



City of Austin Police Retirement System

Minutes of the Regular Meeting
Thursday, December 17, 2009 at 11:30 a.m.
Kendall Thomas, Chesley Wood, Bldg.
2520 South I.H. 35, Ste. 100
Austin Police Pension Office

Trustees Present

Peter Morin, Chair
Mike Jung
Catherine Haggerty
Chesley Wood
John Ross
Kendall Thomas
Art Alfaro
Fred Fletcher, Vice Chair
Tim Atkinson
Jeff Knodel

Trustees Absent

Randi Shade

Staff/Guests

Sampson Jordan, CEO
Stephanie Willie, APRS
Vernon Webb, FM
Michelle Ruland, BSP
Bob May, Actuary

Peter Morin, Chair, called the Board to order at 12:10 p.m.

Minutes of the Regular Board Meeting held November 18, 2009

Peter Morin, APRS Chair reported the November 18, 2009 Board meeting minutes as written in trustee packets was up for discussion and approval. Sampson Jordan, CEO reported the word 'no' should replace 'know' under Election Committee Report for Retiree and Actives by John Ross, Election Committee Chair. Not hearing any other discussion Peter asked for a motion to approve the minutes. **Catherine Haggerty made a motion to approve the November 18, 2009 minutes as written and corrected by Sampson Jordan, CEO in the trustee packets. Art Alfaro seconded the motion.**

New Retired Members November 2009

Peter Morin, APRS Chair reported the October 2009 New Retired Members as written in trustee packets were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Catherine Haggerty made a motion to approve the November 2009 New Retired Members as written in the trustee packets. Art Alfaro seconded the motion.**

NAME	OPTION	RETIREMENT DATE	YRS./MOS. SERVICE	AGE
Christian Harkin	Life	11/30/2009	25 yrs. 0 mos.	45 yrs. 0 mos.
Samuel Holt	RP-Option III	11/30/2009	32 yrs. 6 mos.	53 yrs. 8 mos.
John T. Townsend	R-Life	11/30/2009	26 yrs. 3 mos.	51 yrs. 0 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
 PRP = Proportionate Retirement Program
 PROP = Post Retirement Option Plan
 QDRO = Qualified Domestic Relations Order

PROP Distribution for November 2009

Peter Morin, APRS Chair reported the November 2009 PROP Disbursements as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Catherine Haggerty made a motion to approve the November 2009 PROP Disbursements as written in the trustee packets. Art Alfaro seconded the motion.**

NAME	PROP Dist/Amount	DATE	AGE at Retirement	AGE at Distribution
Roxanne Valdez	N/A	11/30/2009	48 yrs.	49 yrs.
John Colunga	N/A	11/30/2009	53 yrs.	54 yrs.

PROP Monthly Annuity Deferral December 2009

Peter Morin, APRS Chair reported there were not any PROP Monthly Annuity Deferral Changes for December 2009 as written in trustee packets, and therefore no action was necessary for this agenda item. **No action required by the motion.**

Service Credit Purchases for November 2009

Peter Morin, APRS Chair reported the Service Credit Purchases for November 2009 as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Catherine Haggerty made a motion to approve the November 2009 Service Credit Purchases as written in the trustee packet. Art Alfaro seconded the motion.**

NAME	SERVICE CREDIT TYPE	DATE	AMOUNT
Kevin Leverenz	24 Mos. Military	11/2/2009	N/A
Kevein Leverenz	6 Mos. Cadet	11/2/2009	N/A
Aaron Bishop	6 Mos. Cadet	11/5/2009	N/A
Keith Suitt	6 Mos. Cadet	11/20/2009	N/A
John Brooks	24 Mos. Cadet	11/30/2009	N/A
Manuel Martinez	5 Mos. Cadet	11/30/2009	N/A

Retiree Death Benefits for Pete Brownlow, Bryan Stevens November & December 2009

Peter Morin, APRS Chair reported the December November and December 2009 Retiree Death Benefits for Pete Brownlow and Bryan Stevens as written in trustee packets were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Catherine Haggerty made a motion to approve the November and December 2009 Retiree Death Benefits for Pete Brownlow and Bryan Stevens as written in the trustee packets. Art Alfaro seconded the motion.**

NAME	OPTION	DATE of DEATH	AGE
Howard, Brownlow	Life	11/28/2009	93 yrs.
% Sammie Gail Grumbles	N/A	N/A	
Bryan Stevens	Life	12/4/2009	85 yrs.
Barbara Pearcy	N/A	N/A	
Randall Stevens	N/A		
Gary Stevens	N/A		
Michael F. Stevens	N/A		

Manager Monthly & YTD Performance Report by CSG

Peter Morin, APRS Chair introduced Joe Meals, Adam Patterson and Ron Partain investment consultants at Consulting Services Group, Inc. who were teleconferencing their presentations before the 'Board' at 12:45 p.m. on manager performances, accruals and unrealized gains as of November 30, 2009.

