

**Minutes of the
Regular Meeting of the
Board of Trustees of the
Fire and Police Pension Fund, San Antonio
311 Roosevelt Avenue
San Antonio, Texas
January 26, 2010**

PRESENT: Chairman Larry A. Reed, Fire Retiree Representative; Vice Chairman Shawn Ury and Harry Griffin, Police Representatives; Councilman/Secretary Justin Rodriguez; Mayoral Designee Art A. Hall; Councilwoman Mary Alice P. Cisneros; Donald R. Wagoner and Bart Moczygamba, Fire Representatives; and Alex Perez, Police Retiree Representative.

ABSENT: None.

OTHERS

PRESENT: Warren Schott, Executive Director; Mark Gremmer, Deputy Director; Beatrice Ahrens; Aubrey Berry; Richard Matye, Pension Fund Staff; Frank B. Burney, Martin & Drought, P.C.

At 9:04 a.m., Chairman Reed called the meeting to order. Roll was called, and a quorum was declared present.

Pursuant to state law, the Board recessed to Executive Session at 9:07 a.m. to discuss Attorney-Client Matters including, but not limited to, the following issues (Real Estate, Litigation, Contracts, Personnel and Security) and to have an attorney-client consultation regarding legal issues pertaining to: Real Estate Acquisition (551.071); Financial Disclosure Forms (551.071).

Councilwoman Cisneros entered the meeting at 9:12 a.m.

Secretary Rodriguez entered the meeting at 9:18 a.m.

Art Hall entered the meeting at 9:25

Mr. Griffin entered the meeting at 9:28 a.m.

The Board reconvened at 9:52 a.m.

MINUTES: Mr. Wagoner moved to approve the minutes of the regular meeting held December 22, 2009. The motion was seconded by Mr. Moczygamba, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

Mr. Hall moved to authorize Board members and appropriate staff to attend the following conferences:

- A. Western Technology Annual Investor Conference
April 22-23, 2010
- B. RREEF Real Estate Conference
March 17-18, 2010
- C. IREI Advisory Board Meeting
April 13-15, 2010

D. GFOA Annual Conference
June 6-9, 2010

Mr. Perez seconded the motion, and it carried unanimously.

**PENSION
APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

**CONTRIBUTIONS: ANNUITY WITH A BACKDROP TO BE ROLLED OVER INTO A
QUALIFIED PLAN OR PAID DIRECTLY TO INDIVIDUAL-
(LISTED BY EFFECTIVE DATE OF RETIREMENT)**

Mr. Wagoner made a motion to approve the following pensions:

1. A 36 year, 8 month service pension for Police Lieutenant Robert K. Hartle, effective January 2, 2010.
2. A 33 year, 4 month service pension for Fire Apparatus Operator Jay T. Little, effective January 7, 2010
3. A 34 year, 4 month service pension for Fire Apparatus Operator James G. Biela, effective January 9, 2010.
4. A 33 year, 8 month service pension for Detective Investigator Peter Carlsson, effective January 9, 2010.
5. A 30 year, 1 month service pension for Fire Fighter Edward E. Guevara, effective February 1, 2010.
6. A 30 year, 1 month service pension for Fire Apparatus Operator, Hector G. Garza, effective February 5, 2010.
7. A 25 year service pension for Police Sergeant Angela E. Ruks, effective February 17, 2010.

Mr. Griffin seconded the motion, and it carried unanimously.

BENEFICIARY PENSION

Mr. Perez made a motion to approve the following beneficiary pension:

1. A beneficiary pension for Mrs. Linda Gonzales, widow of Active Police Officer Jimmy M. Gonzales, effective December 17, 2009.
2. A beneficiary pension for Mrs. Barbara Ann Edwards, widow of Retired Detective Investigator Charles W. Edwards, effective December 24, 2009.
3. A beneficiary pension for Mrs. Vivian M. Garoni, widow of Retired Police Lieutenant John C. Garoni, effective January 4, 2010.
4. A beneficiary pension for Mrs. Rosa Elia L. Chavarria, widow of Retired Detective Investigator Arnulfo A. Chavarria, effective January 4, 2010.

