



# City of Austin Police Retirement System

Minutes of the Regular Meeting  
 Wednesday, May 26, 2010 at 11:30 a.m.  
 Kendall Thomas, Chesley Wood, Bldg.  
 2520 South I.H. 35, Ste. 100  
 Austin Police Pension Office

**Trustees Present**

Pete Morin, Chair  
 Kendall Thomas  
 Catherine Haggerty  
 Mike Jung  
 Chesley Wood  
 Fred Fletcher, V-Chair

**Trustees Absent**

Jeff Knodel  
 John Ross  
 Tim Atkinson  
 Art Alfaro  
 Randi Shade

**Staff/Guests**

Sampson Jordan, CEO  
 Stephanie Willie, DD  
 Joe Meals, CSG  
 Bob May, EA  
 Vernon Webb, FM  
 Michelle Ruland, BS

**Peter Morin, Chair, called the Board to order at 11:47 a.m.**

**Minutes of the Regular Board Meeting held April 20, 2010**

Peter Morin, Chair reported the April 20, 2010 Regular Board Meeting Minutes as written in trustee packets was up for discussion and approval. Catherine Haggerty in reviewing the minutes reported Keith Stoddard should be inserted as correction to Ken Stoddard on page 2 under 'Service Credit Purchases', under 'Old/New Business' forward inserted for back and summer deleted on page 5 in the announcement of meeting dates for May and June. **Fred Fletcher made a motion to approve the minutes of April 20, 2010 as written in the trustee packets with corrections noted by Catherine Haggerty.**  
**Mike Jung seconded the motion.**

**New Retired Members April 2010**

Peter Morin, Chair, reported the New Retired Members for April 2010 as written in trustee packets were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Fred Fletcher made a motion to approve the New Retired Members for April 2010 as written in the trustee packets.**  
**Mike Jung seconded the motion.**

NAME	OPTION	RETIREMENT DATE	YRS./MOS. SERVICE	AGE
Donnie Williamson	FWD-Option I	04/30/2010	26 yrs. 2 mos.	46 yrs. 11 mos.
David Troupe	Life Only	04/30/2010	24 yrs. 0 mos.	57 yrs. 3 mos.
Thomas L. Butler	Option I	04/30/2010	24 yrs. 0 mos.	49 yrs. 1 mo.
Keith Stoddard	RP-Life Only	04/30/2010	26 yrs. 0 mos.	49 yrs. 6 mos.
Patrolene Briggs	R-RP-Life Only	04/30/2010	26 yrs. 7 mos.	52 yrs. 0 mo.

Life = Life Only Annuity  
 I = 100% Joint & Survivor  
 II = 50% Joint & Survivor  
 III = 66 2/3% Last Survivor  
 IV = Joint & 66 2/3% Last Survivor  
 V = 15 Year Certain & Life  
 R = Retro DROP Lump Sum Distribution  
 RP = Retro DROP Lump Sum to PROP  
 FWD = Forward DROP Monthly Annuity  
 PROP = Post Retirement Option Plan  
 QDRO = Qualified Domestic Relations Order

**PROP Disbursements for April 2010**

Peter Morin, Chair, reported the PROP Disbursements for April 2010, as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Fred Fletcher made a motion to approve the PROP Disbursements for April 2010 as written in the trustee packets. Mike Jung seconded the motion.**

NAME	DISBURSEMENT AMOUNT	DATE	AGE AT RETIREMENT	AGE AT DISBURSEMENT	ACCOUNT BALANCE
Pedro Seguin	N/A	4/30/2010	59	60	N/A

**PROP Monthly Annuity Deferrals for May 2010**

Peter Morin, Chair, reported the PROP Monthly Annuity Deferrals for May 2010, as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Fred Fletcher made motion to approve the PROP Monthly Annuity Deferrals for May 2010 as written in the trustee packets. Mike Jung seconded the motion.**

NAME	AMOUNT	DATE	AGE AT RETIREMENT	AGE AT DEFERRAL
Daniel Zahara	N/A	5/31/2010	56 yrs.	56 yrs.
Kenneth Smith	N/A	5/31/2010	53 yrs.	60 yrs.

