



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING

Tuesday, March 28, 2006 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752

Board Members Present

Francis E. Benoit – dep 4:05 pm
Janet Bartles
Leslie Browder – arr 1:35 pm
Eyna Canales-Zarate
Reagan David
Betty Dunkerley – arr 1:45 pm, dep 2:52 pm
Elizabeth S. Gonzales – dep 4:05 pm
Mark Monteith
Cathy Rodgers
Anthony B. Ross, Sr. – dep 4:24 pm

Absent

Ed Golden

Guests & Staff Present

Stephen C. Edmonds, Executive Director
Donna Boykin, Finance Manager
Rhonda Helm, Operations Manager
Jesse Ortega, Administrative Supervisor
Rosaree Koepsel, Executive Assistant
Barney Knight, General Counsel
Tom Medders, Members' Association
Lewis Ward, Gabriel Roeder & Smith

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

1. System Member and Citizen Comments / Correspondence

Tom Medders represented the Members' Association and made several comments. He asked that his comments be accurately and adequately reflected in the minutes. He stated that he was aware that minutes are not recorded verbatim.

He congratulated E. Canales-Zarate on her re-election and made a special welcome to A. B. Ross, Sr., on his election to the Board of Trustees.

Mr. Medders also expressed concern that the staff size had tripled in the last fifteen years while the retiree population had only doubled. He added that this is not a new concern and although some good staff choices had been made, the growth of the staff should not continue.

L. Browder arrived at 1:35 pm.

He commended the Board for reducing the amount of money expended on travel in 2005. He commented that the Association would like to see a cap of \$2,000 per year per Trustee spent on out-of-state travel in the future.

Based on projections provided after the recent election, he stated he was still concerned about the number of ballots returned for bad addresses associated with Trustee elections. He also expressed that the problems with the mailing contractor were unacceptable and stated that he felt that the current staff size was adequate to process the mailing of ballots in-house.

Next, he said that it was time for a discussion and evaluation of term limits for Trustees. Mr. Medders stated he did not have a recommendation for the appropriate number of terms, but that it was time to discuss the issue.

Finally, Mr. Medders commented on a letter he had received regarding a recent situation in which Retirement System computers were sold at auction with confidential information still on the hard drives. He had discussed the matter with the Executive Director and had been assured that the computers and hard drives had been retrieved by the System, and he expressed confidence in what the Executive Director had said. He stated that the System was very lucky and that if the computers and hard drives had not been retrieved, the situation could have been quite serious. Since information left the offices without member authorization, he thought that the membership should be notified. He said that he was confident of appropriate action by the Executive Director.

Upon conclusion of Mr. Medders' comments, R. David, Board Chair, thanked him for taking time to address the Board noting that he could not discuss items not posted on the agenda. R. David recommended an informal meeting to discuss his concerns and Mr. Medders indicated he would like to do so.

2. Reports from Chairperson, Board Members, and Staff

A. Review of Meeting Agenda

No changes to the agenda were made.

B. Chairperson Comments

There were no special comments from the Chair.

C. Board Member Recognition

R. David noted that E. Canales-Zarate had been elected to the TEXPERS Board at the TEXPERS Annual Conference that was held earlier in March. He also noted that E.S. Gonzales continued to serve this year on the TEXPERS Resolutions Committee.

He also announced that E. S. Gonzales had been honored as the 2005 Business Woman of the Year by the Hispanic Chamber of Commerce.

B. Dunkerley arrived at 1:45 pm.

D. Board Member Comments

F. Benoit stated that he agreed with the previous comments made by T. Medders regarding member notification of the situation with respect to computers leaving the Retirement Office.

E.S. Gonzales informed the Board of issues discussed at the TEXPERS Resolutions Committee and Business Meeting and in particular expressed concern regarding proposed federal legislation that would provide certain benefits to government employees who are "first-responders" (e.g., Fire and Police) without also extending those benefits to "regular" government employees. She also noted that Defined Benefit contributions were

reported and that the Pension Review Board resolved to develop more meaningful procedures to mitigate undue concern when the financial markets experience a downturn.

