



City of Austin Employees' Retirement System

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

**Tuesday, September 26, 2006 – 1:30 PM
418 E. Highland Mall Boulevard, Austin, Texas 78752**

Board Members Present

Janet Bartles
Francis E. Benoit
Eyna Canales-Zarate
Reagan David
Betty Dunkerley
Elizabeth S. Gonzales
Mark Monteith
Cathy Rodgers
Anthony B. Ross, Sr.

Absent

Leslie Browder
Ed Golden

Guests and Staff Present

Stephen Edmonds, Executive Director
Donna Boykin, Finance Manager
Rhonda Helm, Operations Manager
Jesse Ortega, Administrative Supervisor
Robert Dennison, M.D.
Barney Knight, General Counsel
Paige Saenz, General Counsel
Michael O'Brien, Sprouse & Anderson
George Greene, Active Employee

The meeting was called to order at 1:30 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 the following birthdays: F.E. Benoit – July 14; E. Canales-Zarate – August 21; M. Monteith – September 3; C. Rodgers – September 22; E.S. Gonzales – September 25.

D. Board Member Comments

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

R. David commented that L. Browder was unable to attend the meeting to address the July 25, 2006 Quarterly Pension Earnings Update included in the Board packet.

J. Bartles advised that she has been assigned to a City task force to look at GASB 45 and disclosure of benefits. She advised that she will be providing periodic reports to the Board.

R. David reminded the Trustees of the need for agenda items to be posted to allow for Board discussion.

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

Board Trustee Declarations: E. Canales-Zarate reported attending a tailgate party on September 9, 2006 and dinners on August 18 and August 19, 2006 as part of the TEXPERS conference, as well as a meeting with Principal. E.S. Gonzales reported attending a UT game and tailgate party (UT/OSU) on September 9, 2006 with Auerus, Principal, etc., and dinner with GRS at the TEXPERS conference on August 19, 2006, as well as a meeting with Principal. M. Monteith reported dinner with GRS at the TEXPERS conference on August 19, 2006.

Staff Declarations: S. Edmonds reported receiving a book from Aronson, Johnson, Ortiz and an umbrella and tote bag from BLB&G, attending dinner at the NASRA Conference (co-sponsored by Alliance, Fidelity, JP Morgan, Morgan Stanley, and INVESCO) and dinner at the TEXPERS forum with GRS on August 19, 2006. He also reported meeting/contact with Lynch Jones Ryan (David Zacca) – July 25, 2006; Levi, Ray, and Shoup (John Katalinich) – August 2, 2006; Schonfeld IBS (Frank Ready, Robert Moore) – August 10, 2006; Prudential Investments (Peter Taggart) – September 6, 2006; Alliance Capital (David Allen, Rob Felzinci- conference call) – September 8, 2006; Greenwich Associates (Mike Caldwell) – September 14, 2006. R. Helm reported the following for her and Melissa Adams at the Pension Gold Teaming Conference: snack bags, shirts, and lunches on September 20 and 21, 2006. M. Adams also received a copy of Windows Service 2003 Enterprise software.

F. 2006 Board and Committee Meeting Schedule

R. David noted that there is no regularly scheduled Board Meeting in October. The Annual Members' Meeting will be held Wednesday, October 18, 2006 starting at 5:00 pm. He also advised the Board that the Site Visit Team will be conducting visits to Driehaus, Alliance, and Northern Trust October 19-21, 2006.

The October 10, 2006 Benefits and Services Committee Meeting will be rescheduled to November 8, 2006 at 10:00 am. The Audit and Finance Committee will meet at 12:00 pm. and the Disability Committee will meet at 1:30 pm. on November 8, 2006.

3. Consent Items - **Board Action**

A. June 27, 2006 Board Meeting Minutes

B. July 28, 2006 Board Strategic Plan Workshop

C. Ratification of May, June, and July 2006 Retirement and Death Benefits

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

A.B. Ross, Sr. advised that he will not be able to make the November 8th meetings. He requested a couple of changes to the June 27, 2006 Board Meeting minutes. Under 2.C. Board Member Recognition, he asked that the minutes reflect that he completed his "Master of Accounting and Financial Management" degree. Under item 8. he asked for clarification about the missing address of the Nominating and Election Committee member. Staff advised that the address, although available, was not included on the list of Committee members. Consequently in future years, only Committee member names will be provided to the Board for confidentiality and consistency purposes.