**Service Credit Purchase for April 2010**

Peter Morin, Chair reported the Service Credit Purchase for April 2010 as written in trustee packet, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Fred Fletcher made a motion to approve the Service Credit Purchase for April 2010 as written in the trustee packet. Mike Jung seconded the motion.**

NAME	SERVICE CREDIT TYPE	DATE	AMOUNT
Eric Oakman	5 Mos. Cadet	4/5/2010	N/A
Mark Brown	1 Mos. Cadet	4/8/2010	N/A
Michael Hugman	1 Mos. Cadet	4/9/2010	N/A
Jerold Seidl	1 Mos. Cadet	4/9/2010	N/A
Steven Beasley	24 Mos. Military	4/12/2010	N/A
Chris Lamb	5 Mos. Cadet	4/12/2010	N/A
Michael Sutton	6 Mos. Military	4/12/2010	N/A
Kimberly DeVitt	6 Mos. Cadet	4/15/2010	N/A
David Lugo	12 Mos. Military	4/16/2010	N/A
Ronald McMillion	2 Mos. Military	4/23/2010	N/A
Marcelino Gonzales	6 Mos. Cadet	4/26/2010	N/A
Jeffrey Slater	3 Mos. Military	4/30/2010	N/A

**Deceased Benefit Termination, Beneficiary Benefit Payments for May 2010**

Peter Morin, Chair reported the Deceased Benefit Termination and Beneficiary Death Benefit Payment for May 2010, as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Fred Fletcher made a motion to approve the May 2010 Retiree Termination and Death Benefit for Lester Anderson, as written in the trustee packets. Mike Jung seconded the motion.**

NAME	OPTION	DATE of DEATH	AGE
Lester Anderson	Life	4/30/2010	62 yrs. 11 mos.
% Nicole E. Minor	N/A		

## Investment Committee Meeting, May 26, 2010

### Manager Monthly & YTD Performance Report

Kendall Thomas, Investment Committee Chair introduced Joe Meals, investment consultant at Consulting Services Group, Inc. who presented handouts at 9:00 a.m. May 26, 2010 to the 'Committee', on 'APRS' manager performances with accruals and unrealized gains as of April 30, 2010. The handouts showed the total composite asset fund value was \$453,000,642 (unaudited).

Joe reported the handouts titled 'Market Value and Returns Summary' showed the 'APRS' total composite return was 1.5% Current Month, 3.3% Year to Date, 13.0% Trailing 1 year, -4.1% Trailing 3 Years, 4.4% Trailing 5 Years and 9.3% Manager Inception. The presentation also showed the portfolio Asset Allocation was 61% Market Dependant (Equity- US Bonds, Mezzanine Loans & Private Loans of 24%) and 39% Alternative Investments (Hedge Funds-5%, Private Real Estate-17%, Timber-11%, Private Equity-3% and Natural Resources-3%). The equity manager performances were up 3.0%, while the broader S&P 500 index was up 1.6%; fixed income manager performances were up 1.8%, while the JPM EMBI Global Diversified index was up 0.8%, Barclays Aggregate Bond Index was up 1.0%; real estate and timber manager performance were down -.1, and total alternatives in private equity and hedge funds were up 0.7% at month-end.

Joe reported the total fund performance in April at 1.5% was good and the year to date performance 3.3% was good, also. **No action required by the Board.**

#### **A. Tradewinds Global Investors, LLC-All Cap**

Kendall Thomas, Investment Committee Chair reported the 'Committee' met with Michael Mullane, Managing Director, Dimitrios Stathopoulos, Sr. Vice President at Nuveen Investments and Joe Meals, APRS Investment Consultant regarding their Tradewinds global international portfolio investments at 9:15 a.m. on Wednesday, May 26, 2010. Tradewinds has \$3.9 billion in its All Cap Equity assets under management, using the MSCI ACWI benchmark; with investable universe \$100 million and up, 40-85 issuers, \$10 minimum account size and negotiable fees ranging from 70 to 85 bps. The Rolling 4-quarter 9/2007 to 3/2000 minimum return is -27.8%, maximum return is 64.4%, average return 10.2% and standard deviation 30.5%.

