



City of Austin Police Retirement System

Minutes of the Regular Meeting
Wednesday, January 9, 2008
at 11:30 a.m. Retirement Bldg.,
2520 South I.H. 35, Ste. 100
Austin Police Pension Office

Members Present

Pete Morin
Kendall Thomas
Vanessa Downey-Little
Sean Mannix
Mike Jung
Art Alfaro
Fred Fletcher
John Ross
Catherine Haggerty

Members Absent

Karen Kennard
Sheryl Cole

Staff/Guests

Sampson Jordan
Stephanie Willie
Christine Sweeney
Ron Partain
Gabriella Powers
Adam Patterson
Chesley Wood

Peter Morin, Chair called the Board to order at 12:15 p.m.

Oath of Office for Three Actives, One Retiree Elected Members

A. Catherine Haggerty, Fred Fletcher, Peter Morin, & John Ross

Sam Jordan, Pension Administrator, reported the Oath of Office for newly elected police member trustees Catherine Haggerty, Fred Fletcher, Peter Morin and elected retiree member Kendall Thomas were in the packet and ready to be executed. Shortly thereafter, Sam Jordan, Pension Administrator, administered the Oath of Office for Catherine Haggerty, Fred Fletcher, Peter Morin and John Ross.

No action required by the Board.

Appointment & Oath of Office for One APRS Appointed Position

Sam Jordan, Pension Administrator presented a letter to the Trustees reporting the current APRS Citizen Position currently position held by Vanessa Downey-Little had expired and an appointment (election) by the sitting Trustees was required by pension statute 6243n-1.

Thereby, Sam asked Trustees for nominations to fill the Chair position, whose term would expire on December 31, 2009, to place before the Board in a Trustee election.

Sean Mannix made a motion to place Chesley Wood's name in nomination to be the Citizen Appointee on the Board of Trustees for the Austin Police Retirement System. Mike Jung seconded the motion.

Sam asked if there were any other nominations to place before the Board in consideration for the Chair's position, if not then a motion to cease the nomination needs to be made.

Peter Morin made a motion to cease nominations for the Citizen Appointee position of the Austin Police Retirement System. Art Alfaro seconded the motion. The Board approved by acclamation Chesley Wood Citizen Appointee of the Austin Police Retirement System.

Shortly thereafter, Sam Jordan, Pension Administrator, administered the Oath of Office to Chesley Wood as the Citizen Appointee. No action required by the Board.

Minutes of the Regular Board Meeting held December 19, 2007

Peter Morin, APRS Chair reported the December 19, 2007, Regular 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. Catherine Haggerty made a motion to approve the Minutes of December 19, 2007.
Sean Mannix seconded the motion.

Officer Service Purchases for December 2007

Peter Morin, APRS Chair reported the Officer Service Purchases for December 2007, 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 Officer Service Purchases for December 2007. Sean Mannix seconded the motion.

NAME	TYPE OF BUYBACK	LENGTH OF BUYBACK
Hruzek, David	Military	24 Mos.
Attridge, Michael	Military	24 Mos.
Housmans, Shane	Military	18 Mos.

New Retired Members for December 2007

Peter Morin, APRS Chair reported the New Retired Member(s) for December 2007, as written in trustee's packet, 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 New Retired Employee(s) for December 2007. Sean Mannix seconded the motion.

NAME	OPTION	RETIREMENT DATE	AGE	Yrs./Mos. Service
Terrence W. Meadows	FWD/1/0	12/31/07	56 yrs. 0 mos.	31 yrs. 5 mos.
Paul Brick	Option II	12/21/07	51 yrs. 11 mos.	28 yrs. 0 mos.
James Schramm	Option I	12/31/07	58 yrs. 6 mos.	28 yrs. 3 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 DROP = Lump Sum Distribution FWD = Forward DROP QDRO = Qualified Domestic Relations Order				

Appointment of Chair

Sam Jordan, Pension Administrator presented a letter to the Trustees reporting the current APRS Chair's position held by Peter Morin had expired and an appointment (election) by the sitting Trustees was required by pension statute 6243n-1.

