

**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
March 30, 2010**

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

ABSENT: Vice Chairman Shawn Ury, Police Representative.

**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 9:01 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 9:03 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).

Councilwoman Cisneros entered the meeting at 9:05 a.m.
Mr. Griffin entered the meeting at 9:28 a.m.

The Board reconvened at 9:32 a.m.

MINUTES: Mr. Perez moved to approve the minutes of the regular meeting held February 23, 2010, and special board meeting held March 11, 2010. The motion was seconded by Mr. Moczygemba, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

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

- A. Colony Capital Client Conference
April 13-14, 2010
- B. CSG Client Conference
May 12-14, 2010
- C. Apollo Management Annual Meeting
May 13, 2010

- D. Siguler Guff B.R.I.C. Site Visit
May 23-28, 2010
- E. Opal Real Estate Investors Summit
April 26-27, 2010
- F. Opal Emerging Manager Summit
May 12-14, 2010
- G. Goldman Sachs Institutional Conference
April 28-29, 2010

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

**PENSION
APPLICATIONS,
ADJUSTMENTS
AND REFUND OF
CONTRIBUTIONS: STRAIGHT ANNUITY**

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

1. A 28 year, 4 month service pension for Detective Investigator Andrew Contreras, effective March 2, 2010.

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

**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, 7 month service pension for Police Officer Carl M. Rodriguez, effective February 27, 2010.
2. A 34 year service pension for Assistant Chief Mario A. Guerra, effective March 1, 2010.
3. A 34 year, 7 month service pension for Police Lieutenant Charles T. O'Dell, Jr., effective March 20, 2010.
4. A 29 year, 11 month service pension for Fire Apparatus Operator James M. Rodriguez, effective April 1, 2010.

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

BENEFICIARY PENSION

Secretary Rodriguez made a motion to approve the following beneficiary pensions:

1. A beneficiary pension for Joshua D. Garrison, dependent of Retired Fire Apparatus Operator Danial B. Garrison, effective January 28, 2010.
2. A beneficiary pension for Mrs. Alice E. Springs, widow of Retired Police Officer James W. Springs, effective February 7, 2010.

3. A beneficiary pension for Mr. David Ochs, widower of Active Police Officer Katherine F. Nerio, effective February 11, 2010.
4. A beneficiary pension for Mrs. Carla R. Schladoer, widow of Retired Fire Lieutenant Edgar L. Schladoer, effective February 18, 2010.
5. A beneficiary pension for Mrs. Mary Hernandez, widow of Retired Detective Investigator Arturo C. Hernandez, effective March 13, 2010.
6. A lump sum death benefit to the Estate of Active Police Sergeant Victor A. Almaraz, effective August 21, 2009.

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

REFUND OF CONTRIBUTION

Mr. Griffin made a motion to approve the following refund of contribution:

1. A 2 year, 6 month refund of contribution for Police Officer David Lee Seaton, effective June 16, 2009.

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

EXECUTIVE DIRECTOR REPORT:

FIRE CADET CLASS 2009-C – GRADUATION 3/26/10

Mr. Schott requested a motion to approve Fire Cadet Class 2009-C into the membership. Mr. Wagoner moved to approve the class into membership. The motion was seconded by Mr. Moczygamba, and it carried unanimously.

ANNUAL MANAGER WORKSHOP REMINDER

Mr. Schott reminded everyone of the Spring Manager Workshop to be held on Tuesday, April 6 & Wednesday, April 7, 2010 at the Hotel Contessa.

ANNUAL REPORT UPDATE

Mr. Schott reported that copies of the Annual Report were in the office and that the report had been submitted to the Pension Review Board. It will also be available for viewing on the Fund's website. Mr. Schott reported that letters were mailed to all fire and police stations giving them this information.

RECONCILIATION OF EMPLOYEE/EMPLOYER CONTRIBUTIONS

Mr. Schott stated that at last month's Board meeting there were some questions regarding Employee/Employer Contributions. Staff provided Board with a reconciliation report of employee contributions and explained the variations. It was noted that the variations were due to the buyback of probation time.

FINANCIAL REPORT FOR PERIOD ENDING FEBRUARY 28, 2010

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending February 28, 2010 were \$1,794,026,393.

