



City of Austin Police Retirement System

Minutes of the Regular Meeting
Wednesday, March 26, 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
Mike Jung
Art Alfaro
Kendall Thomas
John Ross

Trustees Absent

Karen Kennard
Sheryl Cole
Sean Mannix
Cathy Haggerty

Staff/Guests

Sampson Jordan, PA
Stephanie Willie, APA
Gabriella Powers, FM
Joe Meals, IC
Adam Patterson, IC
Bob May, EA
Christine Sweeney, Atty.
Kimberly Rhodes, PRB

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

Approval of Minutes from the February 13, 2008, Regular Board Meeting

Peter Morin, Chair, reported the February 13, 2008, Board Meeting Minutes as written in trustee packets, were up for discussion and approval. Not hearing any discussion Peter asked for a motion to approve the minutes. **Kendall Thomas made a motion to approve the minutes of February 13, 2008 as written in the trustee packets. Fred Fletcher seconded the motion.**

New Retired Member(s) February 2008

Peter Morin, Chair, reported the New Retired Members for February 2008, as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Kendall Thomas made a motion to approve the New Retired Members for February 2008. Fred Fletcher seconded the motion.**

| NAME | OPTION | RETIREMENT DATE | AGE | Yrs./Mos. Service |
|-------------------|-----------|-----------------|---------------|-------------------|
| Dickerson, Janis | R-RP/Life | 2/29/2008 | 59 Yrs 7 Mos. | 27 Yrs 7 Mos. |
| Hipolito, Antonio | R/I | 2/29/2008 | 52 Yrs 6 Mos. | 29 Yrs 7 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
QDRO = Qualified Domestic Relations Order

PROP Disbursements for February 2008

Peter Morin, Chair, reported the PROP disbursements for February 2008, as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Kendall Thomas made a motion to approve the PROP Disbursements for February 2008. Fred Fletcher seconded the motion.**

| NAME | AMOUNT | DATE | ACCOUNT BALANCE |
|-------------------|--------|---------|-----------------|
| Arredondo, Hector | N/A | 2/29/08 | N/A |
| Toler, Fredrick | N/A | 2/29/08 | N/A |

PROP Monthly Annuity Deferrals for February 2008

Peter Morin, Chair, reported the PROP Monthly Annuity Deferrals for February 2008, as written in trustee packets, were up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Kendall Thomas made a motion to approve the PROP Monthly Annuity Deferrals for February 2008. Fred Fletcher seconded the motion.**

| NAME | Age at Retirement | DATE | Monthly Deferral Amount |
|----------------|-------------------|---------|-------------------------|
| Biehle, Ernest | 51 Yrs. | 2/29/08 | N/A |
| Napier, Roger | 52 yrs. | 2/29/08 | N/A |

Member Service Purchase(s) for February 2008

Peter Morin, Chair, reported the Service Purchase for February 2008 as written in trustee packets, was up for discussion and approval. Not hearing any discussion, Peter asked for a motion of approval. **Kendall Thomas made a motion to approve the Member Service Purchase for February 2008. Fred Fletcher seconded the motion.**

| NAME | TYPE OF BUYBACK | LENGTH OF BUYBACK |
|-----------------|-----------------|-------------------|
| Miller, Richard | Military | 24 Mos. |
| Miller, Richard | MLOA | 14 Mos. |
| Mahoney, David | Pre-Membership | 7 Mos. |

Investment Committee Report, March 26, 2008

A. Manager Monthly & YTD Performance Report

Kendall Thomas, Investment Committee Chair recognized Joe Meals, 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 February 29, 2008 (unaudited). The handouts showed the total composite asset fund value was \$497,478,146.

Joe reported the handouts titled 'Market Value and Returns Summary' showed the 'APRS' total composite return was -0.3% Current Month, -2.7% Year to Date, 5.9% Trailing 1 year, 11.8% Trailing 3 Years and 14.5% Trailing 5 Years. The presentation also showed the portfolio Asset Allocation was 61% Market Dependant (Equity-US, International & Emerging Markets of 36% and Fixed Income-Cash, Core US Bonds, Mezzanine Loans & Private Loans of 25%) and 39% Alternative Investments (Private Real Estate-23%, Timber-8% and Natural Resources-8%).

