 2005 Review will occur at the February meeting of the City's Audit and Finance Committee Meeting. (Details for these meetings can be found on the City of Austin website at <http://www.ci.austin.tx.us>.)

E. Ethics Policy Disclosure Statements – Filed by Board Members and Staff to be included in Board Meeting Minutes

Board Trustee Declarations: E. Canales-Zarate declared receipt of a 2006 calendar from New York Life. E.S. Gonzales, M. Monteith, and C. Rodgers declared meals with Principal, G.E. Asset Management, and Bank of Ireland during the Public Fund Boards Forum. M. Monteith also declared attending a lunch with various companies that sponsored the Trustees' Tailgate at 3Com Park during the Public Fund Boards Forum.

Staff Declarations: S. Edmonds declared receipt of a stadium blanket from Lynch, Jones, & Ryan and a book from Aronson-Johnson-Ortiz. S. Edmonds also declared meetings with Mary Davidson of Abel Noser and John Katalinich of Levi, Ray, and Shoup. One scheduled meeting with S. Edmonds and Donald Curran of Oppenheimer Capital was canceled. D. Boykin declared a luncheon with JP Morgan Chase. Several holiday gifts were received at the COA ERS office: Sterling Capital Management sent a Harry & David Gift Basket, Tom Dodds (landscape contractor) provided staff with poinsettia plants, Summit Strategies sent a tin of Loralie's Brownies, and Agincourt sent almond toffee.

F. 2005 Annual Financial Disclosure / Conflict of Interest Affidavits

As required by Board Approved Policy D-2, all Trustees completed and submitted an Annual Financial Disclosure / Conflict of Interest Affidavit.

G. 2006 Board and Committee Meeting Schedule

The preliminary schedule of meetings for 2006 was provided to Board Members. In particular, the Board was reminded of the Board Strategic Planning Meeting scheduled for one-half day on February 23rd and all day on February 24th at Reicher Ranch. The preliminary Committee meeting schedule is subject to change pending Committee Chair assignment by the 2006 elected Chair and Vice Chair.

3. Certification of Board of Trustees Active Elected Members Places 8 and 9 Election Results as Reported by Nominating and Election Committee

R. David asked Donna Jackson, Active Member and Nominating and Election Committee Chair, to report on the results of the 2005 Active-Contributory Member Place 8 and Place 9 election results. She reported that Anthony B. Ross was the winner for Place 8 with a total of 578 votes and that Eyna Canales-Zarate was the winner for Place 9 with a total of 555 votes. Francine Gertz received 417 votes, Mike Pope received 230 votes, and Terry Davis received 38 votes. Six write-in candidates were received with two of these candidates receiving two votes each for a total of eight votes.

Upon conclusion of Ms. Jackson's report, E. Golden moved to certify the results of the election as reported and M. Monteith seconded the motion. The motion carried unanimously. The Board commended Ms. Jackson and the Committee for their dedication to this vital process.

5. Oaths of Office

- A. Active Elected Member Place 8 – Anthony B. Ross, Sr.
- B. Active Elected Member Place 9 – Eyna Canales-Zarate
- C. Council Appointed Citizen Place 4 – Ed Golden

As advised by B. Knight, Agenda Items 5. A through C were taken out of order to swear in the newly elected, re-elected, and re-appointed members of the Board before proceeding with other agenda items. Stephen C. Edmonds, Executive Director, administered the oaths to Anthony B. Ross, Sr. and Eyna Canales-Zarate for Active Elected Member Places 8 and 9, respectively, and to Ed Golden for Council Appointed Citizen Place 4.

The term of office for all three places is four years ending December 31, 2009.

4. Appointment or Reappointment of Board Appointed Citizen to Place 5 on the Board of Trustees

R. David, current Board Appointed Citizen to Place 5 and Board Chair, transferred the role of Chair to Vice-Chair M. Monteith to preside over the appointment of Board Appointed Citizen Place 5.

The System's governing statute provides that the retirement board appoint one member to the board in December of every second odd-numbered year. It is required that the

individual appointed be a qualified voter of the city who has been a resident for the preceding five years and who is not an employee, former employee, or officer of an employer covered by the System.