Thereby, Sam asked Trustees for nominations to fill the Chair position, whose term would expire on December 31, 2009, to place before the Board in a Trustee election.

Sean Mannix made a motion to place Peter Morin's name in nomination to be Chair

of the Board of Trustees for the Austin Police Retirement System. John Ross seconded the motion.

Sam asked if there were any other nominations to place before the Board in consideration for the Chair's position, if not then a motion to cease the nomination needs to be made.

Kendall Thomas made a motion to cease nominations for the Chair position of the Austin Police Retirement System. Mike Jung seconded the motion. **The Board approved by acclamation Peter Morin as Chair of the Austin Police Retirement System.**

Appointment of Vice Chair

Sam Jordan, Pension Administrator presented a letter to the Trustees reporting the current Vice Chair's position held by Fred Fletcher had expired and an appointment (election) by the sitting Trustees was required by pension statute 6243n-1.

Thereby, Sam asked Trustees for nominations to fill the Vice Chair position, whose term would expire on December 31, 2009, to place before the Board in a Trustee election.

John Ross made a motion to place Fred Fletcher's name in nomination to be Vice Chair of the Board of Trustees for the Austin Police Retirement System. Kendall Thomas seconded the motion.

Pete asked if there were any other nominations for Vice-Chair, hearing none he asked for a motion to cease nominations. Art Alfaro made a motion to cease nominations for the Vice Chair position of the Austin Police Retirement System. Mike Jung seconded the motion. **The Board approved by acclamation Fred Fletcher as Vice-Chair of the Austin Police Retirement System.**

Committee Assignments

A. Goals and Objectives Committee

Sam Jordan, Pension Administrator reported by letter to APRS Chair, Peter Morin that a Chair of the Goals & Objective Committee and its members needed to be appointed to serve a two year term, with the election of Board Officers.

He stated the previous 'Committee' consisted of Chair, Sean Mannix and members Fred Fletcher, Catherine Haggerty, Mike Jung and himself with John Ross and Kendall Thomas serving as alternates.

Peter Morin, Board Chair stated Sean Mannix would serve as Chair and Catherine Haggerty would serve as Vice-Chair. He appointed Fred Fletcher, himself, and Mike Jung as 'Committee' members, with Kendall Thomas and John Ross serving as alternates to the 'Committee' in making of a quorum, if needed, in absence of one of the original members. **No Action Required by Board.**

B. Investment Committee

Sam Jordan, Pension Administrator reported by letter to APRS Chair, Peter Morin that a Chair of the Investment Committee and its members needed to be appointed to serve a two year term, with the election of Board Officers.

He stated the previous 'Committee' consisted of Chair, Kendall Thomas, members Mike Jung, Peter Morin, John Ross, and Catherine Haggerty with Fred Fletcher and Art Alfaro serving as alternates.

Peter Morin, Board Chair stated Kendall Thomas would serve as Chair and Mike Jung as Vice-Chair. He appointed Chesley Wood, John Ross and himself as 'Committee' members, with Fred Fletcher, Art Alfaro and Catherine Haggerty serving as alternates to the 'Committee' in making of a quorum, if needed, in absence of one of the original members. **No Action Required by Board.**

C. Disability Committee

Sam Jordan, Pension Administrator reported by letter to APRS Chair Peter Morin that a Chair of the Disability Committee and its members needed to be appointed to serve a two year term, with the election of Board Officers.

He stated the previous 'Committee' consisted of Chair, John Ross, members Karen Kennard, Fred Fletcher, Vanessa Downey-Little, and Catherine Haggerty with Sean Mannix and Kendall Thomas serving as alternates.

Peter Morin, Board Chair, stated John Ross would serve as Chair and Catherine Haggerty as Vice-Chair. He appointed Fred Fletcher, Sean Mannix and Mike Jung as 'Committee' members, with Peter Morin and Kendall Thomas serving as alternates to the 'Committee' in the making of a quorum, if needed, in absence of one of the original members. **No Action Required by Board.**

Checking Account Authorized Signatories

Sam Jordan, Pension Administrator, reported by letter to the Board of Trustees the Austin Police Retirement System "Checking Account" at JP Morgan Chase needed to have the signatories updated, to reflect the election of Board Officers and alternates in their absences. He reported the Chair has the responsibility of appointing the two alternates to act in the absence of the Board Officers and currently Kendall Thomas and John Ross serve in this capacity.

