



City of Austin Police Retirement System

Minutes of the Regular Meeting
 Wednesday, July 21, 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
 John Ross
 Catherine Haggerty
 Chesley Wood
 Art Alfaro
 Mike Jung
 Tim Atkinson
 Jeff Knodel

Trustees Absent

Randi Shade
 Fred Fletcher

Staff/Guests

Sampson Jordan, CEO
 Stephanie Willie, DD
 Vernon Webb, FM
 Michelle Ruland, BS
 Ron Partain
 Bob May, EA
 Mary Kathryn Campion

Peter Morin, Chair, called the Board to order at 12:25 p.m.

Minutes of the Regular Board Meeting held June 23, 2010

Peter Morin, Chair reported the June 23, 2010 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. **John Ross made a motion to approve the minutes of June 23, 2010 as written in the trustee packets. Tim Atkinson seconded the motion.**

New Retired Members June 2010

Peter Morin, Chair, reported the New Retired Members for June 2010 as written in trustee packets were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **John Ross made a motion to approve the New Retired Member for June 2010 as written in the trustee packets. Tim Atkinson seconded the motion.**

NAME	OPTION	RETIREMENT DATE	YRS./MOS. SERVICE	AGE
John O. Hardesty	1/0	06/30/2010	25 yrs 0 mos.	50 yrs. 6 mos.
Kimberly Farbo	R-P/1/0	06/30/2010	24 yrs 0 mos.	48 yrs. 4 mos.
Jeffrey Haynes	1/1	06/30/2010	23 yrs 0 mos.	47 yrs. 4 mos.
Charles D. Johnson	1/0	06/30/2010	25 yrs 2 mos.	49 yrs. 10 mos.
Brian Loyd	FWD-1/0	06/30/2010	24 yrs 1 mo.	49 yrs. 2 mos.
Theresa Loyd	QDRO	06/30/2010	N/A	N/A

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 June 2010

Peter Morin, Chair reported the June 2010 PROP Disbursements as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **John Ross made a motion to approve the PROP Disbursements for June 2010 as written in the trustee packets. Tim Atkinson seconded the motion.**

NAME	PROP Dist/Amount	DATE	AGE at Retirement	AGE at Distribution
Frederick Powell	--	6/30/2010	55 yrs.	58 yrs.
Calvin Smith	--	6/30/2010	58 yrs.	59 yrs.
Roxanne Valdez	--	6/30/2010	48 yrs.	50 yrs.

PROP Monthly Annuity Deferral for July 2010

Peter Morin, Chair reported there were not any monthly Annuity Deferrals for July 2010 for discussion and approval. **No action required by the Board**

NAME	AMOUNT	DATE	AGE AT RETIREMENT	AGE AT DEFERRAL
N/A	N/A	N/A	N/A	N/A

Service Credit Purchases for June 2010

Peter Morin, Chair reported the Service Credit Purchases for June 2010 as written in trustee packet, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **John Ross made a motion to approve the Service Credit Purchase for June 2010 as written in the trustee packet. Tim Atkinson seconded the motion.**

NAME	SERVICE CREDIT TYPE	DATE	AMOUNT
Gary Christenberry	6 mos. Military	6/15/2010	--
Alexander Lomovstev	24 mos. Military	6/18/2010	--

Member Refunds of Contributions 2nd Quarter January, April-June 2010

Peter Morin, Chair reported the Refund of Contributions for 2nd Quarter, January and April-June 2010 as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **John Ross made a motion to approve the Refunds of Contributions for 2nd Quarter January and April-June 2010. Tim Atkinson seconded the motion.**

NAME	DATE OF TERMINATION	REFUND AMOUNT	DATE REFUNDED
Keith Demers	12/14/09	N/A	01/01/10
Mark Burch	12/16/09	N/A	01/25/10
Shaun McWilliams	03/27/10	N/A	04/21/10
Robert Martin	03/27/10	N/A	04/28/10
Raquel Martin (Robert QDRO)	03/27/10	N/A	04/30/10
William Deal	05/27/10	N/A	06/17/10
Alvin Rhoden	06/24/10	N/A	06/24/10
Mathew Zavaglia	06/30/09	N/A	06/30/10