M. Monteith opened the floor for nominations. E.S. Gonzales moved to re-appoint R. David to Board Appointed Citizen Place 5. E. Canales-Zarate seconded the motion. The motion passed with R. David abstaining. The term of office for this place is four years ending December 31, 2009.

5. Oaths of Office

D. Board Appointed Citizen Place 5 – Reagan David

The oath of office was administered to Reagan David for his reappointment to Board Appointed Citizen Place 5 by S. Edmonds, Executive Director. (The oaths of office for Places 4, 8, and 9 were performed prior to Item 4.)

6. Election of 2006 Officers: Board Chair and Vice-Chair

As required by Board Approved Policy D-2 “Duties and Responsibilities of Trustees, Officers, and Committee Chairs”, each January the Board will meet and elect a Chairperson and Vice-Chairperson for one-year terms. No trustee may be elected to the Chairperson or Vice-Chairperson position for more than two consecutive terms.

R. David opened the floor for nominations for Chairperson. E.S. Gonzales moved to re-elect R. David to the position of Board Chair for his first full-term. E. Golden seconded the motion. The motion carried with R. David abstaining.

E. S. Gonzales moved to re-elect M. Monteith to the position of Vice-Chair. C. Rodgers seconded the motion. The motion carried with M. Monteith abstaining.

S. Edmonds congratulated the newly elected officers and thanked them for their service in the prior year.

7. 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. November 29, 2005 Board Meeting Minutes
- B. December 13, 2005 Special Called Board Meeting Minutes
- C. Ratification of November and December 2005 Retirement and Death Benefits

B. Dunkerley made a motion to recommend approval of the three consent items. E. Canales-Zarate seconded the motion. A. Ross asked for and received clarification that the GASB reference in the November 29, 2005 Board Meeting Minutes – Item IX was GASB 45.

The motion then carried unanimously.

8. Contract Extensions

- A. Gabriel, Roeder, Smith & Company (GRS) 2006 Engagement Letter
- B. Levi, Ray, & Shoup, Inc. (LRS) - Pension Gold 2006–2008 Maintenance Support Agreement

S. Edmonds reviewed the terms of the contract extensions for Gabriel, Roeder, Smith & Company (GRS), the System's Actuary, and Levi, Ray, & Shoup, Inc.(LRS), the System's provider of PensionGold software and support .

The GRS contract is a one-year extension and the LRS contract is for a three-year extension. The terms of both agreements are similar to prior years with reasonable, modest increases in fee structures. S. Edmonds recommended approval of both agreements.

C. Rodgers made a motion to approve the contract extensions as presented for Gabriel, Roeder, Smith & Company and Levi, Ray, & Shoup, Inc. E. Canales-Zarate seconded the motion. Motion passed unanimously.

9. Disability Committee

- A. Minutes and Report from January 10, 2006 Meeting – Provided for Board Information
- B. Appeal of Disability Retirement Application Denial for Doris Carr

R. David noted that he chaired the Disability Committee Meeting on January 10 in the absence of the Committee Chair, F. Gertz. The Committee met to consider the appeal of disability retirement denial for Doris Carr. The Committee determined that there were insufficient medical records to make a recommendation regarding the appeal and recommended that Staff obtain complete medical records for Ms. Carr from the past ten years.

Although policy does not require Board action, R. David asked the Board to support and authorize the continued process to obtain the complete medical records for Ms. Carr and to postpone the decision on Ms. Carr's appeal until such time as all necessary records can be obtained and reviewed by the medical consultant and Disability Committee.

E. Golden made a motion to support the continued research and process associated with Ms. Carr's appeal. J. Bartles seconded the motion. The motion carried unanimously.

R. David advised that a Disability Committee meeting will be held as soon as the medical consultant reviews and provides an opinion concerning the additional information.

10. Investment Committee

R. David transferred the role of Chair to M. Monteith due to a conflict of interest related to the Enhanced Index Fund Manager discussion. E. S. Gonzales also indicated

a conflict of interest and she and R. David both recused themselves from voting or participating in the Enhanced Index Fund Manager agenda item so long as the conflict existed. (R. David and E.S. Gonzales are both employed by New York Life, an affiliated company of one of the companies scheduled for consideration as a potential Enhanced Index Fund Manager.)

