



City of Austin Employees' Retirement System

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

**Tuesday, April 25, 2006 – 1:30 PM  
418 E. Highland Mall Boulevard, Austin, Texas 78752**

**Board Members Present**

Francis E. Benoit  
Janet Bartles  
Leslie Browder – dep 3:50 pm  
Reagan David  
Betty Dunkerley – arr 1:42 pm, dep 3:30 pm  
Elizabeth S. Gonzales–arr 2:06 pm, dep 3:30 pm  
Mark Monteith  
Cathy Rodgers  
Anthony B. Ross, Sr.

**Absent**

Ed Golden  
E. Canales-Zarate

**Guests & Staff Present**

Stephen Edmonds, Executive Director  
Donna Boykin, Finance Manager  
Rhonda Helm, Operations Manager  
Jesse Ortega, Administrative Supervisor  
Rosaree Koepsel, Executive Assistant  
Barney Knight, General Counsel  
Susan Warren, KPMG  
George Greene, Active Employee

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

1. System Member and Citizen Comments / Correspondence

There were no System Member or citizen comments.

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 recognized that Janet Bartles' birthday is on May 28.

D. Board Member Comments

R. David commented that the RSVP process is an important Board Member responsibility especially with the recent change for a Committee quorum from two to three Committee members. He asked that Trustees respond to meeting RSVPs in a timely manner and to be cognizant of the importance of the function since Staff must promptly determine whether or not a quorum will be met. He stressed the importance of active attendance of Committee members and noted that all Trustees are encouraged to attend all meetings.

R. David also noted that the Audit & Finance Committee may need to revise their meeting schedule due to conflicts some Committee members have with Tuesday start times. E.S. Gonzales, Committee Chair, and Staff will work to select an appropriate schedule. L. Browder suggested that Tuesday afternoons after 1:30 pm or Mondays or Wednesdays be considered.

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

L. Browder informed the Board that she provided a 2005 Pension Earnings Report on the three City pension systems (Fire, Police, and City Employees) in April to the City of Austin Audit & Finance Committee. She informed the Board that the next update to the City Audit & Finance Committee will likely occur in June and will cover the first quarter 2006. She noted that the first additional 1% subsidy associated with the City's Supplemental Funding Plan to the System will begin at the start of the City's 2007 fiscal year. R. David asked that she consider adding a notation in future reports to clarify that the City's 2007 fiscal year begins October 1, 2006; therefore, the first subsidy to the System will begin October 2006.

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

**Board Trustee Declarations:** There were no Board declarations.

**Staff Declarations:** S. Edmonds declared a client review breakfast meeting with Julie Gonsch & Bob Vernille of Northern Trust on April 19, 2006, and a meeting with John Busby of Patterson Capital on April 5, 2006.

**F. 2006 Board and Committee Meeting Schedule**

R. David noted that there is no regularly scheduled Board Meeting in May. The Investment Committee is scheduled to meet on May 19 beginning at 8:30 am for quarterly Investment Manager Performance Reviews. He encouraged all Board Members to attend.

Other May events include two site visit trips: 1) a performance evaluation with Eubel Brady & Suttman in Dayton, Ohio, on May 1-2, and 2) site visits to interview candidates for Enhanced Index Fund Managers: New York Life Investment Management (New York), Quantitative Management Associates (New Jersey), and INTECH (Florida) on May 10-13.

R. David referred Board Members to the schedule of meetings contained in the Board Packet and encouraged attendance. He asked that Staff include site visits to the listing for future reference.

R. David mentioned that a Strategic Planning Session will be held in 2006 and will be discussed in more detail later in the meeting.

*B. Dunkerley arrived at 1:42 pm.*

3. Consent Items - **Board Action**
  - A. March 28, 2006 Board Meeting Minutes
  - B. Ratification of March 2006 Retirement and Death Benefits

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

M. Monteith expressed concern about the effect that proportionate service time has on the System. S. Edmonds said that research is being done to evaluate the issue and that ways to actuarially quantify the cost are being investigated for consideration during the Actuarial Experience Study.