Chair, Peter Morin, stated he would re-appoint Kendall Thomas and John Ross as alternates to the Chair and Vice Chair on the said account as signatories to the JP Morgan Chase Bank "Checking Account", since they are current Trustees to the APRS Board and fiduciaries to the 'System'. **No Action Required by Board.**

Investment Committee Report, January 9th, 2008

A. Manager Monthly & YTD Performance Report

Kendall Thomas, Chair Investment Committee recognized Ron Partain, Investment Consultant at Consulting Services Group, Inc. who presented handouts to the 'Board', which had also been presented to the Investment Committee on 'APRS' Manager Performances with accruals and unrealized gains as of December 31, 2007 (unaudited). The handouts showed the total composite APRS asset fund value \$510,324,574.

Ron reported the handouts titled 'Market Value and Returns Summary' showed the 'APRS' total composite return was -0.2% Current Month, 9.1% Year to Date, 13.6% Trailing 3 Years and 14.9% Trailing 5 Years.

The presentation also showed the portfolio Asset Allocation was 61% Market Dependant (Equity-US, International & Emerging Markets of 35% and Fixed Income-Cash, Core US Bonds, Mezzanine Loans & Private Loans of 26%) and 39% Alternative Investments (Private Real Estate-21%, Timber-10% and Natural Resources-8%).

Ron reported the APRS year-end 2007 equity manager performances were up 2.8%, while the broader S&P 500 index was up 5.5%; fixed income manager performances were up 10.3%, while the JPM EMBI Global Diversified index up 6.2% and the Lehman Brother Aggregate Bond Index was 7.0%; and the real estate, timber and energy funds were up a combined 15.2% at year-end. This gave the funds a total composite return of 9.1% as of December 31, 2007. Ron stated the real estate and alternative investment performances definitely carried the fund performance in 2007, since equity performances were less than 3%. He attributed this weak performance in equities to the financial sector of the economy, a result of the banking sector writing off their losses in the Subprime and Mortgage industry. However, these investment returns are subject to financial statement audits and appraisals being performed on the real estate and alternative investments. Sam reported APRS could see a slight increase of 1% on these investment returns once they are completed on June 30, 2008. **No action required by the Board.**

B. CapitalSpring LLC

Kendall Thomas, Investment Committee Chair reported Richard Fitzgerald and Christopher Unrath, Managing Partners at CapitalSpring, LLC along with Ron Partain and Adam Patterson, 'APRS' investment consultants met with the 'Committee' at 9:15 a.m. on Wednesday, January 9, 2008 to discuss private equity investing opportunities. CapitalSpring, LLC offers a unique investment strategy and expertise in financing small unit count franchises in diversified structured investments providing: High current pay, Capital Gains, Returns not correlated with public and alternative investment strategies. Franchising is a large and growing part of the US Economy and there are over 760,000+ franchised businesses operating in the US (1 out of every 12 businesses). The economic output for franchises is \$1.5 trillion with 3,500+ different franchise industries and the in Fast Food/QSR industry, 2007 year-over-year sales growth was projected to be 5%. This growth fuels the need for capital investing and there is no organized source of equity capital. Some of the major regional and national brand franchises are Marriott, Midas, Dunkin Donuts, IHOP, KFC, Gold's Gym and Golden Corral. Prospective target returns for franchise investing are between 15%-20% over a 5 year investment period with a 10 year term and 5% capital call at closing. Management Fees are 2% over the amount invested with a 20% incentive fee on an 8% preferred return.

Kendall Thomas reported the 'Committee' made a recommendation to invest \$15 million in the CapitalSpring, LLC, subject to legal counsel and consultant approval of the agreements, taking funds from Cash over the five year investment period using capital calls. John Ross made a motion to approve investing \$15 million with CapitalSpring, LLC for private equity franchise investing, subject to legal counsel and consultant review and approval of agreements as recommended by the Investment Committee. Fred Fletcher seconded the motion.