Kendall reported the 'Committee' unanimously recommended to hire Tradewinds Global Investors in the amount \$30 million based on their modest standard deviation, and ability to compliment the other existing global equity strategy manager (Thornburg) under management. All of these reasons to hire Tradewinds are subject, to APRS Investment Consultant, Chief Executive Officer and Attorney review and approval of structure and agreements. **Mike Jung made a motion to approve investing up to \$30 million in 'All Cap Global Equity' investment portfolio at Tradewinds Global Investors as recommended by the Investment Committee, subject to APRS Investment Consultant, Chief Executive Officer and Attorney review and approval of the structure and agreements. Chesley Wood seconded the motion.**

#### **B. MFC Global (US) Global Opportunities**

Kendall Thomas, Investment Committee Chair reported the 'Committee' met with Christopher Arbuthnot, Portfolio Manager, Roger Hamilton Portfolio Manager and Reid Kilberg, Managing Director at MFC Global Investment Management and Joe Meals, APRS Investment Consultant regarding MFC global international portfolio investments at 9:45 a.m. on Wednesday, May 26, 2010. MFC global investments has \$533 million in its

global opportunities assets under management, using the MSCI ACWI benchmark; with investable universe \$100 million and up, 35-65 issuers, \$10 minimum account size and negotiable fees ranging from 65 to 75 bps. The Rolling 4-quarter 9/2007 to 3/2000 minimum return is -52.2%, maximum return is 99.3%, average return 17.1% and standard deviation 52.4%.

Kendall reported the 'Committee' did not take any action on hiring MFC Global (US) Global Opportunities at this time. **No action required by the Board.**

**C. JP Morgan India Property Fund-'Commitment Period Extension'**

Kendall Thomas, Investment Chair reported the 'Committee' received JP Morgan Asset Management letter at 10:15 a.m. Wednesday, May 26, 2010, requesting action to extend the India Property Fund investment period to July 31, 2011 from July 31, 2010, which APRS is \$5 million limited partner. After discussion with Joe Meals, APRS investment consultant regarding this extension, Kendall Thomas reported the 'Committee' and its Investment Consultant **did not recommend** the **Board** approve the India Property Fund 'Commitment Period Extension', at this time due to liquidity issues. **Mike Jung made motion to 'not' approve the 'Commitment Period Extension' on the India Property Fund, as recommended by Investment Committee and Joe Meals, APRS investment consultant. Chesley Wood seconded the motion.**

**D. Landbaron Investments-'Partnership Interest for Purchase'**

Kendall Thomas, Investment Chair reported the 'Committee' received Landbaron Investments letter at 10:30 a.m. Wednesday, May 26, 2010, announcing 'Partnership Interests Available for Purchase' by Fort Worth Employees Retirement Fund and requested interest parties contact them to make an offer. The dollar amount of property for purchase is approximately \$10 million and the letter said all reasonable offers will be considered. After discussion with Joe Meals, APRS investment consultant regarding this extension, Kendall Thomas reported the 'Committee' and its Investment Consultant **did not recommend** the **Board** approve making an offer to purchase Fort Worth Employees Retirement Fund partnership interest, at this time due to liquidity issues. **No action required by the Board.**

**E. Capitalspring FCP III-'Closing Extension Agreement'**

Kendall Thomas, Investment Committee Chair reported the 'Committee' received Capitalspring letter at 10:45 a.m. on Wednesday, May 26, 2010, requesting approval to amend Franchise Capital Partners III, '2<sup>nd</sup> Amended and Restated Limited Partnership Agreement', closing extension agreement to March 31, 2011 from June 19, 2009, which APRS is \$5 million limited partner. After discussion with Joe Meals, APRS investment consultant regarding this closing extension, Kendall reported the 'Committee' and its Investment Consultant recommended the Board approve the Franchise Capital Partners III closing extension as requested by Capitalspring, due to economic diversification reasons. **Mike Jung made motion to approve the 'Closing Extension Agreement' on the Franchise Capital Partners III, as recommended by Investment Committee and Joe Meals, APRS investment consultant. Chesley Wood seconded the motion.**