2009 Year-End Audit Report-Montemayor Hill & Associates

Arturo Montemayor auditor at Montemayor Hill & Associates, CPA, in absence of Arturo 'Archie' Montemayor, III presented a Draft of the 'Audit Report for December 31, 2009 and 2008' on the financial statements provided by 'System' management. In the Draft report Archie stated the statements thus for presented fairly, in all material respects, the financial status of the 'System' as of December 31, 2009 and 2008 and the changes in its financial status for the year ending December 31, 2009 were in conformity with U.S. generally accepted accounting principles.

Archie stated the audit when finalized it will be issued with an unqualified opinion, which is the highest standard of measurement that can be issued by an audit firm. In the report he stated the 'System' assets were valued at \$432,027,554 million, up \$44.9 million from 2008's year-end value of \$387,120,420 million. (The 2008 year-end valuation was down \$127.8 million from year-end 2007.)

Archie went onto report the requirement disclosures in the 2009 Audit of GASB 23; Management's Discussion and Analysis; GASB 40; Disclosure on Custodial Risk, Credit Risk (includes foreign currency risk) and Interest Rate Risk of plan investments and how the 'System' addresses those Risks through its diversification across many asset groups, classes and GASB 50 actuary funding status with progress will be presented in the Final audit release at the August 18, 2010 Regular Board Meeting. The Board agreed by acclamation to accept this 'Draft' financial statement as presented by Arturo Montemayor of Montemayor Hill & Associates.

Investment Committee Meeting, July 21, 2010

A. Manager Monthly & YTD Performance Report

Kendall Thomas, Investment Committee Chair reported Ron Partain Investment Consultant at Consulting Services Group, Inc. presented to the 'Committee' manager performances, accruals and the unrealized gains as of June 30, 2010. Kendall then recognized Ron, who reported to the 'Board' the handouts presented at the earlier 'Committee' meeting showed the total composite asset fund value was \$430,173,439 (unaudited).

Ron reported the performance handouts titled 'Market Value and Returns -3.4% Quarterly, -1.3% Year to Date, 5.1% Trailing 1 year, -6.5% Trailing 3 Years and 2.6% Trailing 5 Years. The handouts also showed the portfolio Asset Allocation was 58% Market Dependant (Equity-US, International & Emerging Markets of 34% and Fixed Income-Cash, Core US Bonds, Mezzanine Loans & Private Loans of 24%) and 42% Alternative Investments (Hedge Funds-5%, Private Real Estate-17%, Timber-11%, Private Equity-7% and Summary' showed the 'APRS' total composite return was -1.0% Current Month, Natural Resources-1%).

Ron reported June 30, 2010 'APRS' equity manager performances were down -4.4%, while the broader S&P 500 index was down -5.2%; fixed income manager performances were up 1.7%, while the JPM EMBI Global Diversified index was up 1.9%, Barclays Aggregate Bond Index was up 1.6%; real estate and timber manager performances were flat .0%, and alternative manager performance in energy fund, private equity and hedge funds were up .1% at month-end. Ron went onto report the 2nd quarter performance was the worst since the 4th quarter in 2007 and one of the toughest since the recession 2007-2009 was declared to be over. The economist predict with unemployment in upper digits (9.5% plus) the economy will remain sluggish throughout the second half of 2010 into 2011. No action required by the Board.

