



City of Austin Police Retirement System

Minutes of the Regular Meeting
Wednesday, June 18, 2008
at 11:30 a.m. Retirement Bldg.,
2520 South I.H. 35, Ste. 100
Austin Police Pension Office

Trustees Present

Pete Morin, Chair
Fred Fletcher, V-Chair
Chesley Wood
Art Alfaro
Kendall Thomas
John Ross
Sean Mannix
Catherine Haggerty
Mike Jung

Trustees Absent

Karen Kennard
Sheryl Cole

Staff/Guests

Sampson Jordan, CEO
Stephanie Willie, APA
Gabriella Powers, FM
Bob May, EA
Christine Sweeney, Atty.
Michelle Waller, BSp.
Mark Fenlaw, EA
Ron Partain, CSG
Wes Martin

Peter Morin, Chair, called the Board to order at 11:45 a.m.

Approval of Minutes from the May 14, 2008, Regular Board Meeting

Peter Morin, Chair, reported the May 14, 2008, Board Meeting Minutes as written in trustee packets, was up for discussion and approval. Not hearing any discussion Peter asked for a motion to approve the minutes. **Fred Fletcher made a motion to approve the minutes of May 14, 2008 as written in the trustee packets. John Ross seconded the motion.**

New Retired Member(s) May 2008

Peter Morin, Chair, reported the New Retired Members for May 2008, as written in trustee packets, was 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 May 2008. John Ross seconded the motion.**

NAME	OPTION	RETIREMENT DATE	AGE	Yrs./Mos. Service
Kimberly Nobles	Life-RP	5/31/2008	47 yrs.	24 yrs 8 mos.
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 May 2008

Peter Morin, Chair reported there were not any PROP Disbursements in the packet for May 2008 to approve. **No action required by the Board.**

PROP Monthly Annuity Deferral(s) for May 2008

Peter Morin, Chair, reported the PROP Monthly Annuity Deferral for May 2008, as written in trustee packets, was 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 Monthly Annuity Deferrals for May 2008. John Ross seconded the motion.**

NAME	Age at Retirement	DATE	Monthly Deferral Amount
White, Victor	49 yrs.	5/31/2008	N/A

Member Service Purchase(s) for May 2008

Peter Morin, Chair, reported the Service Purchases for May 2008 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 Member Service Purchases for May 2008. John Ross seconded the motion.**

NAME	TYPE OF BUYBACK	LENGTH OF BUYBACK
Covington, Kevin	Cadet	7 Mos.
Covington, Kevin	Military	24 Mos.
Limon, Martin	Cadet	6 Mos.

Investment Committee Meeting, June 18, 2008

A. Manager Monthly & YTD Performance Report

Kendall Thomas, Investment Chair introduced Ron Partain, Investment Consultant at Consulting Services Group the 'APRS' consultant and reported the 'Committee' met with Ron at 9:00 a.m. on Wednesday, June 18, 2008 regarding the Austin Police Retirement System investment allocation and performance return. Handouts prepared by Consulting Services Group showed the total composite asset fund value with accruals and unrealized gains was \$518,187,794.

Ron reported the handouts titled 'Market Value and Returns Summary' showed the 'APRS' total composite return was 1.4% Current Month, less than one percent at .8% Year to Date, 3.1% Trailing 1 year, 13.3% Trailing 3 Years and 13.5% Trailing 5 Years. The presentation also showed the portfolio Asset Allocation was 66% Market Dependant (Equity-US, International & Emerging Markets of 41% and Fixed Income-Cash, Core US Bonds, Mezzanine Loans & Private Loans of 25%) and 34% Alternative Investments (Private Real Estate-22%, Timber-10% and Natural Resources (energy) less than 1%).

The May 31, 2008 'APRS' equity manager performances were up 2.9%, while the broader S&P 500 index was up 1.9%; 'APRS' fixed income manager performances were up .5%, while the JPM EMBI Global Diversified index was up .1% and Lehman Brother Aggregate Bond Index was down -.7%; 'APRS' real estate manager performances were

up .4%, alternative investments in timber were up .55%, and energy up .6% as of May 31, 2008. May was a good investment return month for 'APRS' but analyst and economist continue to see weak and troublesome markets, because of high energy and commodity cost. **No action required by the Board.**

B. AEW Capital Management

Kendall Thomas, Investment Committee Chair reported the 'Committee' met with Marc Davidson, Portfolio Manager and Dave McWhorter, Investment Advisor at AEW Capital Management at 9:15 a.m. on Wednesday, June 18, 2008 to discuss opportunistic real estate investment opportunities.

