

**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
February 23, 2010**

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

ABSENT: Councilman/Secretary Justin Rodriguez; and Donald R. Wagoner, Fire Representative.

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

At 9:05 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).

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

The Board reconvened at 9:41 a.m.

MINUTES: Mr. Griffin moved to approve the minutes of the regular meeting held January 26, 2010. The motion was seconded by Vice Chairman Ury, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

Vice Chairman Ury moved to authorize Board members and appropriate staff to attend the following conferences:

- A. Opal Police, Fire & Public Pensions Forum
April 16 & 17, 2010
- B. NCPERS Annual Conference
May 1-6, 2010
- C. Siguler Guff Client Conference
May 19-20, 2010

- D. FRA National Public Employees Retirement Funds Summit
June 17-18, 2010
- E. ING Clarion Client Conference
April 19-20, 2010

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

1. A 32 year, 4 month service pension for Fire Captain John D. Aguilar, effective March 1, 2010.
2. A 33 year, 6 month service pension for Fire Apparatus Operator Dwight D. Andreas, effective March 1, 2010.
3. A 34 year, 6 month service pension for Fire Lieutenant Mark K. Brigance, effective March 1, 2010.
4. A 33 year, 6 month service pension for Fire Apparatus Operator Jerry C. Cantu, effective March 1, 2010.
5. A 34 year service pension for Firefighter William E. Davenport, effective March 1, 2010.
6. A 35 year, 9 month service pension for Firefighter Ramiro C. Davila, effective March 1, 2010.
7. A 35 year, 9 month service pension for Fire Lieutenant Terry L. Eggleston, effective March 1, 2010.
8. A 33 year, 6 month service pension for Fire Apparatus Operator Billy F. Farris, effective March 1, 2010.
9. A 34 year, 6 month service pension for District Chief Vernon R. Grams, effective March 1, 2010.
10. A 32 year, 1 month service pension for Fire Lieutenant S. L. Hardy, Jr., effective March 1, 2010.
11. A 29 year, 10 month service pension for Firefighter Robert J. Lee, effective March 1, 2010.
12. A 33 year, 6 month service pension for Firefighter Roy V. Lozano, effective March 1, 2010.

13. A 33 year, 6 month service pension for Firefighter Albert M. Mason, effective March 1, 2010.
14. A 35 year, 3 month service pension for Fire Lieutenant Richard C. Mathis, effective March 1, 2010.
15. A 46 year, 3 month service pension for Police Officer Neal F. Mitchell, Jr., effective March 1, 2010.
16. A 34 year service pension for Fire Lieutenant James C. Naegelin, effective March 1, 2010.
17. A 35 year, 3 month service pension for Fire Apparatus Operator Steve L. O'Neill, effective March 1, 2010.
18. A 37 year, 5 month service pension for Fire Apparatus Operator Johnny Pedroza, effective March 1, 2010.
19. A 33 year, 10 month service pension for Police Captain Thomas R. Polonis, effective March 1, 2010.
20. A 35 year, 9 month service pension for Fire Apparatus Operator Jose P. Trevino, effective March 1, 2010.
21. A 34 year, 3 month service pension for Detective Investigator Michael R. Kubena, effective March 2, 2010.
22. A 30 year service pension for Police Officer David O. Rodriguez, effective March 3, 2010.
23. A 25 year, 8 month service pension for Detective Investigator Kenneth R. Ruks, effective March 13, 2010.

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

The Board thanked those members present for their years of hard work and dedication, and wished them a happy retirement. Mr. Griffin acknowledged Police Officer Neal F. Mitchell, who was not present at the meeting, for his 46 years of service in the San Antonio Police Department.

REFUND OF CONTRIBUTION

Vice Chairman Ury made a motion to approve the following refund of contributions:

1. A 2 month refund of contribution for Police Officer Jessica A. Velasquez, effective November 19, 2009.
2. A 7 year, 3 month refund of contribution for Police Officer Winder Morales, effective January 12, 2010.
3. A 10 year refund of contribution for Police Officer David V. Escobedo, effective February 17, 2010.

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

**EXECUTIVE
DIRECTOR
REPORT:****POLICE CADET CLASS 2009-C – GRADUATION 2/19/10**

Mr. Schott requested a motion to approve Police Cadet Class 2009-C into the membership. Vice Chairman Ury moved to approve the class into membership. The motion was seconded by Councilwoman Cisneros, and it carried unanimously.

TEXPERS CONFERENCE

Mr. Schott reminded Board to register for the TEXPERS Conference taking place on April 10-14, 2010, in Galveston, TX.