4. Disability Retirement:

A. Convene into Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:

- 1) Appeal of Denial of Disability Retirement Benefits of Roy Taylor
- 2) Appeal of Denial of Disability Retirement Benefits of Larry Wagner
- 3) Disability Retirement Application of Denisee L. Daugherty
- 4) Disability Retirement Application of Demetris T. Houston
- 5) Disability Retirement Application of William R. Traylor

B. Reconvene from Executive Session Pursuant to Sec. 13, Art. 6243n, and Sec. 551.0785 Texas Government Code, to Consider and Act on:

- 1) Appeal of Denial of Disability Retirement Benefits of Roy Taylor
- 2) Appeal of Denial of Disability Retirement Benefits of Larry Wagner
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The Board convened into Executive Session at 1:46 pm. and reconvened into Public Session at 2:17 pm. for consideration of benefits for Roy Taylor, Denisee L. Daugherty, Demetris T. Houston, and William R. Traylor. The Board did not discuss Larry Wagner's appeal in Executive Session since Mr. Wagner had requested that his appeal be held in open, Public Session.

E.S. Gonzales made a motion to grant the appeal and approve disability retirement benefits for Roy Taylor. E. Canales-Zarate seconded the motion. Motion carried unanimously.

The Board discussed that Larry Wagner had provided no additional information to support that he is totally and permanently disabled from all employment. A.B. Ross, Sr. made a motion to affirm the denial of the disability retirement appeal for Mr. Wagner. C. Rodgers seconded the motion. Motion passed unanimously. Mr. Wagner will be advised of his rights for reconsideration should he receive Social Security benefits.

J. Bartles made a motion to approve disability retirement benefits for Denisee L. Daugherty. C. Rodgers seconded the motion. Motion passed unanimously.

B. Dunkerley made a motion to deny disability retirement benefits for Demetris T. Houston. M. Monteith seconded the motion. Motion carried unanimously. Mr. Houston will be advised of his rights to reapply since he is still an active-contributing member of COA ERS.

E. Canales-Zarate made a motion to approved disability retirement benefits for William R. Traylor. A.B. Ross, Sr. seconded the motion. Motion passed unanimously.

5. Disability Committee

A. Minutes from August 15, 2006 Meeting

No Board action was required.

6. Investment Committee

A. Minutes and Report from August 18, 2006 Meeting

No Board action was required. C. Rodgers reported that the issues with the INTECH contract have been worked out. She advised that Investment Policy modifications will be considered at the November Committee Meeting. She also informed the Board of the upcoming site visits on October 19, 2006 by J. Bartles, E. Canales-Zarate, and C. Rodgers.

7. Policy Committee

A. Report from September 18, 2006 Meeting

Minutes from the September 18, 2006 Meeting will be provided in the November 28, 2006 Board packet.

B. Amendments to Board Approved Policy P-1 "Statement of Personnel Policy and Guidelines"

R. David reported that numerous housekeeping and a few substantive changes are being recommended. Substantive changes discussed at the Committee Meeting include the following:

- Provision added to clarify insurance coverage for employees driving their own vehicles for COA ERS business. The System's policy for liability is secondary to the driver's policy. Verification of employee insurance may be required. The System is not responsible for physical damage to an employee's vehicle caused by the employee.
- Notice is added to the policy that performance evaluations are subject to open records release.
- The maximum accrual of vacation leave is increased to 400 hours. The amount that an employee can be paid for at termination remains at 240 hours.
- The allowable performance probationary period is increased from 30 to 180 days.

M. Monteith made a motion to approve the proposed amendments to Board-Approved Policy P-1 "Statement of Personnel Policy and Guidelines". A.B. Ross, Sr. seconded the motion. Motion carried unanimously.

C. Amendments to Board Approved Policy D-6 "Disclosure of Certain Relationships"

R. David advised that this policy is being updated in light of the Attorney General's recent opinion. In summary, the changes are designed to put the compliance responsibility with the vendors seeking to do business with COA ERS. The revised policy is permissive with respect to COA ERS requiring questionnaires from potential vendors.

M. Monteith made motion to approve the proposed amendments to Board-Approved Policy D-6 "Disclosure of Certain Relationships." E.S. Gonzales seconded the motion. Motion carried unanimously.

D. Proposed Salary Structure Adjustment

R. David advised that the Committee reviewed a recommendation from the Executive Director for the salary matrix for COA ERS employees to be adjusted by 2.5% for 2007, based on a review of salary survey data. The Board's responsibility is to set pay grades (salary structure). The Executive Director is charged with determining individual employee pay, subject to the adopted budget. This specific action simply changes the minimum and maximum of the pay grades.

C. Rodgers made a motion to approve the salary structure adjustment of 2.5% for 2007. A.B. Ross, Sr. seconded the motion. Motion passed unanimously.