Kendall reported AEW Real Estate has a long history since 1988 of investing in opportunistic fund strategies. They are market-cycle proven, have a dedicated management team, with integrated research capabilities and committed to creating/capturing value and returning client capital. The Opportunistic Partners VI fund they are presently marketing has a target net IRR of 16-18%, North American-focused, \$750 million target, 8 year term with 4 year investment period and up to 75% leverage. The preferred return is 9%, 1st closing is July 31, 2008, fees of 1.25% on committed capital, \$425 million currently raised, and allows for minimum \$5 million commitments. The funding will be by capital calls with the first one scheduled for January 1, 2009.

Kendall reported the 'Committee' recommended investing \$5 million in AEW Partners VI, LP as presented by Dave McWhorter and Marc Davidson. John Ross made a motion to approve investing \$5 million in AEW Partner VI, LP as recommended by the Investment Committee, subject to legal counsel review and approval of the agreement. Mike Jung seconded the motion.

C. Petra Capital Management

Kendall Thomas, Investment Committee Chair, reported the 'Committee' met with JaDeane Ingo, Investment Advisor at Petra Capital Management at 10:30 a.m. on Wednesday, June 18, 2008 regarding an investment opportunity in a 'Collateralized Structure Return Strategy Fund'.

Kendall reported the 'Committee' after considering the matrix design complexity using CMBS, Opportunistic Loans, and Loan Purchases, Special Situations and Distressed Acquisition and 3 year investment period process with no return guarantees did not make a recommendation to invest with Petra Capital Management at this time. **No action required by the Board.**

D. Investment Rebalancing and Reallocation

Kendall Thomas, Investment Committee Chair reported the 'Committee' and Consulting Services Group, Inc. consultant Ron Partain recommended withdrawing \$4 million from the PIMCO Moderate Duration (bond) Fund in order to fund future capital calls in the 'APRS' alternative investment portfolio of real estate and fixed come assets. **John Ross made a motion to approve withdrawing \$4 million from the PIMCO Moderate Duration (bond) Fund as recommended by the 'Committee' and consultant Ron Partain, in order to make future capital calls in the alternative investment portfolio of real estate and fixed income. Fred Fletcher seconded the motion.**

1. Pending Investments

a. New Boston Fund

Kendall Thomas, Investment Committee Chair reported the 'Committee' met at 11:00 a.m. June 18, 2008 to recommend Investing \$5 million in New Boston Fund VII, a real estate

investment presented at the May 14, 2008 Investment Committee Meeting. He said the 'Committee' tabled making a decision at that meeting until an analysis comparing Fund VII versus other like real estate manager funds. The review performed by Consulting Services Group, Inc., 'APRS' consultant showed past New Boston fund returns were solid 13.2%, since inception 2001.

Chesley Wood made a motion to approve investing \$5 million in New Boston's Fund VII, as recommended by the 'Investment Committee', subject to legal counsel review and approval of contractual agreements. Sean Mannix seconded the motion.

CM Marc Ott Letter re: Proportionate Retirement

Sampson Jordan, CEO presented a letter written by 'APRS' attorney Terry Kendall and executed by Pete Morin, Chair that was mailed to City Manager Marc Ott as authorized by the Board at its May 14, 2008 Regular Board meeting. The letter stated the following;

Dear Mr. Ott:

The Board of Trustees of the Austin Police Retirement System ("APRS") was advised several years ago that the City of Austin (the "City") is interested in creating a portable service credit relationship between the City of Austin Employees Retirement System ("COAERS") and APRS. To this end, Chapter 803 of the Government Code, relating to a statewide proportionate retirement program, was amended during the last session of the Legislature to specifically authorize APRS to participate in that program provided that certain requirements are met (see Section 803.101, Subsections (f), (g), and (h)). Among those requirements are approval by the Board of Trustees of APRS and by the City Council, and that all initial and future costs of participation (including costs of actuarial studies, etc., required by Section 803.101) are paid by the City.

