

**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
September 29, 2009**

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

ABSENT: Bart Moczygamba, Fire Representative; and Alex Perez, Police Retiree Representative.

**OTHERS
PRESENT:**

Warren Schott, Executive Director; Mark Gremmer, Deputy Director; Beatrice Ahrens; Aubrey Berry; Richard Matye; Dora Barrientos, 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.

Chairman Reed administered the Oath of Office to Councilwoman Mary Alice P. Cisneros and Councilman Justin Rodriguez.

Pursuant to state law, the Board recessed to Executive Session at 9:10 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: Disability Application (551.071); Administrative Services Contract (551.071); Fire Fighter Release and Settlement Agreement (551.071); and Tronox Inc. Litigation (551.071).

Mr. Art Hall entered the meeting at 9:29 a.m., at the end of Executive Session.

The Board reconvened at 9:35 a.m.

Chairman Reed then administered the Oath of Office to Mayoral Designee Art Hall.

MINUTES: Mr. Wagoner moved to approve the minutes of the regular meeting held on August 26, 2009. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

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

A. IIR Public Fund Board Forum
December 12-15, 2009

- B. Wellington Institute
October 13-16 & 19-22, 2009
- C. National Society of Institutional Investment Professionals
December 3, 2009
- D. Opal Alternative Investing Summit
Dec. 6-8, 2009
- E. AEW Research Luncheon
September 18, 2009
- F. Roundtable for Consultants & Institutional Investors
October 19-21, 2009

Mr. Ury 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 24 year, 7 month service pension for Detective Investigator Irvin Boynes, effective September 9, 2009.
2. A 21 year, 11 month service pension for Fire Apparatus Operator Frank Castaneda, effective October 1, 2009.
3. A 33 year, 1 month service pension for Fire Apparatus Operator Michael Mechler, effective October 3, 2009.

Secretary Rodriguez seconded the motion, and it carried unanimously.

BENEFICIARY PENSION

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

1. A beneficiary pension for Mrs. Lorraine Miller, widow of Retired Fire Captain Jay R. Miller, effective September 4, 2009.

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

REFUND OF CONTRIBUTION

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

1. A 3 month refund of contribution for Police Officer Christopher Spencer, effective August 7, 2009.
2. A 1 year, 3 month refund of contribution for Police Officer Christopher Nordman, effective August 27, 2009.

3. A 2 month refund of contribution for Police Officer Joseph Giardino, effective October 16, 2008.
4. A 6 year, 2 month refund of contribution for Fire Fighter Kevin C. White, effective January 17, 2008.

Councilwoman Cisneros seconded the motion, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:**

PROPOSED 2010 MEETING SCHEDULE

Mr. Schott reviewed the 2010 proposed meeting schedule with Board and requested approval. Secretary Rodriguez commented that the Investment Committee meetings were currently scheduled at the same time as the Retiree Health Care Fund meetings. Councilman Rodriguez also serves as a Trustee on the Board. Mr. Schott noted the conflict and stated that should the Chairman of the Committee decide to change the meeting days, then Board will be presented with another meeting schedule for approval.

Secretary Rodriguez made a motion to approve. The motion was seconded by Councilwoman Cisneros, and it carried unanimously.

2009-2010 HOLIDAY SCHEDULE

Mr. Schott presented Board with a proposed 2009-2010 Holiday Schedule and requested approval. He noted that this was the same holiday schedule as the City of San Antonio. Councilwoman Cisneros made a motion to approve. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

POLICE CADET CLASS 2009-A GRADUATION SEPTEMBER 11, 2009

Mr. Schott requested Board's approval to accept Police Cadet Class 2009-A into the membership. Mr. Ury made a motion to approve. The motion was seconded by Mr. Wagoner, and it carried unanimously.

REAL ESTATE / PRIVATE EQUITY WORKSHOP REMINDER

Mr. Schott reminded the Board of the Fall Real Estate and Private Equity Manager Workshop to be held on October 15 & 16, 2009. The two-day workshop will be held at the Pension Fund office.

Mr. Schott also stated that an Investment Committee was scheduled for 1:30 p.m., October 16th, after the workshop. Chairman Reed stated that Mike Carter with the LA Fire & Police Pension Fund and Bill Rubin, Vice Chairman for City of Philadelphia Pension Fund, would both be at the meeting to discuss their emerging manager programs.

ANNUAL AUDIT ENGAGEMENT LETTER

Mr. Schott presented Board with the Audit Engagement Letter from Carneiro, Chumney and requested approval. Mr. Griffin made a motion to approve.

The motion was seconded by Councilwoman Cisneros, and it carried unanimously.

COSA ADMINISTRATIVE SERVICES CONTRACT

Mr. Schott presented Board with the City of San Antonio Administrative Services contract, and requested approval. Mr. Wagoner made a motion to approve. The motion was seconded by Mr. Hall, and it carried unanimously.

GAO MEETING UPDATE

Mr. Schott reported on the Government Accountability Office (GAO) meeting that he and Chairman Reed attended on September 23rd in Austin, TX. TEXPERS invited the Fund to attend. The purpose of the meeting was to collect information on public pension funds investment strategies; asset allocation; government structures that pension fund's employ, any changes plans are making based on the current financial crises, and key elements experts believe plans should incorporate in regards to their investment and asset allocations.

FINANCIAL REPORT FOR PERIOD ENDING AUGUST 31, 2009

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending August 31, 2009 were \$1,716,737,752.