Joe reported the November 30, 2009 total asset fund value was \$437,769,929 (unaudited).

Joe also reported the performance handouts titled 'Market Value and Returns Summary' showed the November 'APRS' total composite return was up 1.8% Current Month, 11.0% Year to Date, 8.2% Trailing 1 year, -2.3% Trailing 3 Years and 4.4% Trailing 5 Years. The handouts also showed the portfolio Asset Allocation was 60% Market Dependant (Equity-US, International & Emerging Markets of 36% and Fixed Income-Cash, Core US Bonds, Mezzanine Loans & Private Loans of 24%) and 40% Alternative Investments (Hedge Funds-3%, Private Real Estate-19%, Timber-11%, Private Equity-4% and Natural Resources-2%). The equity manager performances year to date were up 34.1%, while the broader S&P 500 index was 24.1%; fixed income manager performances were 22.8%, while the JPM EMBI Global Diversified index were 29.3%, Barclays Aggregate Bond Index were 7.6%; real estate and timber manager performances were down -12.5%; alternative investments in private equity and hedge funds were up 10.6%. In summary Joe reported equities were up 4.6%, fixed income flat at -0.1%, real estate and timber flat at 0.0%, and alternatives up in private equity and hedge funds at 1.7% and the total fund performance for November was up 1.8%.

Joe went onto report APRS liquidity was in compliance with its IPS and ever improving, but all cash in reserve is currently committed to existing investments. To invest in new investments requires selling existing investments, because most current investments are not producing cash distributions to be reinvested. CSG reported they were also cautious on investing at this time, due to the sluggish employment picture (no job growth), continuing high unemployment, and real estate valuation losses that make the market look more volatile. He did recommend the Clinton Group (hedge fund manager) be brought before the Investment Committee in January 2010 to discuss current and future investment performance. **No action required by the Board.**

A. Pending Investment Report

Peter Morin, APRS Chair introduced Sampson Jordan, CEO who reported the last pending investment Capitalspring LP Fund III closed with a capital call on November 30, and there were not any other pending investments. **No action required by the Board.**

B. Investment Rebalancing and Reallocation Report

Peter Morin, APRS Chair introduced Joe Meals investment consultant at Consulting Services Group who was teleconferencing and he reported to the Board there were not any recommendation to rebalance or make any other asset allocation changes to the fund portfolio due to lack of liquidity. **No action required by the Board.**

C. RMK Timber & Austin Performance Report

Peter Morin, APRS Chair introduced Charles Daniel, Joyce Niggley and Michael Shearer, portfolio managers at RMK Timberland Group regarding performance, potential sales and additional investment opportunities.

Joyce reported the separate managed timber account (\$20.3 million market value on cost basis \$6.6 million) owned by APRS fee simple in Wisconsin, South Carolina, Georgia and Florida since inception market valuation was 8.7%, (approximately 12.9 years), 1 year -11.16%, 3 years 6.82% and 5 years 14.74%. The RMK portfolio managers reported they would not recommend marketing to sale these properties at this time, since they believed market values were near the bottom. Most of the properties Joyce reported are in rural areas and had not been affected by market valuation increases during the recent boom years, except Florida. The Florida properties are located near population growth areas and price inflation for higher and better use did take place.

The Austin Timber, LLC timberfund (\$3.2 million market value on cost basis \$2.8 million) in Alabama on timber harvesting rights with no fee simple ownership of the land since inception return was -0.25%, (approximately 9.3 years), 1 year -15.67%, 3 years -3.02% and 5 years -3.04%. This investment for timber harvesting has been in a bad market cycle due to the recession (2007-2009). However, RMK portfolio managers believe future timber sales for this property should increase, because the timber was moving into a product class that will recognize a higher value for its biological growth.

The ATAYA Hardwoods, LLC partnership in Tennessee and Kentucky sold in 2007 at 13.76% return on original \$8.6 million APRS investment.