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

Mr. Perez reported the Personnel/Audit Committee held a meeting on March 23, 2010.

The Committee reviewed the responses to the Actuary RFP. Responses were received from The Segal Company, Gabriel Roeder & Smith, Buck Consulting, Rudd & Wisdom and Milliman. The Committee discussed the merits of each firm, as well as the proposed costs. Staff noted that Buck Consulting had been recently employed by the City of San Antonio to conduct an audit of The Segal Company's Valuation Report for the Pension Fund. Buck had a couple of minor recommendations, but nothing of substance to suggest that Segal's work was inaccurate. Due to the Buck Report, the Committee did not feel compelled to hire a new firm to replace The Segal Company, and therefore, recommends Board continue to retain The Segal Company for actuarial services. The Board concurred.

The Committee reviewed eight responses to the Audit RFP. After much discussion on the merits of each of the firms, the Committee decided to interview Carneiro Chumney, Padgett Stratemann and Akin Doherty. The meeting will be scheduled in April.

The Committee considered a request by the Executive Director to postpone the hiring of a staff attorney, and instead begin the hiring process for a Chief Investment Officer. The Committee agreed with the Director and recommended approval to begin the search process for a Chief Investment Officer. Mr. Wagoner made a motion to approve. The motion was seconded by Mr. Moczygemba, and carried unanimously.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Mr. Wagoner reported the Legislative Committee held a meeting on March 23, 2010, to receive input on benefit changes from the membership and three associations.

The Retirees Association provided a list of four proposals for consideration. Neither the Fire nor Police Associations provided any proposals. Staff also reviewed a list of 23 proposals that were received from individual members.

Mr. Jon Lowe, Martin & Drought, was also in attendance and provided several sections in the Pension Law that needed clarification.

The Committee accepted all of the proposals and will schedule another meeting in late April or early May to discuss them with the Fund's actuary.

INVESTMENT COMMITTEE

Mr. Moczygemba reported the Investment Committee held a meeting on March 24, 2010.

The Committee received a joint presentation by Highland Capital and Petro Cap regarding its oil & gas fund. They invest in small, overlooked oil and gas assets, and target a 30% net IRR. The relationship between the two firms began in 2007; however, Petro Cap has a track record of generating over 50% IRR since 1996. The Committee decided to postpone a decision until the May Committee Meeting, at which time the Real Assets Allocation will be discussed. This discussion will include commodities, infrastructure, and oil & gas investments.

The Committee received a presentation by Staff regarding an investment in a venture capital fund called InCube Ventures II. InCube is a healthcare venture capital fund run by Mir Imran. Mir Imran has built a 30 year track record of creating successful companies in the medical field. Because this was the first time the Investment Committee had heard about this investment, the Committee directed Staff to contact other local investors to get its opinions and, if possible, due diligence reports. Mr. Moczygemba discussed the possibility of adding this item to the April workshop agenda, depending upon Board interest. At this time, Councilwoman Cisneros suggested adding this item to the workshop agenda.

The Committee also discussed three distressed debt funds being raised by three of the Fund's current managers. The managers are Siguler Guff, GoldenTree and Huff. The Committee then offered the following recommendation:

Investment in Siguler Guff Distressed Opportunities Fund IV

- Distressed Debt Fund of Funds
- \$10,000,000 commitment
- Projected 12 year term
- 1.00% annual management fee + carried interest of 5% on fund investments and 15% on direct investments after an 8% return
- Goal – net IRR in excess of 15%

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

The Committee also instructed Staff to include the GoldenTree investment on a future Committee agenda for consideration.

The Committee reported that at last month's Board Meeting, the Committee made a recommendation to transfer the Wellington Emerging Market Debt Portfolio to the Wellington Opportunistic Emerging Market Debt Fund. At that time however, the Board had several questions regarding the fees involved in the transition and requested the Committee confirm the total expenses involved.

The Committee has confirmed the fees and expenses and, therefore, again recommends the Board approve the transfer of the Wellington Trust Company's Emerging Market Debt Portfolio to the Wellington Trust Company's Opportunistic Emerging Market Debt Portfolio.

Mr. Moczygamba then made a motion on behalf of the Committee to approve the following Committee recommendation:

Transfer Wellington Trust Company's Emerging Markets Debt Portfolio to Wellington Trust Company's Opportunistic Emerging Markets Debt Portfolio.