C. Vision Capital Partners

Kendall Thomas, Investment Committee Chair reported the 'Committee' met at 9:45 a.m. Wednesday, January 9, 2008 with 'APRS' investment consultants, Ron Partain and Adam Patterson of Consulting Services Group and Robert Heitner, Managing Director at Vision Capital Partners, LLC regarding an opportunity to invest in a regional opportunistic real estate fund in Gainesville, Georgia outside of Atlanta.

The investment would be in 1097+/- acres of unimproved land centrally located near interstate and major frontage road access and near a future plan development of a major medical complex. The purchase price is approximately \$16,250 an acre with an investment term period of 4-6 years. The target return is 25%-30% and fees are 3% acquisition, 1% management and 50/50 after achieving a 15% preferred return.

This region is recognized nationally as being in one of the largest population growth corridors in the country. The minimum entry amount is \$5 to \$10 million and property will be purchased with cash and not any debt. There are two other public fund clients of Consulting Services Group interested in this investment according to Ron Partain.

Kendall reported the 'Committee' recommended the police retirement system invest in this as a limited partner, in the amount of \$5 million, subject to legal counsel and investment consultant review an approval of contractual agreements. John Ross made a motion to invest \$5 million in the purchase of 1,097 +/- acres as a limited partner with Vision Capital Partners, LLC as recommended by the Investment Committee, subject to legal counsel and investment consultant review an approval of contractual agreements. Fred Fletcher seconded the motion.

D. RMK-ATAYA Fund LP, "Consent" to Pay Incentive Fee

Kendall Thomas, Investment Chair reported the 'Committee' met at 10:30 a.m. on Wednesday, January 9, 2008 and after review, recommended the RMK-ATAYA Fund, LP 'Consent' to pay the incentive fee from the sale proceeds of the APRS partnership interest in ATAYA above the 8% preferred return as contractually required. Using the funds held in Escrow that will be released in December 2008. The incentive fee amount to be paid is \$125,405 from the final distribution of Escrow in December

2008. John Ross made a motion to approve the 'Consent' to pay the incentive fee above 8% return on ATAYA Fund sale, in the amount of \$125,405, using the Escrow to be released in December 2008, as recommended by the Investment Committee. Fred Fletcher seconded the motion.

E. Huff Energy Fund LP, "Consent" to Extend Closing

Kendall Thomas, Investment Chair reported the 'Committee' met at 10:30 a.m. on Wednesday, January 9, 2008 and were provided with the Huff Energy Fund LP, 'Consent' to Extend Closing by Sam Jordan, Administrator.

Sam reported to the 'Committee', Peter Morin APRS Chair executed the consent prior to the meeting as allowed by Investment Policy Statement (IPS) adopted on December 19, 2007, since time was of essence and after consulting with Investment Consultant, Attorney, Vice Chair and Investment Chair regarding its merits and benefits to APRS as an investor. John Ross made a motion to accept the 'Consent' to Extend Closing of the Huff Energy Fund to February 28, 2008, as executed by Peter Morin; APRS Chair allowed by IPS dated December 19, 2007. Fred Fletcher seconded the acceptance.

F. Investment Rebalancing and Reallocation

1. Merrill Lynch

Kendall Thomas, Investment Committee Chair reported the 'Committee' met at 10:45 a.m., Wednesday, January 9, 2008 and recommended tabling any future discussion of investing in a Merrill Lynch fund. No action required by the Board.

Pension Office Report

A. Treasury Report

Sam Jordan, Administrator presented the December 31, 2007 monthly Treasury Report, showing the total 'APRS' asset value to be \$504,825,680.85 (unaudited). This asset value was down by \$2,102,506.28 from November 30, 2007 asset valuation of \$506,928,187.13 million (unaudited).

The total fund investment commitments were \$47,213,493.34 million, which consisted of \$37,685,565.11 in Real Estate, \$7,161,831.00 in Private Equity, \$2,366,097.23 in Mezzanine Loans. There is \$19,163,754.37 in Cash or Cash (Treasury Notes) equivalent reserves to fund these future Capital Calls. Joe Meals the 'APRS' investment consultant from Consulting Services Group reported the cash reserve is in line with his recommendation of 35%, which is \$18,799,722,669 of the total commitments.