Joe reported the February 29, 2008 'APRS' equity manager performances were down -3.7%, while the broader S&P 500 index was down -3.3%; fixed income manager performances were up .7%, while the JPM EMBI Global Diversified index was down -.1% and Lehman Brother Aggregate Bond Index was up 0.1%; real estate, timber, and energy funds were up a combined 0.5% at month-end. Joe said February like January was extremely tough on manager performances and market indices across the investment spectrums. **No action required by the Board.**

B. Ashmore Investment Management

Kendall Thomas, Investment Committee Chair, reported the 'Committee', Joe Meals and Adam Patterson, Investment Consultants met at 9:15 a.m. on March 26th with Mark Weiller, Director and Jerome Booth (by phone), Investment Research Director at Ashmore Investment Management to discuss APRS emerging market performance returns for EM-Liquid Investment Portfolio (EMLIP), EM-Local Currency Debt (LCD) and EM-Multi Strategy Fund and investment opportunities in EM Corporate High Yield (EMCHY).

The Ashmore EMLIP fund performance was 8.3% trailing 1 yr., 14.1% trailing 3 yrs., and 20% trailing 5 yrs. The Ashmore LCD fund performance was 18.2% trailing 1 yr., 12.1% trailing 3 yrs., 15.1% trailing 5 yrs. The Ashmore Multi Strategy Fund performance was 14.5% trailing 1 yr., 14.2% trailing 3yrs., 17.8% trailing 5 yrs. The EMCHY investment opportunity invests in a fast growing and relatively new asset class providing emerging market companies access to cash by issuing corporate bonds at 10%+ to holders, who purchase them. However the spread for these corporate bonds has increased 400bp post subprime and therefore opportunities exist to make 15% or more returns. There is approximately 2 trillion in outstanding debt with \$154bn estimated 2007 new issuance. Some of the companies issuing these bonds are located in Russia, Nigeria, Turkey, Ukraine, Philippines, UAE, Egypt, Georgia, Yemen, Thailand, Brazil, Oman, Mexico, Malaysia and Jamaica and are telecoms, banks, specialty retail, real estate, oil & gas, water utilities, internet services, chemicals, metals & mining, electric utilities, road & rail, rest & leisure and food products. Jerome Booth stated in the 'Committee' meeting investing in 1) EMCHY, 2) EMLCD and 3) EMLIP in his opinion offered the greatest opportunity to achieve a 10%+ aggregate return in emerging markets. The fees are 2% of the net asset value per annum payable quarterly in arrears.

Kendall reported the 'Committee' recommended investing \$10 million in LCD, \$10 million in EMCHY, subject to legal counsel review and approval of contractual agreements along with the redemption of \$12 million from EMLIP. **Art Alfaro made a motion to approve the 'Committee' recommendation to invest \$10 million in the Ashmore Local Currency Debt (LCD), \$10 million in Corporate High Yield Fund (AEMCHY), subject to legal counsel review and approval of contractual agreements and redemption of \$12 million from EMLIP. Fred Fletcher seconded the motion.**

C. Timberland Investment Resources

Kendall Thomas, Investment Committee Chair, reported the 'Committee', Joe Meals and Adam Patterson, Investment Consultants met at 10:00 a.m. on March 26th to discuss a timberland investment opportunity in Trinity County east of Lake Livingston that Pete Morin, Catherine Haggerty, Chesley Wood and himself, made a site visit to in mid March. He reported Timberland Investment Resources (TIR) managed by Mark Seaman, President and Chief Investment Officer, offered to

negotiate the sale and management of these 4,156.7 acres of timberland (Brushy Creek) that are in two (2) individual tracts (1561 & 2594) at a purchase price plus operating reserves of \$9 million.

Kendall reported the prior timberland investment purchased in East Texas in June of 2004 and managed by TIR has produced 13.59% IRR since inception. These two (2) new tracts titled 'Brushy Creek' will produce a 10% IRR long term, if managed for maximum timber volume with intensive timber management skills from thinning and final harvests. The acre cost of land and timber is approximately \$2,000, land less than \$1,000 and timber is a little over \$1,000 per acre.

