

**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
November 24, 2009**

PRESENT: Chairman Larry A. Reed, Fire Retiree Representative; Vice Chairman Shawn Ury, and Harry Griffin, Police Representatives; Councilman/Secretary Justin Rodriguez; Donald R. Wagoner, and Bart Moczygemba, Fire Representatives; and Alex Perez, Police Retiree Representative.

ABSENT: Mayoral Designee Art A. Hall; Councilwoman Mary Alice P. Cisneros.

**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 9:07 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 9:09 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); Executive Director's Evaluation (551.074).

Mr. Wagoner entered the meeting at 9:12 a.m.

Secretary Rodriguez entered the meeting at 9:30 a.m.

The Board reconvened at 9:50 a.m.

MINUTES: Mr. Moczygemba moved to approve the minutes of the regular meeting held October 27, 2009, and special Board meeting held October 14, 2009. The motion was seconded by Mr. Perez, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

Secretary Rodriguez moved to authorize Board members and appropriate staff to attend the following conferences:

- A. Pension Bridge Annual Conference
April 6-8, 2010
- B. NCPERS Legislative Conference
February 7-9, 2010
- C. V.I.P. Real Estate Conference
February 9-11, 2010

- D. Entrust Annual Investment Summit
February 10, 2010
- E. NAPO Pension and Benefits Seminar
February 8-10, 2010

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

**PENSION
APPLICATIONS,
ADJUSTMENTS
AND REFUND OF
CONTRIBUTIONS: BENEFICIARY PENSION**

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

1. A beneficiary pension for Mrs. Sharon K. Calvert, widow of Retired Police Sergeant James F. Calvert, effective November 4, 2009.
2. A beneficiary pension for Mrs. Emilia Trinidad, widow of Retired Police Sergeant Alfred M. Trinidad, effective October 14, 2009.
3. A beneficiary pension for Mrs. Janice M. Lackey, widow of Retired Fire Apparatus Operator Wilton F. Lackey, effective November 8, 2009.

Secretary Rodriguez seconded the motion, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:**

AUDIT UPDATE

Mr. Schott stated the audit was currently ongoing. The audit is being conducted by Carneiro, Chumney & Co., and is due in mid-December. Mr. Schott stated that Board would be receiving a confirmation letter from the auditors which should be returned to the auditors as soon as possible. A Personnel Committee meeting will be called within the next few months to review the RFP for auditing and actuarial services.

PRE-RETIREMENT SEMINAR REPORT

Mr. Schott reported on the pre-retirement seminar held November 13, 2010. Mr. Schott stated it was one of the best attended seminars to date. Mr. Schott along with Board discussed possible topics and speakers for future seminars.

Mr. David Todd, Pre-Retirement Master of Ceremonies, also provided Board with a brief report from the IFEBP Conference Pre-Retirement session he attended on behalf of the Fire & Police Pension Fund. He, along with Leroy Harvey, will be meeting with Staff to provide additional ideas to improve the seminar.

FIRE CADET CLASS 2009-B – GRADUATION 11/13/09

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

MINUTES OF ANNUAL MEETING OF SAN ANTONIO F&P PROPERTY HOLDING CORP.

Mr. Schott requested Board's approval of the minutes of the annual meeting of the shareholders of the San Antonio F & P Property Holding Corporation. Mr. Wagoner made a motion to approve. Mr. Griffin seconded the motion, with an amendment that the minutes reflect the meeting started at 9:30 a.m. The motion carried unanimously.

COMMITTEE APPOINTMENTS

Mr. Schott requested Board's approval of the Committee Appointments presented to Board. Secretary Rodriguez made a motion to ratify the Committee Appointments presented. The motion was seconded by Mr. Wagoner, and it carried unanimously.

ACTUARIAL REVIEW REQUIRED BY HB2664

Mr. Schott reported on HB2664 passed by the 80th Legislature of the State of Texas. The bill requires employers who sponsor public retirement systems to obtain an independent actuarial review of the Plans Actuarial Valuation report. Mr. Schott stated this review was conducted by Buck Consulting and completed in March 2009.

Mr. Schott reported Buck Consulting presented the findings of its review to the Governance Committee of the City of San Antonio last week. They noted several improvements that should be incorporated into future actuarial valuations, but also noted that the assumption reports and valuations were reasonable. Some observations made were salary increase assumptions should differentiate between fire and police; termination rates should be tied to service vs. age; actuarial experience regarding DROP elections should be studied; and the appropriateness of the actuarial cost method (entry age actuarial cost) currently used should be considered.

The Fund's actuary will consider suggestions for the next actuarial study.

FINANCIAL REPORT FOR PERIOD ENDING SEPTEMBER 30, 2009 AND OCTOBER 31, 2009

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending September 30, 2009 were \$1,775,427,357. Financials for period ending October 31, 2009 were unavailable.