The Board understands that the City may desire at this point to go forward with whatever action is necessary to authorize such participation, especially in view of a proposal to transfer certain employees from the City's Parks, Marshals and Airport Departments to the Police Department. Those employees are presently covered by COAERS and would not be eligible to use their COAERS service credit toward retirement under APRS unless APRS began participation in the proportionate retirement program.

The Board is not opposed to the proposal to authorize such participation, but believes that, before the Board authorizes its actuaries to conduct any studies, it needs to receive assurance from the City that (a) the City wants to move forward with this proposal, and (b) the City will pay all costs of such studies.

Since the Board customarily only meets once each month, it would be appreciated if you would promptly provide these assurances.

Sincerely,

Peter Morin, Chairman
Enc.
CC APRS Board Members

Sampson reported as of June 18, 2008 the date of the meeting a response had not been received from the City Manager regarding this letter. **Catherine Haggerty made a motion to approve authorizing Peter Morin, Chair or Fred Fletcher, Vice Chair to**

execute an agreement engaging in an actuarial studying of the effect of proportionate retirement on the Police Retirement System, as soon as notice from the City was received on their assurance (a) to move forward with the actuarial study, and (b) cost of such studies are paid by the City. Sean Mannix seconded the motion.

Economic & Demographic Actuarial Assumption Recommendations " 2007 Actuarial Valuation " Rudd & Wisdom", Inc.

Peter Morin, Chair introduced Bob May, Actuary at Rudd & Wisdom, Inc. who presented a 'Draft' report titled 'Actuarial Methods and Assumptions for the December 31, 2007 Actuarial Valuation'.

Bob May, Actuary reported Rudd & Wisdom, Inc. did not recommend changing at this time any of the Economic Assumptions used in the previous 2006 Valuation for the 2007 Valuation. However, the 8% (net) investment return assumption would be under advisement with the 'APRS' investment consultants until the July 2008 Board meeting, but at this time Rudd & Wisdom, Inc. did not recommend its change. The Mortality Assumption is recommended to be changed by Rudd & Wisdom, Inc. in the 2007 Valuation from the 2006 Valuation by adopting the RP-2000 Mortality Table with projection to 2010. Making this change should reduce the need to change the mortality assumption less frequently in future valuations. The Retirement Assumptions in the 2006 Valuation are not recommended to be changed in the 2007 Valuation by Rudd & Wisdom, Inc. Interest Credited on Members Accumulated Contributions in the 2006 Valuation are recommended to be changed in the 2007 Valuation from 3% to 5% by Rudd & Wisdom, Inc., because effective September 1, 2007 the interest credited is only applicable for a vested (10 year) member. Changing the interest credit assumption from 3% to 5% is consistent with the default of 5% reflected in the statute effective September 1, 2007. The Other Actuarial Assumptions and Actuarial Methods in the 2006 Valuation are not recommended to be changed in the 2007 Valuation by Rudd & Wisdom, Inc. John Ross made a motion to accept the recommendations for actuarial assumption changes as presented by Rudd & Wisdom, Inc. for the RP-2000 Mortality Tables with projections to 2010 and Interest Credited on Members Accumulated Contributions to 5% from 3% for the 2007 Actuarial Valuation. Fred Fletcher seconded the motion.

Administrative Legal Services

Peter Morin, Chair introduced Gordon Kendall and Patrice Nunn who were in attendance on behalf of Terry Kendall, unable to attend due to illness, to receive the following proclamation which was read out loud.

PROCLAMATION OF APPRECIATION

Declaration of Terry Kendall as distinguished legal counsel for the City of Austin Police Retirement System,

*W*HEREAS:

Terry Kendall served as the legal counsel for the City of Austin Police Retirement System for the last 15 years where

his legal opinions have been invaluable to the System; and

WHEREAS:

Terry Kendall attended meetings and used his legal insight to guide the Board of Trustees in their decision making; and

WHEREAS:

Terry Kendall has provided legal expertise in writing amendments to the Pension Statute 6243n-1 using professionalism, skill and knowledge that has helped the City of Austin Police Retirement System develop a reputation for quality and excellence; now therefore, be it

RESOLVED:

That the City of Austin Police Retirement System's Trustees, Staff, and its Members recognize Terry Kendall's outstanding leadership and service; and be it hereby

RESOLVED:

The City of Austin Police Retirement System, formally expresses its gratitude and extends sincere appreciation to Terry Kendall for his many years of service.

