

Lubbock Fire Pension Fund
Wednesday, August 8, 2012
#15 Briercroft Office Park, Lubbock Texas
The Lubbock Fire Pension Fund met in a Regular Meeting on Wednesday, August 8, 2012 at 1:00 P.M.

Members Present

Randy Butcher, Vice-Chairman
James Capps, Secretary
Alva Littlejohn, Member
Roger Lindsey, Member
Dub Wade, Member

Members Absent

Kevin Ivy, Chairman
Steve Exter, Member

Staff Present

Jack Watkins
Kayla Burcham

Contractors Present

Ed Peschke (Frost Bank)
Tim Sharpe (Morgan Stanley Smith Barney)

Other

Tony Guerrero

Randy Butcher, Vice-Chairman called the meeting to order at 1:00 p.m.

1. July 16, 2012 Board Meeting minutes

Roger Lindsey made a motion to approve the minutes from the July 16, 2012 Board meeting. The motion was seconded by Alva Littlejohn and approved by the Board.

2. Service Retirement Applications, Disability Applications, Widow's Benefit Applications, Dependent Child Applications, Contribution Refunds and Benefit Terminations, and QDRO's (Qualified Domestic Relations Order)

There were no Service Retirement Applications, Disability Applications, Widow's Benefit Applications, Dependent Child Applications, Contribution Refunds and Benefit Terminations, and QDROs (Qualified Domestic Relations Order).

3. Review sales and purchases

The Board reviewed sales and purchases. No Board action was taken.

4. Custodial bank report by Ed Peschke of Frost Bank

- Bank balance \$154,498,340.90, representing a nice recovery from last month
- Comments on good working relationship with Luther King Capital Management
- Mr. Peschke reiterated Frost Bank's re-charter from "National" to "State" status
- Various contacts with retirees
- Now custodian for a total of 10 TLFRA funds

5. Presentation by Tim Ng with Morgan Stanley Smith Barney

Tim Sharpe presented the quarterly review to the Board, commenting that overall, the quarter was very dismal. During the quarter, the Fund balance slipped \$6.5 million from \$159 million on April 1st to \$152 million at the close of the quarter. He continued by reviewing the report page by page:

- Equities were significantly down, 6 out of 10 sectors fell in the quarter
- Growth expectations revised downward, Europe clearly in recession
- 80% of growth expected from emerging markets, which were down in the quarter
- The Fund balance was down 3.37%, only two managers had positive returns
- Each manager compared to the benchmark

Mr. Sharpe continued his discussion with an update on the search for an international value manager. An open search was done producing several possible managers, but more research was needed before presenting the board with a final list for consideration.

- Fund rebalancing--Mr. Sharpe recommended moving \$500,000 from the Luther King Capital Management equity account to the Luther King fixed income account. After discussion by the Board, Alva Littlejohn made a motion to rebalance according to the consultant's recommendations. The motion was seconded by Steve Exter and approved by the Board.

Mr. Sharpe made comments on the effect of the change of operating platforms that took place in early May at Morgan Stanley Smith Barney. Effect on the reporting to the Fund was minimized since MSSB does not have a custodial relationship with the Fund.

Mr. Sharpe closed with a discussion about MSSB and TEXPERS resolving differences stemming from endorsement issues earlier in the spring. Mr. Sharpe stated that he would forward that communication to the Administrator for distribution to the Board.

6. Administrator's Report:

- Office expenses
- July financial worksheet
- Investments update
- Other items: Confirmed registration and activities for upcoming TEXPERS conference in San Antonio.

7. Committee Reports

- Investment Committee: Alva Littlejohn spoke with Jessica Walden of Dimensional Advisors and Christine Johnston of Russell Investments

Mr. Littlejohn updated the Board on the Sunset Advisory Commission's review of the Commissioner's office.

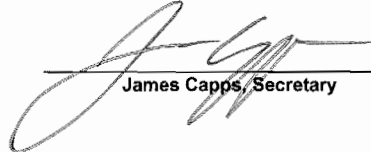
8. Public comment

No public comment was made.

**Alva Littlejohn made a motion to adjourn the meeting. The motion was seconded by Roger Lindsey and approved by the Board.
The meeting adjourned at 2:10 p.m.**



Kevin Ivy, Chairman



James Capps, Secretary