**COMMITTEE
REPORTS**

PERSONNEL/AUDIT COMMITTEE

Mr. Griffin stated the Committee held a meeting November 19th to conduct the Executive Director's evaluation and discuss the creation of the RFP for the Operational Audit.

Mr. Griffin stated that regarding the Director's evaluation, all of the evaluations had not yet been received, so the Committee postponed the review. However, in today's Executive Session, the Director was given his evaluation. No further action is needed on this issue.

Regarding the RFP, the Committee discussed numerous topics they would like included in the scope of the audit. The Committee also directed Staff to contact several pension funds that have conducted similar audits to determine if they felt the audit was worth the expense. The Committee will meet again once Staff has compiled this information.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

No report.

INVESTMENT COMMITTEE

Mr. Moczygemba reported the Investment Committee held a meeting November 17, 2009.

CSG presented the September 30th Performance Report. The Final End of Year investment return is – 5.3%.

The Committee placed Commonwealth Advisors on "Watchlist" status due to under performance in the fixed income allocation. Goldman Sachs continues to remain on "Watchlist" status.

Mr. Moczygemba reported that Staff recommended \$3 million in cash be redeemed from the Declaration Account and transferred to the Pension Fund's Main Cash Account. Mr. Moczygemba stated the Committee agreed and he made the motion. The motion was seconded by Mr. Wagoner, and it carried unanimously.

Mr. Moczygemba reported that Staff also provided a proposal by one of the Fund's hedge fund managers, Benchmark Plus, offering the option to gain more friendly fee terms in exchange for accepting a 3-year lock-up. Staff recommended against this and the Committee concurred. The Committee therefore recommends rejection of the proposal. The Board concurred.

Mr. Moczygemba reported Staff reviewed the 12 responses they received from the Hedge Fund Consultant RFP. The Committee discussed the pros and cons of each respondent and decided to interview Aksia, Cliffwater and Albourne. The interviews will be scheduled for Tuesday, December 15th at 9:00 a.m. at the Pension Office.

Lastly, the Committee conducted interviews for an All Country World Index ex U.S. equity manager. The Committee interviewed Arnhold & Bleichroeder, EARNEST Partners, Research Affiliates, and Wentworth, Hauser & Violich. Each of the managers were impressive, but the Committee narrowed the finalists down to Arnhold & Bleichroeder and Research Affiliates. The Committee discussed several different options which involved hiring both firms.

Mr. Moczygemba presented new information that CSG provided on Arnhold and S. Bleichroeder on fees and team turnover.

CSG reported that Arnhold's performance based fee was not compelling, but depending on the exact it is open to negotiation on the flat fee schedule.

Second, team turnover is an issue. The previous lead portfolio manager left in March of 2007 and five other research analysts left in the Fall. As they discussed, Jean-Marie Eveillard, the creator of the product who had retired several years earlier, returned to lead the product through transition. Later in 2007 Abhay Deshpande, one of the current co-PM's was promoted up from research to PM and then in September of 2008 Matt McLennan came over from Goldman as co-PM and Head of the Global Value Team. Jean-Marie is still available as an Advisor to the group but is not involved in stock selection but he does participate on some of the macro outlook discussion. Of the 12 current research analysts supporting the team, only four have long tenure with the group.

Secretary Rodriguez suggested a more thorough discussion on the merits of Arnhold & Bleichroeder be discussed at the December Investment Committee meeting. The Board concurred and directed Staff to include this on the agenda.

Mr. Moczygemba then offered a motion on behalf of the Committee to hire RAFI blend for \$50 million. Mr. Griffin seconded the motion.

After much discussion by Board, the motion carried unanimously.

Mr. Ury then offered a motion to use the performance based fee structure vs. the flat based fee structure for the \$50 million fee allocation for RAFI. Mr. Moczygemba seconded the motion, and it carried unanimously.

REAL ESTATE COMMITTEE

Vice Chairman Ury reported the Committee is continuing to search for an office building for the Pension Fund. Currently there are two buildings the Committee is reviewing. Vice Chairman Ury stated both buildings are located just north of the airport.

LEGAL REPORT:

Mr. Burney stated that with the recent SEC rules, various agencies are adopting policies on placement agent and pay-to-play issues. Mr. Burney stated this issue, along with the Fiduciary Policies, will be provided to Board in January or February for review.

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

(See attached disbursements dated November 24, 2009).

**MEMBERS TO
BE HEARD:**

Mr. Sidney Mitchell asked when the December Board meeting was being held. Board responded the meeting would be held on December 22nd at 2:00 p.m.

ADJOURNMENT: Being that there was no further business; Secretary Rodriguez moved to adjourn the meeting at 10:51 a.m. Mr. Perez seconded the motion, and it carried unanimously.