Mr. Hall entered the meeting at 10:00 a.m.

FIRE DEPARTMENT AWARDS CEREMONY REMINDER

Mr. Schott reminded the Board of the Fire Department Awards ceremony on Wednesday, February 24th at 7:00 p.m. at the Municipal Auditorium.

At this time, Chairman Reed acknowledged Police Chief McManus' presence and moved to conduct the 2009 Police Plaque Presentations. Plaques were then presented to the following 2009 Police Retirees:

Ruben P. Cerda; Telesforo Mandujano; Armando Ramirez; Irvin Boynes; Juan C. Campacos; Fernando P. Casarez; Robert W. Hardeman; Frances J. Jackson; Donald R. Klaus; Robert W. Farley; Jesus Salazar; and Richard D. Martin.

The Board congratulated and thanked those members present for their years of hard work and service to the City of San Antonio.

ADVISOR NEWSLETTER

Mr. Schott reported that the Advisor Newsletter has been mailed out to all members.

ANNUAL MANAGER WORKSHOP – APRIL 6 & 7, 2010

Mr. Schott reported that the Spring Manager Workshop is scheduled for Tuesday, April 6 & Wednesday, April 7, 2010. It will be held at the Hotel Contessa.

ANNUAL REPORT

Mr. Schott reported the Annual Report for Fiscal Year ending 2009 was being submitted to the printers this week. He stated once the report is complete, it will be available for viewing on the Fund's website.

FINANCIAL REPORT FOR PERIOD ENDING JANUARY 31, 2010

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending January 31, 2010 were \$1,783,073,773.

Regarding the Cash Flow Statement, Vice Chairman Ury questioned why the employer contributions were not exactly double the employee contributions, as required by the Pension Law. Staff explained that it was due to the Probation Buyback Program that began in October 2009. The amount the members have paid is being included in the employee contribution amounts, but the employer is not required to double-match this amount. Mr. Griffin requested Board be provided with a reconciliation of employee/employer contributions. Mr. Schott stated it would be presented at the next Board meeting.

RESOLUTION FOR COUNCILMAN PHILIP CORTEZ

Chairman Reed read the following resolution for Councilman Philip Cortez:

WHEREAS, PHILIP A. CORTEZ, Trustee of the Fire and Police Pension Fund of San Antonio, Texas, is ending his service with this Board as of August 26, 2009, and;

WHEREAS, PHILIP A. CORTEZ has served continuously as a member of the Board since February 26, 2008, and;

WHEREAS, PHILIP A. CORTEZ is recognized as a man of integrity, whose advice and counsel has been most instrumental in guiding the Pension Fund during his term, and;

WHEREAS, the Fund's stability and performance has been due in part to ***PHILIP A. CORTEZ***' guidance and direction, and;

NOW THEREFORE:

***Be it resolved by the Board of Trustees of the
Firemen and Policemen's Pension Fund of San Antonio, Texas:***

1. That the Fire and Police Pension Fund Board of Trustees of San Antonio, Texas, hereby expresses its most sincere appreciation to ***PHILIP A. CORTEZ, TRUSTEE OF THE BOARD***, for his invaluable contribution to the Fund in enhancing the market value of the Fund and the benefits to its members, while preserving the integrity and stability of the Fund.
2. That this Board go on record as expressing its desire of lasting health, good wishes and sincere thanks to a loyal friend.
3. That the original of this Resolution, duly subscribed by all members of the Board be presented to ***PHILIP A. CORTEZ*** as an official expression of the sentiments set forth above, and that a copy hereof be spread in full upon the minutes of the Board as a permanent and official expression of the sincere appreciation herein expressed.

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

No report.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Mr. Griffin reported the Legislative Committee held a meeting on February 9, 2010 to review the 2011 Legislative Timeline with the three associations. Representatives from each of the associations were in attendance. The Committee also reviewed the 2009 Actuarial Valuation Report. The associations were instructed to meet with their membership and be prepared to bring their benefit requests to the next Committee meeting scheduled for March 23rd at 9:00 a.m. at the Pension Office.

Mr. Griffin stated Don Wagoner and Warren Schott will be scheduling a meeting in early March with the City of San Antonio to discuss the Legislative Timeline.

INVESTMENT COMMITTEE

Mr. Moczygamba reported the Investment Committee held a meeting on February 17, 2010.