**F. Investment Rebalancing and Reallocation**

Kendall Thomas, Investment Committee Chair reported the 'Committee', Joe Meals, APRS Investment Consultant met at 11:00 a.m. and recommended terminating Brandes Partners, Inc. (approximately \$35 million portfolio) as APRS global investment manager, in order to fund Tradewinds 'Global

All Cap Equities' account with equal weight allocation between Tradewinds and current global equity manager Thornburg Investment Management. Mike Jung made a motion to terminate Brandes Partners, Inc. and use some of the monies in the account to fund Tradewinds 'Global All Cap Equities' account with equal weighting between Thornburg Investment Management global equity manager, as recommended by the Investment Committee and Joe Meals, Investment Consultant. Chesley Wood seconded the motion.

#### Disability Committee Meeting, May 26<sup>th</sup>, 2010

##### **A. Continuing Disability Benefit for Lyndon Lueders**

Catherine Haggerty, Disability Committee Vice Chair, in absence of John Ross, Chair, reported the 'Committee' met at 11:15 a.m. on Wednesday, May 26, 2010 to receive and accept Lyndon Lueders memo announcing withdrawal of his continuing disability benefit, because his personal income is greater than APRS Vernon statute 6243n-1 allows applicants on disability benefits.

Catherine reported the 'Committee' unanimously recommended Lyndon Lueders disability benefits be terminated, effective June 1, 2010 since he requested his benefit be withdrawn. Fred Fletcher made a motion to approve terminating Lyndon Lueders disability benefit effective June 1, 2010 as unanimously recommended by the 'Disability Committee' and as requested by Lyndon Lueders. Mike Jung seconded the motion.

#### Pension Office Report

##### **A. Treasury Report**

Sampson Jordan, CEO presented the April 30, 2010 monthly Treasury Report, showing the total 'APRS' asset value to be \$453,773,277.01 (unaudited). This asset value was up \$9,026,644.95 from March 31, 2010 asset valuation of \$444,746,632.06 million (unaudited).

The total fund investment commitments are \$35,211,170.02 million, which consisted of \$1,043,171.19 in Mezzanine Loans, \$8,807,127.00 in Value Added Real Estate, \$2,460,513.02 in International Real Estate, \$199,424.00 in Opportunistic Real Estate Land Development, \$4,050,000.00 in Timber, \$12,410,934.81 in Private Equity, and \$6,240,000.00 in Special Situation waiting total capital call. The report showed \$18,353,344.83 in cash or cash (treasury notes) equivalent reserves is short -\$1,026,564.68 to meet total fund commitment \$19,379,909.51 as required by the liquidity policy in the Investment Policy Statement (IPS). The IPS required 35% Minimum Public Traded liquidity is in compliance at 35.44%. The IPS 50% Maximum Illiquid Target requirement is in compliance and is well within the 60% maximum range. No action required by the Board.

Sampson also reported the Administrative Expenses paid year to date April 30, 2010 of \$284,077.48 (unaudited) meets the projections made in the February 2010 budget of \$803,560.00 after applying administrative proportionate retirement contributions and building income. The Building Expenses paid and revenues received on tenant leases year to date April 30, 2010 produced net income of \$26,436.58 or 11.60% return on investment. The Investment Expenses paid year to date April 30, 2010 of \$502,697.98 meets projections made in the February 2010 budget of \$2,146,000.00. No action required by the Board.

**B. 1<sup>st</sup> Quarter 2010, Security Monitoring Report-(BD/CMH/SKRW**

Sampson Jordan, CEO presented to the Board of Trustees the Securities Monitoring Report covering the 1<sup>st</sup> Quarter of 2010 as submitted by Berman De Valerio PC; Cohen, Milstein, Sellers, Toll PC; and Spector Roseman Kodroff & Willis PC security litigation firms retained by APRS to monitor its trading records and determine whether any losses were the result of fraud. All firms reported the losses in the APRS security portfolios identified as of April 30, 2010 did not alert them to take any action for the following reasons: (a) the System did not purchase the security at issue during the alleged class period; (b) its losses were not significant enough to warrant further consideration; c) the firm did not consider the case sufficiently strong to justify recommending as lead plaintiff in class action. **No action required by the Board.**