Peter Morin
Austin Police Retirement System Chairman

Sampson Jordan, CEO introduced Chuck Campbell attorney at Jackson Walker, LLP who was recommended by Terry Kendall, retiring 'APRS' attorney to assist the City of Austin Police Retirement System in administrative legal services, while it considers engaging a Request For Qualification (RFQ).

Chuck Campbell, attorney at Jackson Walker, LLP presented his proposal for services to represent the City of Austin Police Retirement System in administrative law. The areas of law Jackson Walker, LLP represents for retirement systems are the following, public pension administration and benefits, plan design and compliance, legislation, funding, investments, fiduciary responsibility, outside service providers, public law, and litigation if necessary.

The proposal listed the following public pension clients in Texas, Denton Fire Fighters Relief and Retirement Fund, Harlingen Fire Fighters Relief and Retirement Fund, Travis County Emergency District #6 (Hudson Bend) Fire Fighters, Parkland Hospital System (Dallas County Hospital District), Killen Fire Fighters Relief and Retirement Fund, Sweetwater Fire Fighters Relief and Retirement Fund, Temple Fire Fighters and Texas Emergency Services Retirement System.

The proposal listed the following billing rates at the firm of Jackson Walker, LLP, Chuck Campbell, Partner, \$425, Jim Griffin, Partner \$495, Nate Smithson, Associate, \$300 and Kati Stephens, Paralegal \$140. Attendance at Board Meetings will not be billable the remainder of 2008, however following 2008, attendance at additional meetings will be billed at normal hourly rates or at flat rate to be determined.

Sampson Jordan, CEO recommended for an interim period (3-6 months) the engagement of Chuck Campbell as the 'APRS' attorney should be approved. However, after the interim is completed a review of his work and Request for Qualifications (RFQ) from other law firms should be sought prior to retaining him. Catherine Haggerty made a motion to approve the hiring of Chuck Campbell, Jackson Walker, LLP as recommended by Sampson Jordan, CEO and represent 'APRS' as counsel for administrative legal

services. Sean Mannix seconded the motion.

Pension Office Report

A. Treasury Report

Sampson Jordan, CEO presented the May 31, 2008 monthly Treasury Report, showing the total 'APRS' asset value to be \$515,479,861.14 (unaudited). This asset value was up by \$9,060,239.78 from April 30, 2008 asset valuation of \$506,419,621.36 million (unaudited).

The total fund investment commitments were \$59,045,797.51 million, which consisted of \$17,990,748.11 in Value Added Real Estate, \$3,896,171.09 in International Real Estate, \$5,500,722.79 in Opportunistic Real Estate Land Development, \$6,362,363.01 in Timber, \$18,483,340.00 in Private Equity, and \$6,812,452.51 in Mezzanine Loans. There is \$24,722,098.57 in Cash or Cash (Treasury Notes) Equivalent reserves to fund these future Capital Calls. This cash reserve is in line with APRS investment consultant recommendation of 35%, which is \$20,666,029.13 of the total commitments. **No action required by the Board.**

Sampson went onto report the Administrative Expenses paid year to date May 31, 2008 of \$311,018.68 (unaudited) was inline with projections made in the February 2008 budget of \$781,754.00. The Building Expenses paid and revenues received on tenant leases year to date May 31, 2008 produced a net income of \$14,779.90 or 4.53% return on investment. The Investment Expenses paid year to date May 31, 2008 of \$689,645.85 was inline with projections made in the February 2008 budget of \$2,429,314.00, however Sampson reported the investment legal expenses would exceed the budgeted amount in the June 30, 2008 report. After discussion it was decided by the Board to pay all future legal expenses incurred, track and report them in the Treasury Report. **No action required by the Board.**

