



City of Austin Employees' Retirement System

MINUTES
CITY OF AUSTIN EMPLOYEES' RETIREMENT SYSTEM
BOARD MEETING AND STRATEGIC PLANNING WORKSHOP
Friday, July 28, 2006 – 9:00 AM
Darrell K. Royal Texas Memorial Stadium – UT Club
2108 E. Robert Dedman Dr., Austin, Texas

Board Members Present

Janet Bartles
Leslie Browder
E. Canales-Zarate
Reagan David
Betty Dunkerley – arr 9:16 am, dep 10:10 am
Ed Golden – arr 9:28 am
Elizabeth S. Gonzales
Mark Monteith
Cathy Rodgers
Anthony B. Ross, Sr. – arr 10:25 am

Absent

Francis E. Benoit

Guests & Staff Present

Stephen Edmonds, Executive Director
Rhonda Helm, Operations Manager
Jesse Ortega, Administrative Supervisor
Eric Ralph, Summit Strategies Group
Lewis Ward, GRS

The meeting was called to order at 9:15 am by Board Chair, R. David.

1. Agenda Review and Board Member Comments

A. Review of Meeting Agenda

R. David commented that agenda items 5 and 6 may be discussed in an order other than that listed on the agenda.

B. Chairperson Comments

R. David thanked E. Golden for his UT Club membership allowing access to the facility. He also advised the Board of the cancellation of the August 15, 2006 Audit and Finance Committee meeting and the scheduling of the August 15, 2006 special called Disability Committee Meeting.

C. Board Member Comments

There were no Board Member comments.

2. "The Process of Strategic Asset Allocation" – Eric Ralph, Summit Strategies Group

E. Ralph reviewed the material distributed concerning "The Process of Strategic Asset Allocation – Investment Process Discussion". This information was presented to educate the Board in preparation for the upcoming review of the System's asset allocation.

3. "Financial Economics and Pension Plans" – Lewis Ward, Gabriel, Roeder, Smith & Co.

L. Ward reviewed the material distributed concerning "Financial Economics and Pension Plans". This information was presented for Board education only.

4. COA ERS Strategic Plan Review and Discussion

S. Edmonds reviewed an updated Strategic Plan with the Board. The Plan is divided into three main categories: Mission/Values/Vision; Ongoing Commitments; and Three Year Priorities. Changes to the proposed plan included moving actuarial data processes to the "Prudent Investment Management" objective, and clarification of the provider contract review process, retirees working for the City of Austin compliance monitoring, and periodic review of Committee charters.

12:30 pm – 1:40 pm – Lunch break

After extensive discussion, E. Canales-Zarate made a motion to approve the presented Strategic Plan with the identified changes. C. Rodgers seconded the motion. Motion carried unanimously.

5. Environmental Scan Issues

C. Retiree Healthcare Issues

The Board discussed Governmental Accounting Standards Board requirements for governmental entities to book their accrued liabilities for "other post-employment benefits", most notably health insurance. The City of Austin provides a substantial subsidy to City retirees for their health insurance costs. Even though the subsidy has been provided with the caveat that continuation was subject to budgetary approval, the City is now required to show the liability on the City's financial statements.

Members of the Board of Trustees had asked that the Board explore the issue and determine whether there is any role the Retirement System can or should play in the future of retiree health care. Currently, the Retirement System has no part in retiree health care, aside from deducting premiums from annuity payments.

After discussion, the Board requested further education in the future on this issue since it will be a significant issue for the City of Austin.

A. 2007 Legislative Session

A new legislative session will commence in January 2007. It was the recommendation of Staff that the System avoid legislation this session. The only issue of substance that has been discussed since the last session is retirees working for the City of Austin.

It was the consensus of the Board that legislation was not necessary at this time.

B. Legal Counsel Contractual/Employment Arrangement

General Counsel Barney Knight has advised that he cannot continue to serve the System indefinitely as an independent legal practitioner, due to the extraordinary cost of malpractice insurance. The insurance is required almost exclusively for the work he does for COA ERS. Other clients generally offer governmental immunity that is not applicable to COA ERS.

The Board discussed alternatives for General Counsel services. The initial question is whether or not an in-house attorney is desirable. Staff was asked to research the cost for other comparable (governmental pension experience) firms, including major and boutique firms. Other alternatives included contractual versus part-time employees and contracting with a City of Austin attorney.

After extensive discussion, C. Rodgers made a motion for the options to be brought back to the Policy Committee/Board in October/November as appropriate. M. Monteith seconded the motion. The motion carried unanimously.

6. Trustee Education and Travel Reimbursement Policy Considerations
 - A. Trustee Education Programs
 - B. Requirements for IRS "Accountable Plan" for Reimbursement
 - C. Proposed Trustee Education Program Feedback Program

Due to time constraints, this agenda item was postponed.

E.S. Gonzales moved to adjourn the meeting, and E. Golden. seconded the motion. The motion passed unanimously.

The meeting was adjourned at 4:04 pm.



Reagan David, Board Chair

9/26/2006
Date



Stephen C. Edmonds, Executive Director

9/26/06
Date