B. Titan Advisors, LLC

Kendall Thomas, Investment Committee Chair, reported the 'Committee' met at 9:30 a.m. Wednesday, July 21, 2010 with George Fox, President and Marianne Russell, Client Representative at Titan Advisors, LLC along with Ron Partain, 'APRS' Investment Consultant about an investment opportunity in 'Multi-Strategy Fund of Fund'. The fund invests in directional, multi-strategy portfolios (22-27 manage allocations) using bottom-up selection process with focus on risk sources: Leverage, Liquidity and Concentration. It also emphasized trading oriented strategies and active risk management, seeking managers trading liquid markets and securities avoiding dedicated arbitrage strategies that rely on leverage with significant allocations to mid-sized and emerging managers. TMIF seeks to achieve superior capital appreciation with low volatility. The objective is 8-15% annualized rate of return target, annual volatility of 6% or less, target minimum of 75% profitable months and consistent capital appreciation with volatility. The fund began in 2001 is employee owned, 9.5 year track record performance of 7.90% since inception, management fee .75%, performance fee 10% net of profits, quarterly liquidity/65 day notice and 12 month soft lock up period.

Kendall Thomas reported the 'Committee' **did not recommend** Board approval of this 'Multi-Strategy Offshore Fund of Fund' at Titan Advisors, LLC. **No action required by the Board.**

C. Double Eagle Capital Mgt.

Kendall Thomas, Investment Committee Chair, reported the 'Committee' met at 10:00 a.m. Wednesday, July 21, 2010 with Luther Ott, III and Trip Kuehne, Managing Directors at Double Eagle Capital Management along with Ron Partain, 'APRS' Investment Consultant about an investment opportunity in 'ACE Multi-Strategy Fund of Fund'. The fund invests in seven strategies 1) Merger Arbitrage, 2) Event Driven, 3) Credit, 4) Global Macro, 5) Long Short US, 6) Long Short International and 7) Distressed Debt to provide maximum performance and minimal risk. These seven funds will allocate diversification exposure across strategies, industries, geographies, and security types with nine managers. The Funds target annual return is 12-18% with volatility of approximately half the S&P 500 and twice the Barclays Aggregate Bond Index. The fund began in 2005 is employee owned, 14.01% annualized return since inception, management fee 1%-Series A & 1.5% Series B, performance fee 10%, subject to 7% hurdle rate, quarterly liquidity/90 day notice after 30 month lockup.

Kendall Thomas reported the 'Committee' **recommended** Board approval of 'Ace Multi-Strategy Fund of Fund' at Double Eagle Capital Management in the amount of \$7.5 million. Chesley Wood made motion to approve \$7.5 million investment allocation in the 'ACE Multi-Strategy Fund of Fund' at Double Eagle Capital Management, as recommended by the Investment Committee, subject to investment consultant & attorney review and approval of agreements. Art Alfaro seconded the motion.

D. AXEL Capital Mgt.

Kendall Thomas, Investment Committee Chair, reported the 'Committee' met at 10:30 a.m. Wednesday, July 21, 2010 with Anna Nikolayevsky, CIO and Anastasia Wahl, CFO at AXEL Capital Management along with Ron Partain, 'APRS' Investment Consultant about an investment opportunity in 'Single Long/Short Strategy Fund'. The fund invests in direct long/short strategies (40-60 investments), maximum position size of 7% at market, average position size of 3% at market, broad industry diversification, maximum 200% gross exposure and both long short positions are expected

alpha generators. The Fund is highly transparent 'no derivatives' and has limited use of leverage with liquidity monitoring. The objective is to provide superior performance in established, extensive risk controls. Performance in 2009 was 61.4%, 2008 of 30.2% and has since inception May 2002 through June 2010 of 14.4% vs. S&P 500's -0.5. The fund management fee is 2%, performance fee 20% annually net of profits, no hurdle rate of return, 25% quarterly liquidity with 45 day written notice and 12 month lock up period.

Kendall Thomas reported the 'Committee' did not recommend Board approve of this 'Single Long/Short Strategy Fund' at AXEL Capital Management. No action required by the Board.

E. Investment Rebalancing and Reallocation

Kendall Thomas, Investment Committee Chair reported the 'APRS' investment consultant Ron Partain, at Consulting Services Group and 'Committee' recommended changing the Cash Reserve requirement in the Investment Policy Statement (IPS) to flat \$10 million from 35% liquidity on investment commitment. In addition the 'Committee' recommended increasing the Intercontinental Hedge Fund of Fund investment commitment to \$7.5 million from \$5 million with funding coming from Cash Reserves. Chesley Wood made a motion to change the Investment Policy Statement (IPS) on Cash Reserve to \$10 million from 35% on commitment and increase the Intercontinental Hedge Fund of Fund to \$7.5 million from \$5 million as recommended by the Investment Committee and Ron Partain, investment consultant. Art Alfaro seconded the motion.