Sam went onto report the Administrative Expenses paid year to date December 31, 2007 of \$696,625.25 (unaudited) was inline with projections made in January 2007 and adjustment made in August 2007 that totaled \$752,014.70. No action required by the Board.

B. 2008 TEXPERS Annual Members Meeting

Sam Jordan, Pension Administrator, presented to the Board of Trustees the 2008 Texas Public Employee Retirement System (TEXPERS) 19th Annual Conference registration form scheduled for March 15th -19th in Ft. Worth, Texas. Sam requested those interested in attending to contact Shalonda Brown, Secretary at the Pension Office as soon as possible. No action required by the Board.

C. 2008 Regular Monthly Scheduled Board Meetings

Sam Jordan, Pension Administrator presented these dates for the Year 2008 Regular Board Meeting.

Wednesday, February 13, 2008
Wednesday, March 12, 2008
Wednesday, April 16, 2008
Wednesday, May 14, 2008
Wednesday, June 18, 2008
Wednesday, July 16, 2008
Wednesday, August 20, 2008
Wednesday, September 17, 2008
Wednesday, October 15, 2008
Wednesday, November 19, 2008
Wednesday, December 17, 2008

The Board approved by acclamation to accept these dates for holding their Monthly Regular Board Meetings with a start time of 11:30 a.m.

D. 2008 Quarterly Investment Meetings

Sam Jordan, Pension Administrator, presented the following dates as the Year 2008 Investment Committee Meetings/Monthly schedule.

Wednesday, February 13, 2008
(Consulting Services Group)
Investment Meeting begins approximately at 9:00 a.m.

Wednesday, March 12, 2008
(Consulting Services Group)
Investment Meeting begins approximately at 9:00 a.m.

Wednesday, April 16, 2008
(Consulting Services Group)
Investment Meeting begins approximately at 9:00 a.m.

Wednesday, May 14, 2008
(Consulting Services Group)
Investment Meeting begins approximately at 9:00 a.m.

Wednesday, June 18, 2008
(Consulting Services Group)
Investment Meeting begins approximately at 9:00 a.m.

Wednesday, July 16, 2008
(Consulting Services Group)
Investment Meeting begins approximately at 9:00 a.m.

Wednesday, August 20, 2008
(Consulting Services Group)

Investment Meeting begins approximately at 9:00 a.m.

Wednesday, September 17, 2008
(Consulting Services Group)

Investment Meeting begins approximately at 9:00 a.m.

Wednesday, October 15, 2008
(Consulting Services Group)

Investment Meeting begins approximately at 9:00 a.m.

Wednesday, November 19, 2008
(Consulting Services Group)

Investment Meeting begins approximately at 8:00 a.m.

Wednesday, December 17, 2008
(Consulting Services Group)

Investment Meeting begins approximately at 9:00 a.m.

The Board approved by acclamation to accept these dates and times for holding their Investment Committee Meetings/Monthly schedule. An itinerary will be mailed prior to each meeting confirming date and time of meeting.

E. 2007 Retirement Refunds

Sam Jordan, Pension Administrator, presented a report on the contributions refunded in 2007. His report showed there were forty-three (43) refunds paid in the amount of \$395,459.12 (unaudited) in the year 2007. **No action required by the Board.**

F. 2007 Retirements

Sam Jordan, Pension Administrator, presented a report on the retirements in the year 2007. His report showed there were twenty-five (25) members who took retirement in calendar year 2007, which increased monthly payroll by \$130,438.08. **No action required by the Board.**

G. 2007 DROP Distributions Pd

Sam Jordan, Pension Administrator, presented a report on the Deferred Retirement Option Plan (DROP) Distributions in 2007. His report showed there were six (6) members who took distributions from their DROP accounts for combined (unaudited) total dollar amounts of \$521,333.26. **No action required by the Board.**

H. 2007 DROP Rollovers to PROP

Sam Jordan, Pension Administrator, presented a report on the Deferred Retirement Option Plan (DROP) accounts Rollovers to Post Retirement Option Plan (PROP) by members in 2007. His report showed there were twelve (12) members who elected to Rollover their DROP funds for an (unaudited) total dollar amount of \$901,173.51. **No action required by the Board.**

I. 2007 PROP Distributions & TOTAL PROP Accounts

Sam Jordan, Pension Administrator, presented a report on the Post Retirement Option Plan (PROP) Distributions in 2007. His report showed there were seven (7) members who took distributions from their PROP accounts for combined (unaudited) total dollar amounts of \$181,250.00.