4. Policy Committee
  - A. Minutes and Report from April 12, 2006 Meeting

R. David recommended that all Board Members read the minutes from the April 12 Policy Committee Meeting since several items were marked for referral to other Committees.

R. David made special mention that the Policy Committee had determined a need to revise and update the Strategic Plan and that a Special Called Meeting would be scheduled to address the issue. Several dates were discussed with a goal to hold the meeting as a full day session sometime in July to facilitate the upcoming budget process. R. David asked that S. Edmonds and Staff determine the location and to work with Trustees to select the best date to achieve maximum possible attendance. It was generally acknowledged that Saturdays in July should also be included as possible dates. R. David encouraged attendance and asked Board Members to work with Staff to facilitate the process.

5. Audit & Finance Committee

R. David announced that E.S. Gonzales, Audit & Finance Committee Chair, had asked that he present this agenda item on her behalf due to her likely late arrival to the meeting.

- A. Minutes and Report from April 11, 2006 Meeting

The Audit & Finance Committee Minutes were provided as information and no action was necessary.

- B. 2005 Financial Audit Report – KPMG – **Board Action**

Susan Warren, external auditor from KPMG, addressed the Board to present the 2005 Financial Audit and Financial Statements. She commented that she had reviewed the audit reports in detail with the Audit and Finance Committee at the April 11, 2006 Meeting. She referred the Board to two documents: 1) Report to the Board of Trustees (a required communication), and 2) Financial Statements with Supplementary Information with the Independent Auditors' Report. She stated that the auditors' opinion was unqualified and no management letter was issued. (An unqualified opinion is the desired outcome and indicates that there are no substantive findings to include in a written report.)

As information only, she noted two changes to this year's statements: 1) Governmental Accounting Standards Board (GASB) Statement No. 40 required additional footnote disclosures regarding investment risk, and 2) a minor presentation format change from the prior year was made to Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions. She advised that recommended changes to the Investment Policy will be identified for Board consideration.

R. David thanked Ms. Warren for her report and added that the Audit & Finance Committee was already preparing for next year's report by proactively investigating new GASB requirements that will take effect for the 2006 Audit and Financial Statements. He acknowledged Staff for being a vital part of this process.

A.B. Ross, Sr. moved to accept the 2005 Financial Audit Report and L. Browder seconded the motion. The motion passed unanimously.

C. Amendments to Board Approved Policy (BAP) F-1 "Fixed Asset Retirement & Disposal Policy" – **Board Action**

R. David stated that the Audit & Finance Committee reviewed and recommended approval of amendments to BAP F-1 "Fixed Asset Retirement & Disposal Policy". S. Edmonds reviewed the key elements and stated that the changes implement additional checkpoints for documentation and signature approvals. An additional requirement associated with computer equipment was added that requires removal of computer hard drives prior to disposal.

After some discussion to clarify elements of the amended policy, C. Rodgers moved to approve the amendments to BAP F-1 "Fixed Asset Retirement & Disposal Policy" and B. Dunkerley seconded the motion. A.B. Ross, Sr., proposed a friendly amendment adding the language "and then destroyed" to revise one sentence in the Policy to read: "Personal computer hard drives shall be removed prior to disposal of equipment and then destroyed." The amended motion passed unanimously.

*E.S. Gonzales arrived at 2:06 pm.*

6. General Counsel Report

There was no General Counsel Report.

7. 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. First Quarter 2006 Financials
- H. Comparative Calculation and Retirement Activity Levels

S. Edmonds informed the Board that the full 2005 Actuarial Valuation Report was included in the Board Packet. He also referred them to the First Quarter 2006 Financial Statements included in the Executive Director's Report.