Kendall went onto report if resold at its best marketable use close to Houston and Lake Livingston at a later date (10 yr. horizon) could see a double digit return on the land value alone. The annual management fee paid quarterly is 1% of the timberland value, which compliments the other 4,200 acres of timberland managed by TIR.

Kendall reported the 'Committee' recommended approval of the purchase of 'Brushy Creek' timberland plus operating reserves in the total amount of \$9 million, subject to due diligence and legal review of agreements. John Ross made a motion to approve the 'Committee' recommendation to purchase 4,156 acres of timberland, titled 'Brushy Creek' in East Texas, toured by Kendall Thomas, Pete Morin, Catherine Haggerty, Chesley Wood in the amount of \$9 million (purchase and reserves), subject to due diligence and legal counsel approval of agreements. Chesley Wood seconded the motion.

D. Snow Capital Management, LP

Kendall Thomas, Investment Committee Chair, reported the 'Committee', Joe Meals and Adam Patterson, Investment Consultants met with All Caps Manager Snow Capital Management at 10:45 a.m. on March 26th, regarding performance.

He reported, after interviewing the manager regarding their style, past performance and management team, the 'Committee' unanimously recommended termination of Snow Capital Management who manage approximately \$15 million in equities. John Ross made a motion to terminate Snow Capital Management who manage approximately \$15 million in equities. Chesley Wood seconded the motion.

E. Clinton "QES" Consent

Kendall Thomas, Investment Committee Chair, reported the 'Committee', Joe Meals and Adam Patterson, Investment Consultants at Consulting Services Group, LLC met on March 26th at 11:15 a.m. to review an amendment to the Clinton 'CES', LTD investment fund allowing the redemption of shares of Class D and E shareholders by allowing the (9:1) ratio as of October 2007 be changed to (7:1) on shares outstanding as of October 2007, and thereafter the Class D Shares to Class E Shares shall have a ratio of 9:1 ratio till the existing series year ends on September 30, 2008. The share redemption will be paid as a cash distribution to both Class D and E Shareholders effective March 31, 2008.

Kendall reported the 'Committee' and Joe Meals, Investment Consultant recommended approval by 'Consent' of the amendment, because it allowed for a one time payment of 1% cash distribution in the approximate amount of \$56,000 (excess collateral), without adding any additional liability risk. While the investment manager is still required to set aside shares in order to pay the APRS an investment return of 13% on its \$10,385,924 March investment value. John Ross made a motion to approve the 'Investment Committee' and Joe Meals, Investment Consultant recommendation to 'Consent' amending the Clinton, 'CES' agreement allowing for a one time redemption of 1% of cash value as of October 2007 on March 31, 2008, while maintaining sufficient collateral to guarantee the future 13% return over the next 6 months (Agreement expires October 1, 2008). Art Alfaro seconded the motion.

F. Investment Rebalancing and Reallocation

Kendall Thomas, Investment Committee Chair reported the 'Committee' did not make any recommendations to rebalance or make any other asset allocation changes to the fund portfolio at its Wednesday, March 26, 2008 meeting with Joe Meals and Adam Patterson, Investment Consultants at Consulting Services Group.

However, Joe Meals, Investment Consultant reported the Investment Policy Statement (IPS) was in need of being revised in Section F. Liquidity Requirements in order to be consistent with the practice of projecting capital distributions to ongoing investment allocations approved by the Board. His recommendation was to clarify that the 5% allocation in cash and readily convertible investment grade securities was callable to fund projected cash flow needs over 3 months, plus 35% of unfunded commitments on Alternative and Real Estate Investments. John Ross made a motion to approve the revision in the Liquidity Requirement as proposed by Joe Meals, Investment Consultant for allocating 5% of the cash and readily convertible securities to fund capital distributions on investments approved by the Board. Chesley Wood seconded the motion.

