

**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
June 29, 2010**

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

ABSENT: Mayoral Designee Art A. Hall.

**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 9:03 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: Litigation (551.071).

Councilwoman Cisneros entered the meeting at 9:10 a.m.
Councilman/Secretary Justin Rodriguez entered the meeting at 9:35 a.m.

The Board reconvened at 9:42 a.m.

MINUTES: Mr. Wagoner moved to approve the minutes of the regular meeting held May 25, 2010, and minutes of the special meeting held June 4, 2010. The motion was seconded by Mr. Perez, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

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

- A. 2010 Fall IREI Advisory Board Meeting
August 30-September 1, 2010
- B. Pension Gold Teaming Conference 2010
September 15-17, 2010
- C. Legacy Partners Conference
September 13-14, 2010

D. IMN Fire & Police Pension Funds Summit
September 21-22, 2010

E. Opal Real Asset Investing Summit
September 15-16, 2010

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

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

Vice Chairman Ury made a motion to approve the following pension:

1. A 20 year service pension for Police Officer Randy G. Geary, effective June 17, 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. Ury made a motion to approve the following pensions:

1. A 25 year, 3 month service pension for Detective Investigator Robert G. O'Hara, effective May 29, 2010.
2. A 31 year, 9 month service pension for Detective Investigator Tommy A. Bearden, effective June 5, 2010.
3. A 30 year, 10 month service pension for Police Officer Ronald N. Carnesi, effective July 1, 2010.
4. A 33 year, 3 month service pension for Police Officer Antonio Molina, Jr., effective July 1, 2010.
5. A 35 year, 6 month service pension for Detective Investigator Jeffrey L. Trout, effective July 6, 2010.
6. A 26 year service pension for Police Officer David V. Gutierrez, effective July 8, 2010.

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

BENEFICIARY PENSION

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

1. A beneficiary pension for Mrs. Ruth S. Martinez, widow of retired Firefighter Ezequiel Martinez, effective May 13, 2010.
2. A beneficiary pension for Mrs. Beatrice J. Aldrich, widow of retired Police Officer Robert P. Aldrich, Jr., effective May 14, 2010.

Vice Chairman Ury seconded the motion, and it carried unanimously.

PENSION ADJUSTMENT

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

1. Police Officer Alan P. Hernandez
Adjust from a 24 year, 11 month service pension
To a 24 year, 10 month service pension
2. Fire Apparatus Operator Valentino Castaneda
Adjust from a 24 year service pension
To a 23 year, 6 month service pension

Vice Chairman Ury 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 2 year, 8 month refund of contribution for Police Officer Steven A. Gutierrez, effective April 27, 2010.
2. A 9 year, 9 month refund of contribution for Police Officer Joe A. Serrato, effective May 13, 2010.
3. A 2 year, 6 month refund of contribution for Firefighter Charles Brooks, III, effective May 31, 2010.
4. A 2 year, 5 month refund of contribution for Police Officer Ski Mactaggart, effective June 1, 2010.

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

EXECUTIVE DIRECTOR REPORT:

BOARD OF TRUSTEES ELECTION SCHEDULE FOR ACTIVE POLICE REPRESENTATIVE

Mr. Schott presented the Board with the election schedule to fill the unexpired term of Harry Griffin, Active Police Trustee.

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

UPDATE ON CIO POSITION

Mr. Schott reported that he has received 62 applications to date for the Chief Investment Officer position. He stated that there are some very qualified individuals, and will continue to accept applications until July 1, 2010. He will continue to keep the Board informed on this issue.

MID-YEAR STATEMENTS FOR VESTED MEMBERS

Mr. Schott reported that mid-year statements would be sent to all vested members in mid-July.

FINANCIAL REPORT FOR PERIOD ENDING MAY 31, 2010

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending May 31, 2010 were \$1,809,313,850.

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

No report.

DISABILITY COMMITTEE

Mr. Moczygemba stated that the Disability Committee would be scheduling a meeting in July to review income tax returns.

LEGISLATIVE COMMITTEE

Mr. Wagoner stated that the Legislative Committee did not meet this month, but has scheduled a meeting for July 15th at 9:00 a.m. to review the costing report from the Fund's actuary.

REAL ESTATE COMMITTEE

Mr. Ury reported that the Fund is officially the new owners of the Parkway Center Office Building. The SA F&P Property Holding Corporation closed on the building last Thursday. The next step will be to create a space plan and approve architectural designs to begin the finish-out of the space. The Committee has scheduled a Real Estate Committee Meeting for Tuesday, July 13th at 9:00 a.m. at the Pension Fund to begin discussions on these issues.

The Committee reported the Property Holding Company Board accepted the resignation of Harry Griffin as a member of the Board of Directors and elected Shawn Ury to take his place. It also elected Don Wagoner as President, Shawn Ury as Vice-President/Treasurer and Warren Schott as Vice-President/Secretary.

As a follow-up, at last month's Pension Board Meeting, an issue was mentioned regarding a potential drainage problem at the Parkway Center property. This issue was resolved prior to the purchase and is no longer an issue.

The Real Estate Committee met on June 18, 2010 to conduct interviews for Property Management and Leasing Services for the Parkway Center Property. The Committee interviewed Endura Advisory Group, Transwestern, Cambridge Realty Group and Sullivan Commercial. After considering the merits of each firm, the Committee recommends hiring Sullivan Commercial for both Property Management and Leasing Services for the Parkway Center.