Mr. Hall seconded the motion, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:****COLA UPDATE**

Mr. Schott reported that the Bureau of Labor Statistics released the inflation report for calendar year 2009. Mr. Schott reported that the cost-of-living was 2.7%. Therefore, members who retired prior to October 1, 1999 will receive 2.7%. Members retiring after October 1, 1999, will receive 2.0%. Mr. Schott noted the COLA adjustment will take effect with the January payroll. Vice Chairman Ury made a motion to approve. The motion was seconded by Councilwoman Cisneros, and it carried unanimously.

BENEFIT STATEMENTS

Mr. Schott reported the annual benefit statements were mailed out to all active members in early January.

FIRE DEPARTMENT AWARDS CEREMONY – FEBRUARY 24, 2010

Mr. Schott notified the Board of the Fire Department Awards ceremony to be held on Wednesday, February 24th at 7:00 p.m. The ceremony will be held at the Municipal Auditorium.

POLICE RETIREE PLAQUE PRESENTATION–FEBRUARY 23, 2010

Mr. Schott reported that police officers who retired from January through December, 2009, would be recognized with plaques at the February Board meeting. The Police Chief will be invited to attend.

TEXPERS DELEGATE LIST

Mr. Schott provided Board with a copy of the TEXPERS Delegate List and reported the TEXPERS Conference will be held April 10-14, 2010 in Galveston, TX. Mr. Schott asked Board to let staff know as soon as possible if they plan on attending in order to make appropriate accommodations.

FINANCIAL REPORT FOR PERIOD ENDING DECEMBER 31, 2009

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending December 31, 2009 were \$1,822,345,271.

At this time, Mr. Schott reported that the Texas Pension Review Board was holding its work session and Board meeting on January 28th. Chairman Reed stated he would be attending and would provide a report on the pertinent issues discussed.

**COMMITTEE
REPORTS****PERSONNEL/AUDIT COMMITTEE**

Mr. Perez stated the Committee held a meeting on Monday, January 25th to receive the Annual Audit and the Actuarial Valuation Report. At this time, Mr. Malichi Waterman, The Segal Company, provided the Board a brief review of the Annual Valuation Report dated October 1, 2009.

Mr. Wagoner made a motion to approve the Actuary Report presented to Board. Mr. Griffin seconded the motion, and it carried unanimously.

Mr. Bob McAdams and Mr. Adrian Martinez, Carneiro, Chumney & Co. also provided the Board a brief review of the Audit Report for the year ending September 30, 2009.

Mr. Wagoner offered a motion to approve the Audit Report presented. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Mr. Wagoner reported the Legislative Committee held a meeting on January 25th to discuss the 2011 Legislative Process. The Committee approved a Timeline which should allow the Fund to pre-file the bill in early December 2010. The Committee has scheduled a meeting for Tuesday, February 9th at 9:00 a.m. at the Pension Office to review the Timeline with the three associations.

Mr. Wagoner reported a news article was also approved which will be placed in the Advisor Newsletter, Grapevine and Centurion, inviting the membership to provide ideas for any benefit enhancements.

INVESTMENT COMMITTEE

Mr. Moczygomba reported the Investment Committee held a meeting on January 20, 2010. The Committee received an educational presentation from Guidance Capital on "Investing in Commodities". It reviewed the different ways to invest in commodities and the different strategies that managers use, and discussed how to best achieve diversification within the commodities allocation due to the heavy weighting of energy in most of the commodities indexes. The Committee took no action on this item but has asked CSG to prepare a recommendation for the February Committee meeting.

Staff presented a report detailing the investments in the Northern Trust Securities Lending Program. It was noted that the majority of the unrealized losses are in residential mortgage-backed securities. The current unrealized losses stand at \$402,000. There are approximately 300 fixed income securities in the portfolio but the majority of the losses are in 25 names. As a reminder, the portfolio was written up approximately \$1.3 million in November. If fixed income spreads continue to narrow, Northern Trust is expecting a future write-up in the portfolio. No action was needed on this issue.