COMMITTEE REPORTS

PERSONNEL/AUDIT COMMITTEE

No report.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Mr. Wagoner stated there was no report, but reminded everyone of the new law which takes effect October 1, 2009. Mr. Wagoner recommended sending out a reminder to all active members who are eligible for the Probation Buyback Option.

After some discussion by Board and Staff, all agreed that the Fund should mail a flyer to those eligible for the buyback option.

INVESTMENT COMMITTEE

Vice Chairman Ury reported the Investment Committee held a meeting on Tuesday, September 22, 2009. The Committee reviewed 21 respondents to the Private Equity Consultant RFP. Staff provided a report ranking the respondents based on their qualifications and fees. The Committee narrowed the group to a list of eight and then further agreed on a final interview list.

The list consists of following firms: Franklin Park, Cliffwater, Altius, Stepstone and PCG. The proposed fees range from \$300,000 to \$750,000. The interviews are scheduled for Monday, October 12th beginning at 8:00 a.m.

The Committee reviewed the Draft RFP for Hedge Fund Consulting Services. The Board previously approved the issuance of an RFP and directed the Committee and Staff to create and distribute it. The Committee reviewed and approved the RFP, with a deadline of October 30th. The RFP is already on our website and is scheduled to be included in the next two editions of Pensions & Investments Magazine.

The Committee also received a presentation by Energy Opportunities Capital Management, who reviewed its long-only equity strategy concentrated entirely in energy stocks. It is limited to U.S. listed securities, including ADRs. Because the Committee is still in the process of determining the allocation between energy, timber, commodities and infrastructure within the Real Assets allocation, no action was taken on this investment opportunity.

Vice Chairman Ury reported Walter Morales of Commonwealth Advisors gave a portfolio update on his core fixed income fund. The fund has struggled since inception due to the mortgage holdings in the portfolio. The portfolio has lost approximately 20% of its value. The defaults, though, have been below expectations, so he expects the values to come back as time passes. Mr. Morales still expects to achieve positive returns, but upper teen returns are no longer likely.

Staff also reviewed the Restructure Plans of the Silver Creek Low Vol. I & II Funds. Silver Creek is offering the option of transferring the Funds current investments into a liquidation fund or a continuation fund. Staff and the Committee concurred with transferring into the liquidation fund. This decision is in conformity with a previous decision by the Board to redeem its shares in both funds. As such, there is no further action by the Board, and the Fund will continue to work toward liquidation of the Silver Creek investments.

The Committee stated that similar to the Silver Creek Restructure Plan, HBK has also decided to restructure its fund. It has begun to see redemption requests from its high net worth clients, and would like to put this restructuring plan into place to protect the investors that wish to stay. It is offering investors the option to transfer shares into either a liquidating fund or a continuation fund. The Committee and Staff have been happy with its performance, and therefore, recommend exchanging its current investments in HBK Offshore Fund into the Continuation Fund (HBK Offshore Fund II.). Vice Chairman Ury made a motion to approve. The motion was seconded by Mr. Wagoner, and it carried unanimously.

Vice Chairman Ury reported at last month's Board Meeting, the Board invested \$50 million with The Northern Trust Company in a Global Equity Index Fund. The Board also directed the Committee to develop criteria and a

time line for an All Country World Index ex U.S. active equity search. The Committee provided Board a copy of the proposed criteria and timeline for the search. Vice Chairman Ury then made a motion to authorize Staff to begin the search process for a \$50 million active ACWI ex U.S. Equity Mgr, and also to approve the search criteria and timeline. The motion was seconded by Mr. Wagoner, and it carried unanimously.

The Committee also reported that Staff reviewed a potential securities litigation case regarding Tronox Inc. The original intent was to file a motion to be lead plaintiffs in the case, but an agreement was reached whereby another investor with a larger loss will represent the investors. The other investor originally planned to only represent the equity investors, and not the bond investors, which is what the Fund is. However, they have agreed to also represent the bondholders. Because the Fund would still like to have representatives at the bargaining table, the Committee has a recommendation to engage BLBG to represent the Fund's interests. The Committee therefore recommends approval of the following:

Engagement of BLBG law firm to represent the Pension Fund as a plaintiff in the case involving investments in senior notes issued by Tronox Inc. in the US District Court for the Southern District of New York in civil actions 09 CV 6220 (SAS), 09 CV 6490, 09 CV 7116, and related litigation against Kerr-McGee Corporation, Andarko Petroleum Corporation, and others (collectively the "Lawsuits"), ratifications of all actions taken by the Executive Director relating to the Lawsuits, and authorizing the Executive Director to vigorously pursue upon advice of counsel the prosecution of the Lawsuits.

Mr. Griffin made a motion to approve. The motion was seconded by Mr. Wagoner, and it carried unanimously.

REAL ESTATE COMMITTEE

Vice Chairman Ury reported the Committee continues its search for an office building, and provided Board a report comparing financial data on three buildings. The Committee requested review of the data with the Board.

Pursuant to state law, the Board recessed to Executive Session at 10:28 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 Acquisitions (551.071).

The Board reconvened at 11:10 a.m.

LEGAL REPORT:

No report.

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

(See attached disbursements dated September 29, 2009).

**MEMBERS TO
BE HEARD:**

Mr. Michael Trainer, Pensioners Association President expressed disappointment that Board has not included the Association in the Fund's office search. He also extended an invitation to Staff and Board to the Association's luncheon scheduled for October 14th.

ADJOURNMENT: Being that there was no further business; Secretary Rodriguez moved to adjourn the meeting at 11:21 a.m. Mr. Wagoner seconded the motion, and it carried unanimously.