The property management fees are 3.5% of gross rents. The leasing fees are: 4% for new leases, 2% for renewed leases and 4% for lease expansions.

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

The Committee will be conducting a site visit to the Dallas and Fort Worth Pension Funds on July 7th, to tour its offices to get ideas for the Fund's own offices. Mike Trainer, President of the Pensioners Association will also be attending. The Healthcare Fund was invited to attend; however, no one has expressed interest in attending at this time.

FINANCIAL DISCLOSURES COMMITTEE

Mr. Ury reported the Committee met on June 8, 2010, to begin the process of reviewing the Standards of Conduct. The Committee was able to review approximately half of the document and has several recommendations for improvements. The Committee will hold off on making any recommendations until the whole document has been reviewed. The Committee will be meeting again in July to complete the review, and will also be reviewing the Financial Disclosure form and Conflict Disclosure form for possible changes.

INVESTMENT COMMITTEE

Mr. Moczygemba reported the Investment Committee held a meeting on June 23, 2010, and stated the Committee had several recommendations for Board's consideration.

The first agenda item was to conduct interviews for a securities litigation firm to monitor the Fund's investment portfolio. The Fund currently has BLBG providing this service, and it will continue to do so. The Committee interviewed Berman DeValerio, Labaton Sucharow, and Trujillo Rodriguez & Richards. After discussing the merits of each firm, the Committee recommends hiring Berman DeValerio for securities litigation monitoring.

Mr. Moczygemba made the motion to approve. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

The Committee received a presentation by Medley Capital on its Medley Opportunity Fund II. It specializes in originating, underwriting and managing secured loans. They use no leverage and seek equity-like returns with a risk profile similar to secured debt. The Committee took no action on the investment, but did express interest in possibly conducting a future search in this area. The Committee will discuss this strategy at a future meeting.

The Committee received a due diligence report on InCube Ventures II, L.P. The report was prepared and presented by Mike Taylor of Pacific Corporate Group (PCG). PCG was hired by the Board to conduct due diligence on the investment and inform the Committee on the positives and negatives of the investment. After a lengthy discussion, in lieu of the Committee making a

recommendation to the Board, the Committee asked Chairman Reed to place this investment on the Board Agenda so the full Board could discuss the investment. Chairman Reed agreed and therefore this item is on the agenda for discussion and possible action. At this time, the Committee presented the Board with the due diligence report for review. There was some discussion; however, no action was taken.

The Committee stated that A.C. Berry presented a proposal by GoldenTree to consider rebalancing a portion of its high yield account into its Distressed Debt Fund. The Committee acknowledged that the Pension Fund is overweight in high yield assets, but it also felt that the Fund is adequately invested in distressed debt securities. As such, the Committee rejected the GoldenTree proposal. The Committee directed staff to bring ideas for the monies that may be rebalanced away from the high yield asset class.

Staff presented the Siguler Guff BRIC Opportunities Fund III. The Pension Fund is currently invested in the prior two BRIC Funds, which are both top quartile performers. However, due to the Pension Fund's current exposure to emerging markets, staff recommended not investing in this investment. The Committee concurred and no action was taken.

Mr. Berry informed the Committee that the lawsuit between Albourne and Aksia had been settled. As a reminder, several months ago the Board voted to hire Albourne as the Pension Fund's hedge fund consultant. However, due to the recently filed lawsuit, staff delayed the signing of the contract until the suit was resolved. Now that it is resolved, staff will proceed with the contract negotiation.

Staff presented requests by three of the Fund's investment managers for amendments to their Limited Partnership Agreements. The first was a request by Legacy Partners III to amend its LPA to provide for a premium investment return for investors who continue to fund their commitments, while also providing relief to those investors that are facing liquidity issues and cannot make their commitments. The preferred return is 15%. The Committee recommends approval of the amendment.

Mr. Moczygemba made the motion to approve. The motion was seconded by Mr. Wagoner. After some discussion, the motion carried unanimously.

The second request was by Apollo Advisors IV to extend the termination date of its buyout fund from July 10, 2010 until the fund is completely dissolved. As part of the amendment, Apollo will not charge any management fee after July 10, 2010. The Committee recommends approval of the amendment.

Mr. Moczygemba made the motion to approve. The motion was seconded by Vice Chairman Ury, and it carried unanimously.

The final request was by Invesco Real Estate Fund II to extend its investment period from June 30, 2011 to June 30, 2012. Due to the poor performance in both this fund and Invesco's previous fund, the Committee recommends denial of the amendment.

Mr. Moczygemba made the motion to deny the amendment. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

Staff informed the Committee that Declaration Management & Research has completed liquidating its fixed income portfolio and only cash remains. As such, the Committee recommends terminating Declaration Management & Research and transferring the remaining cash to our main cash account.

Mr. Moczygemba made the motion to approve. The motion was seconded by Vice Chairman Ury, and it carried unanimously.

Lastly, Staff distributed the March 2010 Quarterly Performance Report for the Invient/San Antonio Private Equity Fund. The Fund has a (4.7%) net IRR since inception. Invient also provided a Quartile Ranking for all of the Pension Fund's private equity funds.

**LEGAL
REPORT:**

Mr. Burney stated he had attended the PRB meeting in Austin and would be submitting a report to Board for its review.

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

(See attached disbursements dated June 29, 2010).

**MEMBERS TO
BE HEARD:**

None.

ADJOURNMENT: Being that there was no further business; Secretary Rodriguez moved to adjourn the meeting at 10:25 a.m. Mr. Wagoner seconded the motion, and it carried unanimously.