R. David also reported that the Committee discussed the current and possible alternatives for the contractor vs. employee relationship with the General Counsel. Recommendations will come at a later meeting. The Committee discussed the performance of the General Counsel. It was the consensus that he has done a good job for the System. The Committee also discussed several issues with respect to Trustee education/travel and will be giving general guidance to the Audit and Finance Committee for amendment of the education/travel policy. It is suggested that we move to a federal per diem reimbursement and add a Trustee education feedback form to the policy.

8. Audit and Finance Committee

A. Minutes and Report from August 30, 2006 Meeting

The Audit & Finance Committee minutes were provided as information and no action was necessary. A.B. Ross, Sr. and F.E. Benoit requested minor changes be made to the minutes. The changes will be made and presented to the Committee for approval.

B. Business Processes Audit Report Acceptance – Sprouse & Anderson

Mike O'Brien, external auditor from Sprouse & Anderson, addressed the Board to present the 2006 Business Process Audit Report. He commented that he had reviewed the report and findings in detail with the Audit and Finance Committee at the August 30,

2006 meeting. He explained that the procedures were carried out as presented in the 2005 plan approved by the Board. He stated that there were no material weaknesses. Several recommendations were discussed in detail with the Audit and Finance Committee.

E.S. Gonzales made a motion to accept the Business Processes Audit Report. A.B. Ross, Sr. seconded the motion. Motion carried unanimously.

R. David thanked Mr. O'Brien for his report and commended staff for continuing to work on compliance.

C. Proposed 2007 Administrative Budget

E.S. Gonzales stated that the Audit and Finance Committee had gone through each line item of the budget in great detail. E.S. Gonzales made a motion for approval of the 2007 Administrative Budget as proposed. B. Dunkerley seconded the motion. Motion passed unanimously.

9. Supplemental Funding Plan Process and Implementation

S. Edmonds explained that he had a brief meeting with the City Controller's Office to discuss methodology to implement the Supplemental Funding Plan. He advised that the City wants to pay on a monthly basis based on the number of budgeted positions.

He explained that since COA ERS is also an employer of the plan that the System would be increasing its contribution rate to 9% as well effective October 2006 to correspond with the Supplemental Funding Plan. The Board discussed that this rate increase was addressed in the 2007 budget.

E. Canales-Zarate made a motion to accept the report. B. Dunkerley accepted the motion. Motion carried unanimously.

E.S. Gonzales – off the dais.

10. General Counsel Report

There was no General Counsel Report.

11. Executive Director's Report

- A. Calendar Items / Conferences / Training
- B. Trustee Place 11 Election Update
- C. Retirement Office News
- D. Communications Update
- E. Member News
- F. Public Pensions in the News
- G. Investment News
- H. Funding Transfer to INTECH
- I. Second Quarter 2006 Financials

J. Comparative Calculation and Retirement Activity Levels

S. Edmonds informed the Board that only one person submitted an application for the Trustee Place 11 election: incumbent Janet Bartles. Because of the provision for write-in candidates, an election is still required. Ballots will be mailed on or about October 18, 2006 with a return deadline of November 29, 2006.

Rosaree Koepsel resigned her position as Executive Assistant. Recruitment for a replacement is currently underway.

The Comprehensive Annual Financial Report Summary has been prepared and distributed to active and retired COA ERS members.

A new *Retirement Update* has been prepared and will soon be distributed to active and retired COA ERS members.

As of July 10th, all affidavits have been received. Errin Garcia and Craig Finkelstein were recognized for their diligent follow-up to ensure all members complied.

The Disability Committee is scheduled to meet in November to review the disability renewals and the revised process. Staff has heard from the retiree who had not previously responded. Staff has also received proof of income from another retiree. In addition, the IRS has not sent 2005 information for three other retirees.

Preparations are underway for the Annual Members' Meeting on October 18th at 5:00 pm. Individual invitations are being mailed to City Council, City Manager, Asst. City Managers, and Department Heads.

S. Edmonds referred the Board to a summary report on the annual meeting of the National Association of State Retirement Administrators (NASRA), which he attended in August. One item noted is the purchasing (e.g. converting) of sick leave for time that is eligible to be paid as income by the employer. This is an issue for the employer (City) and the employee, however, the System may need to address this in policy to ensure there is no potential problem.

As the third quarter approaches, inquiries about cost-of-living increases are growing. S. Edmonds referred the Board to email correspondence with one particular retiree.

E.S. Gonzales – back on dais.

S. Edmonds reported that the funding transfer to INTECH was being completed using Northern Trust as our transition manager. The Board requested information regarding the transition cost savings after the transition is complete.

S. Edmonds referred the Board to the Second Quarter 2006 Financial Statements and comparative calculation and retirement activity levels included in the Executive Director's Report.