B. Disability Application for Adam Adams

Sampson Jordan, CEO presented a letter announcing 'APRS' received a complete Disability Retirement Application from Adam Admas along with all necessary documentation and convening the Disability Committee on July 16, 2008 was necessary. **No action required by the Board.**

C. Continuing Disability Report on Roger Hicks

Sampson Jordan, CEO presented a letter written by 'APRS' to Roger Hicks Disability Retiree, notifying him of the need to submit an application for continuing disability benefits. **No action required by the Board.**

D. TEXPERS Summer Meeting

Sampson Jordan, CEO presented the 'TEXPERS Summer Educational Forum' notice slated for August 16-18, 2008. He reported this year's agenda includes a Saturday, 'Trustee Training Program' for trustees attending this year's annual Summer Forum. Peter Morin added this training program will be in three different phases spread out over 2009 whose purpose is to provide trustee education. Board members interested in attending are asked to contact Shalonda Brown, Secretary to make reservations, since there is a \$50 fee requirement and hotel reservations are limited at the Westin Riverwalk Hotel, in San Antonio, Texas. **No action required by the Board.**

E. Texas Pension Review Board Seminar

Sampson Jordan, CEO presented the 'Texas Pension Review Board Seminar' notice slated for Monday, June 23, 2008. He asked that any Trustee interested in attending this Forum, please contact Shalonda Brown, Secretary about making reservations to attend, since there is a \$100 fee requirement to be paid and there is limited space availability at the Hyatt Regency on Town Lake in Austin, Texas. **No action required by the Board.**

F. Edison Investments RE, Aggie Inns, Proposed Sale "Consent"

Sampson Jordan, CEO reported the said, Aggie Inns in the Edison Investment Real Estate portfolio 'Consent' was executed by letter after it was considered a matter in the best interest to 'APRS' as allowed by the Investment Policy Statement. This consent allowed for the selling of partnership interest in Aggie Inns (student apartments) in College Station, Texas for the total amount of not less than \$12.2 million, after a request from Bill Edison, President of Edison was received at the Pension Office. This sale price would provide a \$3,450,000 distribution and 37% annualized return over the 10 years it has been held. The consensus opinion of the Investment Committee Chair, Board Chair, Board Vice-Chair and appropriate Third Party Professionals (investment consultant and attorney) approved this proposed sell. **No action required by the Board.**

G. RII World Timberfund 'Consent'

Sampson Jordan, CEO reported the said, RII World Timberfund (aka Global Forest Partners) 'Consent' was executed by Fred Fletcher, APRS V-Chair after it was considered a matter in the best interest to 'APRS' as allowed by the Investment Policy Statement. This consent allowed for the selling of interest in Australian manufacturing business and related assets to Carter Holt Harvey, as well as approving the sale of Weyerhaeuser's limited partnership interest, to Global Trust Investments 8 (GTI 8), a partnership interest managed by Global Forest Partners. These sells will provide 'APRS' an approximate 8.6% return and \$1.7-\$1.8 million distribution. The consensus opinion of the Investment Committee Chair, Board Chair, Board Vice-Chair and appropriate Third Party Professionals (investment consultant and attorney) approved both of these sells. **No action required by the Board.**

H. Coventry RE 'Sale' of Two Riverway Bldg.

Sampson Jordan, CEO reported Howard Heald, Investment Advisor of said, Coventry RE notified him the Two Riverway Building previously marketed to be sold at \$54 million (net) at year-end December 31, 2007 received an offer from a prospective buyer in June, 2008.

The prospective buyer was told by Howard the marketed sale price was not negotiable and that an Earnest Money Sales Contract was necessary to hold the property and begin negotiations on the Purchase Sales Agreement. It was reported by Howard this was a viable offer and would produce 10.545% investment return to 'APRS'. **The Board approved by acclamation for Sampson Jordan, CEO to notify Howard Heald to move forward with this prospective sale and to engage the 'APRS' Consulting Services Group advisors to make sure the investment return was at least 9% or better.**

Old/New Business

Peter Morin, APRS Chair asked Trustees to consider ideas for developing a Mission and Value Statement for the Austin Police Retirement System to use and to bring their ideas to a future meeting for discussion and possible action. **No action required by the Board.**

Adjournment

Peter Morin, Chair