E. Canales-Zarate noted that the issue of health care benefits was a much discussed item at the TEXPERS Conference especially in light of the GASB 45 requirement to quantify and account for those benefits. She also stated that pension issues were not expected to be on the forefront at the upcoming 2007 Texas State Legislative Session.

M. Monteith also attended and participated in the TEXPERS Business Meeting and Conference.

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

Board Trustee Declarations: E.S. Gonzales, E. Canales-Zarate, and M. Monteith declared attending a dinner hosted by T. Rowe Price and Putnam Investments at the TEXPERS Conference on March 12, 2006. M. Monteith declared attending a dinner hosted by Seizert Capital Partners, Capital Institutional Services, and JP Morgan Asset Management at the TEXPERS Conference on March 13, 2006. E.S. Gonzales and M. Monteith each declared receipt of a signed football by University of Oklahoma player Billy Sims associated with their attendance at the Public Fund Boards Forum held in December 2005. E.S. Gonzales declared that she made a political contribution to her client, Rick Agosto who works with Aureus. Mr. Agosto is running for State Board of Education.

Staff Declarations: S. Edmonds declared the receipt of a toy car from Newton, a Mellon Financial Company, a \$5 Starbucks Card from Mercer HR Consulting, a meeting with Peter Taggart with Prudential on February 9, 2006 and a meeting with Mike Van Raporst with Western Asset on February 14, 2006.

F. 2006 List of Committee Assignments

R. David referred the Trustees to the List of Committee Assignments included in the Board material.

G. 2006 Board and Committee Meeting Schedule

R. David noted that there were two scheduled meetings in April: an Audit and Finance Committee Meeting on April 11 and a Board Meeting on April 25. There is no Board Meeting scheduled for May.

R. David also mentioned that a special called Policy Committee Meeting will be scheduled to follow-up on items from the February Strategic Planning Meeting. (That meeting has now been scheduled for 12 pm on April 12.)

R. David encouraged participation of Board Members at both Board and Committee meetings.

3. Consent Items - **Board Action**

- A. January 24, 2006 Board Meeting Minutes
- B. February 3, 2006 Special Called Board Meeting Minutes
- C. Ratification of January and February 2006 Retirement and Death Benefits

All of the consent items were acted upon by one motion. M. Monteith moved to approve the consent items and E.S. Gonzales seconded the motion. The motion passed unanimously.

4. Disability Committee

- A. Minutes from December 13, 2005 Meeting
- B. Minutes from March 7, 2006 Meeting

The Disability Committee Minutes were provided as information and no action was necessary.

5. Disability Retirement - **Board Action**

- A. Convene into Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:
 - 1) Re-evaluation of Disability Retirement Benefits of Phyllis Schwarz
 - 2) Appeal of Denial of Disability Retirement Benefits of Doris Carr
 - 3) Disability Retirement Application of Richard Brown
 - 4) Disability Retirement Application of Margaret Eskew
- B. Reconvene from Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:
 - 1) Re-evaluation of Disability Retirement Benefits of Phyllis Schwarz
 - 2) Appeal of Denial of Disability Retirement Benefits of Doris Carr
 - 3) Disability Retirement Application of Richard Brown
 - 4) Disability Retirement Application of Margaret Eskew

The Board convened into Executive Session at 1:55 pm and reconvened at 2:44 pm to consider action on the above disability retirement issues.

M. Monteith moved to continue disability retirement benefits for Phyllis Schwarz. E.S. Gonzales seconded the motion. Motion passed unanimously.

E.S. Gonzales moved to deny disability retirement benefits for Doris Carr. J. Bartles seconded the motion. Some discussion occurred to clarify when and under what circumstances Ms. Carr could re-apply for consideration of disability benefits. R. Helm answered questions and noted that Ms. Carr would be informed of the decision and the options available to her. The motion passed with A.B. Ross, Sr. opposing and F. Benoit abstaining.