The Committee received a presentation by George Siguler of Siguler Guff. Siguler Guff invests in both distressed debt and private equity on behalf of the Pension Fund. Mr. Siguler noted that they have generated a 43% IRR since inception on the nine funds they have either managed or recommended to the Pension Fund since 1994. He also presented his new Distressed Opportunities Fund IV which they have begun raising capital for. The Pension Fund has also invested in the first three Distressed Funds. He also noted that Siguler Guff would be raising money for a new Distressed Real Estate Fund later in the year. No action was taken at this time; however, the Committee asked that it be included on the March Investment Committee Agenda for discussion.

Staff provided its opinion on the results of a site visit to Capital Spring. Capital Spring is a private equity firm that invests in franchisees. At the January Board Meeting, the Board sent this investment opportunity back to Committee for further review. Although Staff returned from the site visit with a positive impression of the management team at Capital Spring, it still expressed concerns due to its relatively short investment experience and realized investments. In addition, staff noted that the 2010 commitment to private equity had been adjusted down from \$30-\$40 million to \$20-\$30 million. Due to all of the above factors, the Committee is not recommending an investment in this fund. However, the Committee directed Staff to monitor the performance of this fund and the previous Capital Spring funds for possible future investments.

Mr. Jim Valone and Mr. Tim Maul of Wellington Management presented on its emerging market debt portfolio they manage for the Pension Fund. They have done a good job by adding 350 basis points of alpha since the inception of this investment in June 2006. They continue to perform very well in this area, but expressed interest in also being allowed to invest a larger percentage of the Fund in corporate debt and local currencies. They are already allowed to invest in these areas, but at a lower percentage of the portfolio. They detailed their reasons for the request based on their negative outlook for the U.S. dollar and positive outlook for emerging market currencies. After a discussion, the Committee voted unanimously to recommend approval to transfer the assets in the Wellington Emerging Market Debt Portfolio to the Wellington Opportunistic Emerging Market Debt Portfolio. It is worth noting that the fee will increase by 27.5 basis points due to higher operating expenses in the opportunistic portfolio. There will also be a transition fee of approximately \$200,000.00 because the Fund will be moving from one commingled account to a new commingled account.

At this time, Mr. Schott provided some additional information to Board on the transition fee. After much discussion by Board and Staff, the Board stated it would still require additional information and clarification from the Investment Committee prior to approving a recommendation.

The Townsend Group presented its annual report on the status of the Fund's real estate portfolio. It noted that it has been a very difficult environment for real estate and although the equity markets have been rallying, the real estate markets have lagged behind. The Fund's target allocation to real estate is 12%, but current market value is 6.9%, so new real estate investments will be needed in 2010. The one-year return on the Fund's total real estate portfolio was -43.4%. Townsend also discussed rebalancing the Fund's core and non-core portfolios during 2010, but stated it would discuss this at a future Committee Meeting.

Mr. Walter Morales presented on behalf of Commonwealth Advisors regarding its Core Fixed Income Fund. The Committee had requested Commonwealth attend the meeting to explain its poor performance. The majority of the assets of the Core Fund are invested in one CDO containing hundreds of mortgages. These mortgages are adjustable rate and have been adjusting down due to lower interest rates. In addition, due to the lower rates, the prepayments on the mortgages are substantially lower, causing the market value of the investment to drop. Commonwealth is still projecting a positive return for this investment, but the life of the investment will be longer than projected. No further action was taken.

Mr. Robert Longfield of CSG presented the quarterly performance report for December. The Fund gained 3% for the quarter, with the majority of the Fund's managers performing at a very high level vs. its peers. There are still two managers on Watchlist status, Goldman Sachs and Artio Global. No action was taken on these managers due to their improvement in performance. Lastly, the Committee asked CSG's opinion on the best way to invest in commodities. CSG stated it would include both long-only and long-short managers in the Search. The Committee took no action on this issue, but will discuss at the March Committee Meeting.

REAL ESTATE COMMITTEE

Vice Chairman Ury reported the Real Estate Committee continues to search for a building and will keep Board posted as new information is received.

**LEGAL
REPORT:**

Mr. Burney stated he did not have a report; however, he along with Board discussed the possibility of hiring an additional firm to monitor potential securities litigation claims. Board recommended staff add this item to the Investment Committee's March agenda.

DISBURSEMENTS: Vice Chairman Ury moved and Mr. Griffin seconded a motion to approve paying the bills, which was unanimously approved.

(See attached disbursements dated February 23, 2010).

**MEMBERS TO
BE HEARD:**

None.

ADJOURNMENT: Being that there was no further business; Mr. Moczygamba moved to adjourn the meeting at 11:57 a.m. Chairman Ury seconded the motion, and it carried unanimously.