**C. CBRE Special Situations Fund, Side Letter Agreement**

Sampson Jordan, CEO reported the said, CBRE Special Situations Fund, 'Side Letter Agreement' approved by Peter Morin, Chair that provides blocker to capture UBTI, if caused by the investments in the CBRE Special Situations Fund. This agreement was recommended for approval by Bob Klausner, APRS attorney and is allowed by the Investment Policy Statement (IPS) when in the best interest of the fund and time is of essence. This agreement was required to be approved prior to the May 26, 2010 meeting. The consensus opinion of the Investment Committee Chair, Board Chair, Board Vice-Chair and appropriate Third Party Professionals (investment consultant and attorney) approved this amendment. **No action required by the Board.**

**D. WTF-(aka Global Forest Partners)-Directors Election**

Sampson Jordan, CEO reported RII World Timberfund, Inc.-Annual Meeting of Stockholders 'Consent of Stockholder' directors election was executed by Peter Morin APRS Chair, after it was considered a matter in the best interest of 'APRS' as allowed by the Investment Policy Statement (IPS). The amendment provided for the re-election of Robert Kriscunas, Craig Neeser and Peter Mertz as directors to manage the World Timberfund. This election 'Consent' was required to be approved prior to the May 26, 2010 meeting. The consensus opinion of the Investment Committee Chair, Board Chair, Board Vice-Chair and appropriate Third Party Professionals (investment consultant and attorney) approved this re-election 'Consent of Stockholder'. **No action required by the Board.**

**E. Statewide Patrol, Inc. Lease Termination**

Sampson Jordan, CEO reported the Statewide Patrol, Inc lease termination was presented by James McClure and Richard Powers owners to be effective May 1<sup>st</sup>, 2010. However, Sampson reported there was ongoing dialogue since this notice was given and negotiation continuing to consider renewing agreement for another two years, with options for three 1 year extensions after 2012. **No action required by the Board.**

**Old/New Business**

Peter Morin, APRS Chair requested the Board Members observe a moment of silence in recognition the passing of Lester Anderson, retiree. **No action required by the Board.**

Peter Morin, APRS Chair announced the Financial Planning Seminar held on

April 29, 2010 was well attended and according to surveys received by the pension office, was very informative. He thanked staff for their work especially Michelle Ruland, Benefits Specialist for doing a great job. **No action required by the Board.**

Bob May, APRS Rudd & Wisdom, Inc. actuary handed out letter announcing transition taking place that allows Mark Fenlaw to assume more duties and responsibilities with their clients, except Austin Police Retirement System. The Austin Police Retirement System actuarial responsibilities will be co-principal between Bob May and Mark Fenlaw. **No action required by the Board.**

Peter Morin, APRS Chair reported Sampson Jordan, CEO informed him the Fiduciary Liability Insurance quote requested by Mike Jung, Trustee at the April 20, 2010 meeting was still in understudy by the Segal representative recommended by Bob Klausner, APRS attorney. **No action required by the Board.**

Peter Morin, APRS Chair reported Single Payment Benefit ruling requested at past meeting had been reviewed by APRS actuary (Rudd & Wisdom, Inc.) and legal representative (Klausner and Kaufmann, PA) and both concluded it was prohibited without changing the APRS pension statute 6243n-1. **No action required by the Board.**

Catherine Haggerty, Trustee requested the Post Retirement Option Program policy be revisited by the APRS attorney to determine whether it can be modified to allow members in the program to enter and exit it at will, without having to stop their contributions or terminate their membership, subject to IRS regulations. She reported other retirement systems, notably Dallas Police and Fire and Houston Fire Fighters, allow for such within normal restriction limits on withdrawal numbers and dollar amounts. Sampson Jordan, CEO reported he would be happy to submit this request to Bob Klausner, APRS attorney once he received the request in writing, so that the attorney could research the regulatory requirements in order to modify the policy. **No action required by the Board.**

Sampson Jordan, CEO announced he will be attend one day seminar Wellington Investment Management seminar in Boston during his vacation June 7-11, 2010. **No action required by the Board.**

#### **Adjournment**



**Peter Morin, Chair**