- Emerging Market Debt Manager
- \$72,000,000
- Annual management fee: 0.55% + 20 bps of operating expenses
- Benchmark – JP Morgan Emerging Market Bond Index - Global
- Peer Group – Active Emerging Market Debt Managers
- Authorize Executive Director to negotiate contract

The motion was seconded by Secretary Rodriguez. Mr. Griffin stated he still had some concerns regarding the fees. After some discussion and clarification by the Investment staff, the motion carried unanimously.

The Committee also discussed the possibility of adding another securities litigation firm to work with BLBG, the Fund's current securities litigation firm. The Committee discussed 10 firms and narrowed the list to three firms to interview. The Committee will interview Bermon DeValerio, Trujillo Rodriguez & Richards, and Lubaton Sucharow. Interviews will be held in June.

The Committee was presented with a letter from our general consultant, Consulting Services Group, requesting a fee increase. CSG accurately noted that it has not received a fee increase since being hired six years ago. In addition, it offered to accept the duties and responsibilities of monitoring the Fund's Real Assets Allocation as part of the fee increase. Its current fee is \$180,000 and it is proposing a new fee of \$225,000. Mr. Moczygamba stated the Committee agreed with the fee increase and therefore made the following motion:

Approval of Consulting Services Group Fee from \$180,000 to \$225,000. The increase is based on the additional responsibilities of monitoring the Real Assets Allocation.

The motion was seconded by Secretary Rodriguez. Mr. Hall inquired if there were any new developments on the New York issue. Staff reported that CSG has not received any new information, but will keep Board posted.

After some discussion, the motion carried with Mr. Griffin opposed and Mr. Hall abstaining.

Lastly, the Committee discussed starting searches to hire both an infrastructure and commodities manager. Both strategies were approved within the Asset/Liability Study approved in 2008, but neither strategy has been enacted. Although the Committee was prepared to begin the searches, it decided to have CSG discuss how best to proceed on both searches at the May Committee Meeting.

REAL ESTATE COMMITTEE

Mr. Wagoner reported the Real Estate Committee has not met in the past month but he provided an update on the purchase of the Parkway building. Mr. Wagoner reported that the purchase contract has been submitted to the seller but has not yet been executed but expects it will be soon. Appraisals and property condition assessments will then begin at that point. The Committee will meet with a space planner and will continue to keep the Board posted as progress is made.

Mr. Moczygemba suggested informing the Associations once the building is under contract.

FINANCIAL DISCLOSURES COMMITTEE

Mr. Hall reported the Ad-hoc Financial Disclosures Committee held its first meeting on March 25, 2010. The purpose of the meeting was to review the Financial Disclosure Statement and Conflict Disclosure Statement for possible changes.

The Committee reported, regarding the Financial Disclosure Statement, the document was amended to clarify that it relate only to the Trustee and Trustee's spouse, and should not include dependent children. It was also clarified that any reportable transactions that occurred during the preceding calendar year must be included on the year-end report. The Committee then presented Board a copy of the Amended Financial Disclosure Statement.

At this time, Mr. Hall offered a motion on behalf of the Committee to approve the amended Financial Disclosure Statement. Mr. Wagoner seconded the motion, and it carried unanimously.

With regards to the Conflict Disclosure Statement, the Committee reported that the document was amended to include the Trustee's spouse, along with the Trustee, in order to maintain consistency with the Financial Disclosure Statement.

Mr. Hall offered a motion on behalf of the Committee to approve the amended Conflict Disclosure Statement. Mr. Wagoner seconded the motion, and it carried unanimously.

Financial Disclosure and Conflict Disclosure Statements will be due on April 15, 2010.

The Committee reported it would continue to meet to discuss amendments to the Standards of Conduct as well as possible additional changes to the Financial Disclosure Statement and Conflict Disclosure Statement. If future amendments are made, the Committee discussed requiring Trustees to amend the previously submitted 2009 Forms. The Committee will continue to keep the Board informed as changes are contemplated.

**LEGAL
REPORT:**

No report.

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

(See attached disbursements dated March 30, 2010).

**MEMBERS TO
BE HEARD:**

None.

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