M. Monteith moved to approve disability benefits for Richard Brown and C. Rodgers seconded the motion. Motion passed unanimously.

C. Rodgers moved to deny disability benefits for Margaret Eskew and M. Monteith seconded the motion. Motion passed unanimously.

6. Policy Committee

- A. Minutes and Report from February 23-24, 2006 Strategic Planning Meeting
- B. Governance Issues from Strategic Planning Meeting

B. Dunkerley departed at 2:52 pm.

R. David reported on the February Strategic Planning Meeting and thanked all of those in attendance. For those Trustees who were not able to attend the meeting, he recommended that they review the meeting material. Two items identified at that meeting were considered later at this Board Meeting: 1) changing the name of the Goals and Objective Committee to the Benefits and Services Committee (Item 8.B.) and 2) re-defining a Committee quorum from two members to three (Item 9). He noted that several other items were identified that would be referred to Committees for further consideration and possible recommendation for Board action.

7. Investment Committee

- A. Minutes and Report from February 3, 2006 Meeting
- B. Minutes and Report from February 17, 2006 Meeting

The Investment Committee Minutes were provided as information and no action was necessary.

8. Goals and Objectives Committee

E. Canales-Zarate modified the agenda order to discuss Item 8.C. first to allow L. Ward, the System actuarial consultant from Gabriel Roeder & Smith, to present the December 31, 2005 Actuarial Results.

C. December 31, 2005 Actuarial Valuation Results – **Board Action**

Mr. Ward noted that the formal Actuarial Valuation would be issued along with the Comprehensive Annual Financial Report (CAFR) scheduled for publication sometime in May.

L. Ward began his presentation stating that the valuation is performed each year to measure actuarial liabilities, to determine the adequacy of statutory contributions, to provide information for financial reporting, to explain changes in the actuarial condition of the System, to track changes over time, and to alert the System about possible future issues.

The actuarial results showed that the Unfunded Actuarial Accrued Liability (UAAL) increased again in 2005 to \$395.4 million from \$321.4 million in 2004. This translates to a funded ratio of 78% for 2005 versus an 80.8% in 2004. He stated that the funding period for this valuation is “infinite”.

Mr. Ward presented information on key changes and issues that affected the 2005 valuation and made special note that the impact of investment losses in 2001 and 2002 was still being felt for this valuation period. He reminded the Board that the actuarial valuation is performed using a smoothing technique that defers both gains and losses over a 5-year period. While investment gains in 2003 and 2004 have helped, 60% of the 2004 gain and 40% of the 2003 gain are still being deferred.

The Board discussed that the next Experience Study will be conducted in 2007 with the December 31, 2006 valuation; actuarial assumptions (including salary increase and turnover) and Proportionate Service will be reviewed at this time.

Another noteworthy item was that the City contribution rate will increase from 8% to 9% effective October 1, 2006, associated with the Supplemental Funding Plan approved by the City Council last year.

Mr. Ward concluded stating that good news should be on the horizon. Only one year of deferred losses from 2002 remains to be recognized and there are more than enough deferred gains to offset it. With continuation of both adequate investment gains and the Supplemental Funding Plan, the System should be on a path to undo the damage done from the 2001 and 2002 financial market losses.

R. David thanked L. Ward for his presentation and then reiterated the importance of a good investment return and its impact on the System.

E. Canales-Zarate moved to accept the 2005 Actuarial Valuation as presented and C. Rodgers seconded the motion. The motion passed unanimously.

E. S. Gonzales and F. Benoit departed at 4:05 pm.

A. Minutes and Report from March 7, 2006 Meeting

The Goals and Objectives Committee Meeting Minutes were provided for information and no action was necessary.