Charlie Daniel, President of RMK Timberland Group reported potential investment opportunities exist in global-target regions, primarily in South America, South Africa, and Eastern Europe, but the investment would be done through resource funds. **No action taken by the Board.**

D. Edison Investments "Aggie Inns" Report

Peter Morin, APRS Chair reported Bill Edison, President of Edison Investments notified Sampson Jordan, CEO and himself about purchase inquire received from prospective buyer on the Aggie Inn, College Station, Texas apartments. However, sales price was in the negotiating stage and more information would be forthcoming in the 1st quarter 2010. **No action required by the Board.**

Actuary Recommendations

A. 2009 Retirees and Beneficiaries COLA'S

Peter Morin, APRS Chair recognized Bob May, Mark Fenlaw and Rebecca Morris actuaries at Rudd & Wisdom, Inc. at 12:45 p.m. regarding the 2009 Cost of Living Adjustment (COLA) for Retirees and Survivors, to be paid on the January 2010 payroll.

Bob May, Mark Fenlaw and Rebecca Morris, presented to the Board a report titled, 'January 1, 2010 COLA'. The report in summary stated;

The cost-of-living increase presented for approval by the board must be approved by the system's actuary.

The most recent valuation as of December 31, 2008 dated August 18, 2009 reflected the amortization period of the System's unfunded actuarial accrued liability (UAAL) based on this valuation was 35.4 years.

The APRS sustained significant asset losses of \$178 million due to a market return of -26.3% in 2008. This combined deferred portion of the 2005-2007 gains and the deferred portion of the 2008 loss was a

preliminary \$123 million deferred loss. However, because the AVA was capped at 120% above the market value of assets, the AVA was only \$77 million above market value rather than \$123 million. The AVA used in the valuation report was \$464.5 million while the market value was \$387.1 million.

The System's investment consultant, CSG, provided the APRS performance report as of November 30, 2009, which showed the 11-month investment return through November 2009 to be 11%. The market value was \$437.8 million as of November 30, 2009. Projected future year amortization periods are still 40 years and above if, assuming no future cola's 2010, 2011 and 2012 assuming investment returns are greater than 8% during these years. These projected amortization periods indicate the System's future amortization periods (assuming all other experience is assumed) are dependent on the future investment returns and the possible future gains that will offset the significant loss of 2008.

Therefore in conclusion Rudd & Wisdom, Inc. is not able to recommend approving any COLA in 2009 for payment in January 2010 based on the following; the current 2008 actual amortization period of 35 years is greater than the 25 to 30 year preferable range, projected 2009 amortization period for 2009 is estimated to be greater than the 25 to 30 years preferable range, and foreseeable projected annual valuations beginning in December 31, 2009 reveal an increasing trend in future amortization periods, due to past volatility in the market value of System investments. Mike Jung made a motion to accept the APRS actuaries 'January 1, 2009 COLA' report to not pay pensioners a COLA on their January 31, 2010 annuities. Fred Fletcher seconded the motion.

B. 2009 Accumulated Deposit Adj. for vest members

Peter Morin, APRS Chair recognized Bob May, Mark Fenlaw and Rebecca Morris actuaries at Rudd & Wisdom, Inc. at 1:15 p.m. regarding the 2009 crediting of interest on Accumulated Deposits for Vest Members contributions (10 years or more). This is the rate of interest credited on December 31, 2009 for account balances standing to the members' credit on January 1, 2009 of the same calendar year.

Bob May, Mark Fenlaw and Rebecca Morris, actuaries at Rudd & Wisdom, Inc., presented a report titled, 'December 31, 2009 Interest Rate on Accumulated Deposits'. The report in summary stated;

1. Yields available to individuals at banks, savings and loans and credit unions for 2 years investments ranges yielded 1.45%-1.75% on account balances \$10,000 or more.
2. The rate of interest credit to a member's accumulated deposits affects only the benefit payable to a member who terminates employment and requests a refund of accumulated contributions.
3. Or a member's surviving beneficiary if they are not eligible to retire. Beneficiary receives two times the deceased member's accumulated deposit in a lump sum amount. **Members who receive a service or disability retirement benefit have their benefit based on final average pay and length of service. Consequently, their benefits are not affected by the rate of interest credited on member's accumulated deposits.

In conclusion the report stated members effective in 2009 who validate their proportionate retirement service with the pension office should be included in order to determine a member's eligibility for vesting. The

interest rate on accumulated deposits for vested members on December 31, 2009 will be 5.0% unless the Board approves a specified rate other than 5.0%.

Catherine Haggerty made a motion to approve a 0% '2009 Accumulated Deposit Adjustment' on members accounts as of December 31, 2009. Kendall Thomas seconded the motion.