Staff updated a request that was previously made by AEW Value Investors II regarding an increase in the maximum leverage allowed within their fund. AEW is one of the Fund's real estate managers. AEW had previously requested a change from a "portfolio" leverage limit to an "asset" leverage limit. However, due to lack of support, AEW has dropped this request and are now requesting approval to increase the portfolio leverage from 60% to 70%.

At this time, Mr. Moczygamba offered a motion on behalf of the Committee to approve the following recommendation:

Vote in favor of an amendment to the Limited Partnership Agreement for AEW Value Investors II, L.P. to increase the maximum portfolio level leverage from 60% to 70%.

Mr. Wagoner seconded the motion. After some discussion by Board and Staff on this issue, the following votes were taken on the motion:

Councilwoman Cisneros – yes
Mr. Moczygamba – yes
Mr. Wagoner – yes
Councilman Rodriguez – yes
Mr. Reed – yes
Mr. Ury – no
Mr. Griffin – no
Mr. Perez – yes
Mr. Hall – no

The motion passed 6 to 3.

At the December Investment Committee Meeting, the Committee received a presentation from Capital Springs regarding its Franchise Capital Partners III Fund. The Fund is a private equity investment which provides equity capital to franchisees to allow them to purchase their own franchise. They target 20-30% total returns with 15% current cash-on-cash yield from the franchises' cashflow. Unfortunately, after the presentation, the Committee lost its quorum, so no action was possible; however, the issue was again discussed at the January Investment Committee meeting, and the Committee has a recommendation to approve it.

Mr. Moczygamba made a motion to approve the following recommendation, contingent upon a site visit and favorable recommendation from CSG or another private equity consultant:

Investment in Franchise Capital Partners III, L.P.

- Structured Equity Investments
- \$10,000,000 commitment
- Projected 10 year term

- 2.00% annual management fee + carried interest of 20% after an 8% hurdle return
- Clawback on management fee if fund does not generate hurdle return
- Goal - 20% IRR after mgt fee

Councilwoman Cisneros seconded the motion.

After much discussion by Board and staff regarding this issue, Mr. Moczygemba and Councilwoman Cisneros withdrew their motions, and no action was taken. Board will discuss this issue at the next Board meeting, allowing staff the opportunity to first conduct a site visit.

The Committee reported it was also presented with an opportunistic real estate investment in AEW Partners VI. AEW is a current real estate manager of the Pension Fund within the opportunistic and value-added real estate sector. However, due to the short investment relationship the Pension Fund has with AEW's opportunistic abilities, the Committee chose to pass on this investment.

Lastly, the Committee discussed an absolute return investment that was presented by Oppenheimer Capital at the December Committee meeting. Because this is a hedge fund investment, and the Pension has just hired a hedge fund consultant, the Committee directed Staff to get an opinion from the consultant.

REAL ESTATE COMMITTEE

Vice Chairman Ury reported the Real Estate Committee held a meeting on January 13, 2010. The Committee met with its real estate broker to get an update on an offer that was made on an office building. Unfortunately, the Committee was informed that the owner was not willing to accept the offer, and the Committee is not willing to increase its offer, therefore, this deal is dead.

The Committee has begun focusing on another building in the same area, and will keep Board posted as any new information is received.

LEGAL REPORT:

Mr. Burney requested a meeting with Board to discuss the Standards of Conduct.

DISBURSEMENTS: Mr. Wagoner moved and Mr. Moczygemba seconded a motion to approve paying the bills, which was unanimously approved.

(See attached disbursements dated January 26, 2010).

MEMBERS TO BE HEARD:

Mr. Michael Trainer, Pensioners Association President, thanked Board for its cooperation with the Pensioners Association.

ADJOURNMENT: Being that there was no further business; Councilwoman Cisneros moved to adjourn the meeting at 10:55 a.m. Mr. Wagoner seconded the motion, and it carried unanimously.