B. Goals and Objectives Committee Name Change – ***Board Action***

E. Canales-Zarate reported that a discussion during the Strategic Planning Meeting in February generated an item for consideration to change the name of the Goals & Objectives Committee to the Benefits and Services Committee to better reflect the Committee's Mission. This was evaluated at the March 7, 2006 Goals & Objectives Committee meeting and resulted in a recommendation to go forward with the name change.

E. Canales-Zarate moved to approve the Committee name change from Goals & Objectives to Benefits and Services and C. Rodgers seconded the motion. The motion passed unanimously.

9. Amendments to Board Approved Policy C-2 "Committee Authority and Procedures" –
Board Action

S. Edmonds addressed the Board to inform them of an issue identified at the February Strategic Planning Meeting regarding quorums and posting requirements under the Open Meetings Act. At that meeting, General Counsel Barney Knight advised the Board that when Committee actions are routinely approved by the full Board, there could potentially be an Open Meetings issue when a quorum (currently two members) meets outside of a posted meeting. To be conservative and cautious on this issue, General Counsel recommended that the quorum for Committees be changed from two to three.

E. Canales-Zarate moved to amend Board Approved Policy C-2 "Committee Authority and Procedures" as presented to change the quorum for a Committee from two Committee members to three Committee members. M. Monteith seconded the motion. The motion passed unanimously.

General Counsel clarified that meetings cannot commence without a quorum, however, if a quorum ceases during the meeting, the meeting can continue, however no action can be taken. R. David stressed the importance of Board Member participation in Committee meetings and stated that this revised policy places even greater emphasis on attendance. Committee participation will be addressed further by the Policy Committee.

A. B. Ross, Sr. departed the meeting at 4:24 pm.

10. Open Meetings and Public Information

A. Training Requirements for Board Members

S. Edmonds informed the Board that all Trustees are required to have training on the Open Meetings Act pursuant to recent amendments to the Act. Those Trustees who attended the Strategic Planning Meeting in February have received their training. Other Trustees will need to receive training. This can be accomplished via DVD disk which can be obtained from the COA ERS staff or a video feed that can be viewed on-line via the Texas Office of Attorney General website: www.oag.state.tx.us. Trustees appointed or elected since the beginning of the year must complete training within 90 days of taking the Oath of Office. Other Trustees must complete the training by year end.

B. Designation of Public Information Coordinator to Satisfy the Requirements for Open Records Training – **Board Action**

S. Edmonds informed the Board that training similar to that required for Open Meetings is also required regarding the Public Information Act. In lieu of all members of a governing body being individually trained, a Public Information Coordinator may be designated to satisfy the requirements. S. Edmonds recommended that the position of Operations Manager (currently filled by R. Helm) be designated as Public Information Coordinator for COA ERS. He added that Ms. Helm and other COA ERS staff (including the entire management team) had already completed the required training.

C. Rodgers moved to designate the position of Operations Manager (currently filled by R. Helm) to fill the role of the Public Information Coordinator. E. Canales-Zarate seconded the motion. The motion passed unanimously.

11. General Counsel Report

There was no General Counsel Report.

12. Executive Director's Report

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

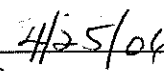
S. Edmonds referred the Board to the material provided in the Board Packet and made special note that the presentation material from the February Strategic Planning Meeting was included. He recommended that those who were unable to attend the meeting review the material.

S. Edmonds also made note that the National Council on Teachers Retirement would be having their annual conference in Austin later this year. He commented that this would be a good educational opportunity.

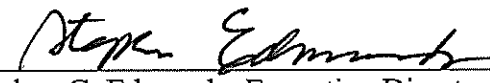
C. Rodgers moved to adjourn the meeting and M. Monteith seconded the motion. The meeting was adjourned at 4:28 pm.



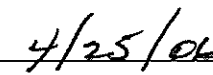
Reagan David, Board Chair



Date



Stephen C. Edmonds, Executive Director



Date