A. Minutes from November 18, 2005 Meeting – Provided for Board Information

B. Driehaus Capital Management, Inc. Assignment to Driehaus Securities LLC

C. Rodgers, Investment Committee Chair, reported that at the December 13, 2005 Special Called Committee Meeting, the Board authorized consent to assignment of Driehaus Capital Management, Inc. to Driehaus Securities LLC. During that meeting, it was requested that additional information be obtained from Driehaus, the System's General Counsel, and our Investment Consultant as edification. That information was obtained and no further action was necessary.

C. Enhanced Index Fund Manager Discussion

C. Rodgers reported that five firms are to be interviewed at an upcoming February 3, 2006 Investment Committee Meeting to explore Enhanced Equity Indexing as a possible alternative to the traditional indexing currently utilized by COA ERS. At the conclusion of the interviews, the Committee's goal is to assess whether or not to proceed with on-site interviews for possible recommendation to the Board.

C. Rodgers requested support for the process and proposed a motion that the Board authorize the Investment Committee to continue exploring Enhanced Equity Indexing as a funding strategy and to continue with the interview process. B. Dunkerley seconded the motion. F. Benoit asked whether this type of investment strategy was appropriate for COA ERS. C. Rodgers indicated our Investment Consultant, E. Ralph, had recommended exploring this as a strategy. A vote was taken and the motion carried with R. David and E.S. Gonzales abstaining.

11. General Counsel Report

There was no General Counsel Report.

12. Certification of Delegates for TEXPERS Annual Meeting, March 11-15, 2006, Richardson, Texas

The Texas Association of Public Employee Retirement Systems (TEXPERS) will hold its 2006 Annual Members' Meeting beginning on Saturday, March 11, 2006 in Richardson, Texas. R. David asked for volunteers to serve as delegates and alternates at that meeting. Based on TEXPERS rules, COA ERS is eligible to name up to six eligible participants as delegates and six additional participants as alternate delegates.

The six delegates this year are E. Canales-Zarate, R. David, S. Edmonds, E. Golden, E.S. Gonzales, and M. Monteith. Alternate delegates are L. Browder and J. Bartles.

13. Executive Director's Report
 - A. Calendar Items / Conferences / Training
 - B. Board Planning Retreat
 - C. Review of 2005
 - D. Preliminary Year-End Reports
 - Investment Performance (Net of Fees) – 8.8%
 - Year End Financial Statements
 - E. Retirement Office News
 - F. Communications Update
 - G. Member News
 - H. Public Pensions in the News
 - I. Investment News
 - J. Comparative Calculation and Retirement Activity Levels

Calendar Items: S. Edmonds referred the Board Members to his report to obtain information on the Certificate of Achievement in Public Plan Policy in Employee Pensions (CAPP) offerings for 2006. He also reviewed some of the planned activities and speakers associated with this year's Board Strategic Planning Session to be held on February 23-24 at Reicher Ranch. Additional details will be forthcoming in the near future.

A listing of 2005 Board and Staff activities and accomplishments was provided for Board review. S. Edmonds thanked everyone for their many contributions.

Preliminary year-end reports for Investment Performance and Year-End Financial Statements were included in the report for information. Of particular note is the preliminary investment performance (net of fees) of 8.8%.

S. Edmonds noted that COA ERS received the Certificate of Achievement for Excellence in Financial Report from the Government Finance Officers Association (GFOA) for the 2004 Comprehensive Annual Financial Report. This is the seventh consecutive year to receive this award. Special recognition goes to Donna Boykin, Rhonda Helm, and Melissa Adams. He also recognized Jesse Ortega for facilitating the work of the Nominating and Election Committee.

He advised the Board of correspondence from Members concerning the supplemental funding plan, survivor benefits, and elimination of monthly pay stubs for retirees.

He referenced several public pensions in the news articles. E. Canales-Zarate asked if he had seen the Reason.com "Defined Benefit Plan" article. S. Edmonds advised that he had and that he would email it to everyone.

R. David thanked everyone for their contributions and dedication to service in 2005.

Ed Golden made a motion to adjourn. E. Canales-Zarate seconded the motion. The motion passed unanimously.

The meeting adjourned at 2:31 p.m.

Reagan David
Reagan David, Board Chair

3/28/06
Date

Stephen C. Edmonds
Stephen C. Edmonds, Executive Director

3/28/06
Date