Disability Committee Report March 26th, 2008

A. Continuing Disability Application for Wendall Poindexter

John Ross, Disability Committee Chair, reported the 'Committee' met on Wednesday, March 26, 2008 at 11:45 a.m. to discuss continuing disability retirement benefits for Wendell Poindexter. John, reported after a review of the member's application the 'Committee' unanimously recommended continuing his disability retirement. Kendall Thomas made a motion to approve continuing disability retirement for Wendell Poindexter as recommended by the Disability Committee. Mike Jung seconded the motion.

Pension Office Report

A. Treasury Report

Sam Jordan, Administrator presented the February 29, 2008 monthly Treasury Report, showing the total 'APRS' asset value to be \$496,013,901.60 (unaudited). This asset value was down by \$7,506,404.28 from January 31, 2008 asset valuation of \$503,520,305.88 million (unaudited).

The total fund investment commitments were \$62,814,872.01 million, which consisted of \$15,116,793.18 in Value Added Real Estate, \$4,310,106.93 in International Real Estate, \$12,335,209.63 in Opportunistic Real Estate Land Development, \$29,661,831.00 in Private Equity, and \$1,390,931.27 in Mezzanine Loans. There is \$35,385,578.07 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 \$26,094,955.20 of the total commitments. No action required by the Board.

B. 2007 Actuarial Valuation Begins, April 16, 2008

Sam Jordan, Administrator, reported the 2007 Actuarial Valuation of the 'APRS' funding and financial status commences on April 16, 2008, by Rudd & Wisdom, Inc. No action required by Board.

C. 2007 Audit Begins, April 21, 2008

Sam Jordan, Administrator, reported the 2007 Audit of the 'APRS' Financial Statements using Government Accepted, Accounting Principals, (GAAP) and Government Accounting Standard Board (GASB) rules and regulations commences on April 21, 2008, by Arturo Montemayor Hill & Associates, PC. No action required by the Board.

D. Sentinel RE, LP IV, VI Auditor/Appraisal Approval

Sam Jordan, Administrator, reported a 'Consent' approving the annual meeting by mail for Sentinel Real Estate Partners IV, in the packet, was awaiting execution by Chair, Peter Morin. In addition, a 'Proxy' appointing KPMG to perform the 2007 independent audit and approving the following appraisal firms Cushman & Wakefield; Weiser Realty Advisors, LLC; and Sheets, Hendrickson & Associates, Inc., all of whom are qualified MAI appraisal firms were awaiting execution.

Sam Jordan, Administrator, reported a 'Consent' approving the annual meeting by mail for Sentinel Real Estate Partners VI, in the packet, was awaiting execution by Chair, Peter Morin. In addition, a 'Proxy' appointing KPMG to perform the 2007 independent audit and approving the following appraisal firms Weiser Realty Advisors, Inc.; Sheets, Hendrickson & Associates, Inc.; and Cushman & Wakefield; all of whom are qualified MAI appraisal firms were awaiting execution. **John Ross made a motion to approve the annual meeting by mail 'Consent' and appointments of auditors and appraisers 'Proxy' for the Sentinel Real Estate Partners Funds IV & VI as recommended by Sentinel RE and presented by Pension Administrator, Sam Jordan. Fred Fletcher seconded the motion.**

Old/New Business

Peter Morin, Chair reported after attending TEXPERS, March 15-19 he observed most pension systems 'APRS' size or larger referred to their Administrator as Chief Executive Officer and he would like this name title to be used at City of Austin Police Retirement System from this day forward. **The Board agreed by Acclamation.**

Peter Morin, Chair recognized Kendall Thomas for his re-election to the TEXPERS Board of Directors at the Ft. Worth annual conference by the police member systems in Texas and appointment as Secretary of the Board. **No action required by the Board.**

Peter Morin, Chair announced his appointment to the Education Committee by TEXPERS president Paul Brown. This committee looks at programs to implement for continuing trustee and staff educational needs. **No action required by the Board.**

Art Alfaro, Trustee reported the Wilshire report handed out at the TEXPERS annual conference on the last day, noted Austin Police Retirement System investment performance as of September 30, 2007 was in the N/W Quadrant of High Return with Less Risk. He stated this is excellent and everyone should be extremely pleased. **No action required by the Board.**

Adjournment

Peter Morin, Chair