Pension Office Security Device

Sampson Jordan, CEO presented ICS Company (security company) proposal to purchase and install pension office front door intercom voice, camera and duress button inside the pension office at the Kendall Thomas/Chesley Wood building to be used during normal pension office hours.

After discussion Catherine Haggerty, Trustee recommended the pension office update its security system by purchasing and installing these items in the amount of \$3,420.00 that will be activated during the normal pension office hours. **Kendall Thomas made a motion to approve the purchase and installation of front door intercom voice, camera and duress button for the pension office in the amount of \$3,420.00 as presented by Sampson Jordan, CEO and recommended by Catherine Haggerty, Trustee. Chesley Wood seconded the motion.**

Pension Office Report

A. Treasury Report

Sampson Jordan, CEO presented the November 30, 2009 monthly Treasury Report, showing the total 'APRS' asset value \$435,615,475.58 (unaudited). This asset value was up by \$3,978,504.38 from October 31, 2009 asset valuation \$431,636,971.2 million (unaudited).

The total fund investment commitments are \$43,038,882.64 million, consisting \$9,404,600.00 in Value Added Real Estate, \$2,460,513.02 in International Real Estate, \$1,449,355.94 in Opportunistic Real Estate and Development, \$4,050,000.00 in Timber, \$16,562,657.45 in Private Equity, \$1,431,756.23 in Mezzanine Loan, and \$7,680,000.00 in Special Situation Fund. There is \$25,789,268.63 in cash or cash (treasury notes) equivalent reserves to fund the 35% recommendation by Joe Meals, consultant reserve requirement of \$23,055,608.92 on total investment commitments. The IPS required 35% Minimum Public Traded liquidity is in compliance at 37.23%. The IPS Maximum Illiquid Target requirement is 50% and the current investment allocation illiquidity is 49.65% with the range maximum 60%. **No action required by the Board.**

Sampson also reported the Administrative Expenses paid \$746,975.47 year-to-date (unaudited) minus building (net) income \$63,675.64, and proportionate retirement program administrative contributions \$9,185.91 makes the administrative expense projection \$742,020.78 below the February 2009 budget of \$781,450.00. The Building Expenses paid and revenues received on tenant leases as of November 30, 2009 produced net income of 9.48% return on investment. The Investment Expenses paid year to date November 30, 2009 of \$1,727,225.56 was inline with projections made in the February 2009 budget of \$2,292,000.00. **No action required by the Board.**

B. Continuing Disability Report on Adam Adams

Sampson Jordan, CEO presented a letter written by APRS to Adam Adams, notifying him of the requirement to submit continuing disability application with personal financial income records. **No action required by the Board.**

C. Continuing Disability on Lyndon Leuders

Sampson Jordan, CEO presented a letter written by APRS to Lyndon Lueders, notifying him of the requirement to submit continuing disability application with personal financial income records and any additional facts relevant to determination of eligibility occupation suitability and wage capabilities. No action required by the Board.

D. Statewide Patrol Lease Renewal

Sampson Jordan, CEO presented letter addressed to Peter Morin, Chair and Trustees informing them the said, Statewide Patrol lease set to expire December 31, 2009 was not renewed at the rate \$2,625 recommended by the Investment Committee Chair, Kendall Thomas at the November 30, 2009 meeting. Statewide Patrol instead has chosen to pay the prevailing lease rate \$3,175 month to month, until which time they can find another facility to lease, since they need 1,000 square feet of additional lease space for there business. No action required by the Board.

E. 1st Quarter 2010 Educational Conference Registration

Sampson Jordan, CEO presented the 1st Quarter 2010 Educational Conference Seminars that are offered for pension fiduciary training and education to Trustees and Staff. These conferences allow for the learning of industry trends from leaders in accounting, government, law and the business investment community. They also provide insight into current and future economic trends and allow for networking with other agency 'Systems' on similar issues of concern. This early review of these Seminars and Conference schedules allows Trustees and Staff members the opportunity to schedule time during the year, to learn and keep abreast of the pension industry standards on behalf of the membership.

Therefore, if you have interest in attending any of these conferences or others not listed, please contact the Secretary in order to assist the Finance Manager in preparing the budget to be presented in late January or early February for Board approval. No action required by the Board.

Old/New Business

Peter Morin, APRS Chair requested the Board members observe a moment of silence in recognition of the passing of the following retirees Pete Brownlow and Bryan Stevens. No action required by the Board.

Adjournment



Peter Morin, Chair