Also included for information is an updated listing of educational opportunities including 2006 and 2007 dates for Certificate of Achievement in Public Plan Policy (CAPPP), the TEXPERS Summer Educational Forum held in August in San Antonio, and the National Council of Teachers Retirement Conference to be held in Austin during October.

R. David asked S. Edmonds to explore opportunities to meet with other Systems coming in for the Teachers' Retirement Conference in October to discuss how they are addressing similar issues affecting COA ERS. S. Edmonds advised that he will provide more information about the conference as it becomes available.

S. Edmonds recognized D. Boykin and the Finance Staff for all the hard work and dedication associated with the successful completion of the Financial Audit. He also recognized J. Ortega and the entire Staff for all their efforts associated with the affidavit process.

The next big Staff projects include the Comprehensive Annual Financial Report (CAFR) and the Internal Audit.

During discussion concerning the San Diego retirement system, it was mentioned that a law suit has been filed against Gabriel, Roeder, Smith & Company (GRS). This situation can be discussed during GRS' annual evaluation.

8. Executive Director's Annual Performance Evaluation – **Board Action**

- A. Convene into Executive Session Pursuant to Texas Government Code 551.074 to Confer with Board of Trustees re: Executive Director's Annual Performance Evaluation
- B. Reconvene into Public Session and Take Action as Determined Appropriate by the Trustees re: Executive Director's Annual Performance Evaluation.

*B. Dunkerley and E.S. Gonzales departed the meeting during the Executive Session at approximately 3:30 pm.*

*L. Browder departed the meeting just prior to reconvening into public session at approximately 3:50 pm.*

The Board convened into Executive Session at 2:31 pm and reconvened at 3:53 pm to consider action on the Executive Director's Annual Performance Evaluation.

Upon reconvening, R. David opened the floor for motions.

M. Monteith moved to adjust the Executive Director's salary from \$120, 577 to \$129,187 to provide comparability to the placement within grade of other COA ERS staff after the

market study. The motion was seconded by J. Bartles. A vote was taken with 5 yes votes (J. Bartles, R. David, M. Monteith, C. Rodgers, and A.B. Ross, Sr.) and 1 dissenting vote (F.E. Benoit). The motion required a minimum of six affirmative votes and did not pass.

After some discussion, F.E. Benoit moved to adjust the Executive Director's salary by 5%. A.B. Ross, Sr. seconded the motion in order to open the floor for discussion and to provide Mr. Benoit the opportunity to provide explanation for his motion. F.E. Benoit stated he could not vote for the original adjustment in light of the lack of cost-of-living adjustments for retirees for the last four years. He stated that it did not have anything to do with Mr. Edmonds' performance. A vote was taken with 1 yes vote (F.E. Benoit) and 5 dissenting votes (J. Bartles, R. David, M. Monteith, C. Rodgers, and A.B. Ross, Sr.). The motion did not pass.

General Counsel, B. Knight, recommended that the action be tabled until the next meeting.

C. Rodgers moved to table the matter until the next regularly scheduled Board Meeting scheduled for June 27. A.B. Ross, Sr. seconded the motion. The motion received with 5 ayes (J. Bartles, R. David, M. Monteith, C. Rodgers, and A.B. Ross, Sr.) and 1 dissenting vote (F.E. Benoit).

Mr. Benoit stated that he wanted the agenda item for the June Board Meeting Agenda to be posted on the COA ERS website. C. Rodgers stated that all meeting agendas are always posted publicly at City Hall a minimum of 72 hours prior to the start of the meeting. R. David re-confirmed that information and also commented that, although not required, the Board Meeting agendas have been and will continue to be posted on the COA ERS website.

C. Rodgers moved to adjourn the meeting and A.B. Ross, Sr. seconded the motion. The motion passed unanimously.

The meeting was adjourned at 4:28 pm.

  
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Reagan David, Board Chair

6/27/06  
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Date

  
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Stephen C. Edmonds, Executive Director

6/27/06  
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Date