F. Pending Investment

Kendall Thomas, Investment Committee Chair reported Sampson Jordan, CEO informed the 'Committee' Intercontinental Multi-Strategy Hedge Fund of Fund investment (approved June 23, 2010) was nearing final due diligence and attorney contract reviews and is on track to be funded on July 30, 2010. This \$7.5 million investment is considered partially public liquid account with a year-lock up period expiring December 31, 2010 and thereafter quarterly redemptions on 45 day notice. No action required by the Board.

Disability Committee Meeting, July 21st, 2010

1. Continuing Disability Application for Roger Hicks

John Ross, Disability Committee Chair reported the 'Committee' met on Wednesday, July 21, 2010 at 11:15 a.m. to discuss continuing disability benefits for Roger Hicks. He stated, after a review of the member's application the 'Committee' unanimously recommended continuing his disability benefit. Catherine Haggerty made a motion to approve continuing disability benefits for Roger Hicks as recommended by the Disability Committee. Kendall Thomas seconded the motion.

Pension Office Report

A. Treasury Report

Sampson Jordan, CEO presented the June 30, 2010 monthly Treasury Report, showing the total 'APRS' asset value \$431,328,006.56 (unaudited). This asset value was down by \$5,013,998.50 from May 31, 2010 asset valuation \$436,342,005.06 million (unaudited).

The total fund investment commitments are \$31,972,827.99 million, which consisted of \$1,043,171.19 in Mezzanine Loans, \$7,185,591.00 in

Value Added Real Estate, \$2,460,513.02 in International Real Estate, \$321,206.18 in Opportunistic Real Estate Land Development, \$4,050,000.00 in Timber, \$11,662,423.81 in Private Equity, and \$6,240,000.00 in Special Situation waiting total capital call. The report showed \$21,040,859.62 in cash or cash (treasury notes) equivalent reserves is short -\$314,694.80 to meet total fund commitment \$21,344,554.42 as required by the liquidity policy in the Investment Policy Statement (IPS). The IPS required 35% Minimum Public Traded liquidity is not in compliance at 32.31%. 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 June 30, 2010 of \$429,122.77 (unaudited) meets the projections made in the February 2010 budget of \$803,560.00 after deducting administrative proportionate retirement contribution cost and net building income. The Building Expenses paid and revenues received on tenant leases year to date June 30, 2010 produced net income of \$38,922.00 or 11.39% return on investment. The Investment Expenses paid year to date June 30, 2010 of \$669,115.80 meets projections made in the February 2010 budget of \$2,146,000.00. **No action required by the Board.**

B. Insurance Liability Coverage, Commercial, D & O and Fiduciary

Sampson Jordan, CEO presented cover letter and supporting information regarding Austin Police Retirement System's plan coverage's on 1) Commercial Package Trustees and ; 2) Fidelity Bond on employee theft and dishonesty and 3) Directors and Officers Fiduciary Liability insurance. The letter provided summary analysis on current insurance coverage's in place, stating Commercial was adequate, Fidelity could be broadened by including third party computer fraud, forgery and wire transfer, and there was not any Fiduciary liability insurance coverage in place.

In addition the cover letter it stated the retirement plan is governed under Texas law enjoying some statutory liability immunity. Sampson reported premium cost to include Fiduciary liability insurance coverage on \$5-\$7 million annual coverage is approximately \$50-\$60 as recommended by Bob Klausner, attorney.

Peter Morin, Chair asked if anyone wanted to make motion on this 'Insurance Liability Coverage, Commercial, D & O and Fiduciary' agenda topic. After not hearing any motion Pete stated this topic is tabled. **No action required by the Board.**

Old/New Business

Adjournment



Peter Morin, Chair