There were twenty-eight (28) members as of December 31, 2007 with PROP accounts balances of a combined (unaudited) dollar amount of \$2,787,850.03. He also reported the total dollar amounts in prior years-ends were 2006 \$1,790,308.32, 2005 \$1,159,947.53, 2004 \$1,007,709.20, 2003 \$746,935.28, 2002 \$268,925.17 and the first year 2001 \$48,748.61. **No action required by the Board.**

J. 2007 Forward DROP Accounts

Sam Jordan, Pension Administrator, presented a report on the Forward DROP Retirement Option Plan (FWD) accounts for 2007. His report showed there were three (3) members who enrolled into the Forward Deferred Retirement Option Plan (FWD) during 2007 for combined (unaudited) total dollar amount of \$17,127.91 per monthly payroll. He also reported the total number of account in prior years was two (2) for an amount of 88,024.21, since this option began on March 1, 2007. **No action required by the Board.**

K. 2007 Monthly PROP Deferral Accounts

Sam Jordan, Pension Administrator, presented a report on the Monthly Post Retirement Option Plan (PDEF) Deferral accounts for 2007. His report showed there was one (1) retired member who set up monthly annuity deferral into their Post Retirement Option Plan (PROP) account during 2007 for combined (unaudited) total dollar amount of \$4,720.76.

He also reported the total number of accounts in prior years was one (1) for an amount of \$6,709.53 since this option began on April 1, 2006. **No action required by the Board.**

L. Pension Review Newsletter Topics

Sam Jordan, Administrator presented the following topics as proposal for the 'Pension Review' Winter Newsletter, (see below). After review and discussion, Pete Morin, Chair recommended adding article of appreciation on Vanessa Downey-Little for her services as interim Citizen Appointee completing the term of Chesley Wood in 2007.

- Board Election Results
- Board Chair and Vice Chair and Committee Appointments for 2008-2009
- Article about APRS being nominated as the top performing Small Public Fund for 2007
- Notice regarding mailing of Members Annual Statements
- Notice of Retiree COLA, Multiplier Increase and the Interest rate paid on Vested Members Contributions
- Auditor Hired and Actuarial Valuation to be performed on 2007 Assets
- Report on Fund Performance 2007 at Year End-Unaudited
- Notice on Regular Scheduled Board Meetings for 2008
- Report on 3rd and 4th Quarter Retirements for 2007
- Report on 3rd and 4th Quarter Retiree Deaths
- Notice of Service Credit purchases available to the membership

- Notice of changes to the PROP Monthly Annuity Deferral minimum amounts
- Notice on PROP Account Interest rate
- Notice to members to let Pension Office know if they are interested in attending a future Financial Planning Seminar
- Reminder to Retirees to deduct up to \$3,000 of their Health Insurance Premiums on their 2007 Tax Returns

The Board agreed by acclamation to approve the topics for publishing in the Winter Edition of the Pension Review newsletter as presented by Sam Jordan, Administrator and the recommended change made by Pete Morin.

Old/New Business

Pete Morin, APRS Chair requested the Goals & Objective Committee review the Training, Research, & Education Expense Policy at its next meeting in February, 2008. **No action required by the Board.**

Sean Mannix, Goals & Objective Chair announced the next committee meeting will meet on February 13, 2008 at 10:30 a.m. when it will review Administrative, Investment and Building budgets as well as review Staff evaluations. **No action required by the Board.**

Kendall Thomas, Investment Committee Chair announced the next committee meeting will meet on February 13, 2008 at 9:00 a.m. when it will hear presentation on three new investments. **No action required by the Board.**

Adjournment

Peter Morin, Chair