



ADVISOR

"Dedicated to Providing Retirement Security for Fire Fighters and Police Officers – Past, Present and Future."

FROM THE EXECUTIVE DIRECTOR



Warren J. Schott, CFA

I would like to begin this article by wishing everyone a Happy New Year. I hope 2009 treated you well and 2010 treats you even better.

Let me give you a brief update on the investment performance of the Fund. The Pension Fund closed our fiscal year ending September 30, 2009 with a loss of 5.3%. Although this is a negative return, I think I can speak for the Board by saying we are pleased with this result. In March of last year, the loss was just shy of 25%, so the following six months we were up almost 20%. Due to the rally during the past nine months, I am expecting investment returns to cool a bit and be in the high single digits this year. Since October, the Fund is up an additional 3.0%, so we are on track with our 8% goal. Our Investment Analyst, A.C. Berry, will give you a more thorough review of the portfolio later in the newsletter.

The Board just received the 2009 Annual Audit performed by Carneiro, Chumney & Company. The Fund received an unqualified opinion, which means the financial statements present fairly, in all material respects, the financial condition of the Pension Fund. The Staff and Board are proud of this opinion and hope it gives the membership confidence that they can trust our management.

The 2011 Legislative Process has begun. We received a small three month break since the October 1st effective date of our 2009 Legislative Bill, and now we are already preparing for the 2011 Legislative Session. Within this newsletter, the Fund's Legislative Chairman, Don Wagoner, has an article notifying you of the process. He is asking for input from the membership on benefit improvements you would like considered for 2011. Please get your thinking caps on and let your representatives know your wishes. Due to the negative investment performance over the past two years, though, the legislative package this year will probably be pretty small, so keep your expectations down.

As you are aware, the Pension Fund has been searching for a new building to serve as our Pension Office. Unfortunately, we have not been able to find a building that meets all of the requirements we are looking for. Our requirements are: ample parking, good location, easy access, rentable space to generate income, and most importantly, a good value. Hopefully, the Fund can find a building that meets these objectives in the near future.

Congratulations go out to our newest Trustee, Councilwoman Mary Alice Cisneros. She joined the Board in September, replacing Councilman Philip Cortez. Councilwoman Cisneros has already been very active on the Board by attending Board and Committee Meetings. She definitely has a very keen interest in the welfare of firefighters and police officers and will make sure the retirement security of both is protected. I also want to take the opportunity to thank Councilman Philip Cortez for his service on the Board. He served the Pension Fund well and always had the best interests of the members in mind. We appreciate your past, present and future support.

Specific to the Retirees, we have good news and bad news since the last newsletter. The bad news is the Pension Fund was not able to issue a 13th Check this year due to the last two years of negative returns. It will probably be several years before investment returns improve enough to meet the threshold for a 13th Check, so adjust your spending habits accordingly. However, on a positive note, the COLA this year was 2.7%, which was substantially higher than the social security increase. You should have already noticed the COLA increase in your January pension check.

I will close my article by thanking you for allowing us to serve you. If there is anything we can do to improve our service to you, the member, please feel free to call me or send an email to the office. We are always open for ways to improve.



**By: Don Wagoner,
Legislative Committee Chairman**

The 2011 Legislative process has begun, and the Board and I are looking forward to working on your behalf to put together the best benefit package we can. It is a long process and, as always, we will not be able to please every member. However, there may be an opportunity to make some changes that will benefit all of us. With that in mind, the Legislative Committee would like to get as much input as possible from our members.

If you have an idea for a specific benefit that you would like the Legislative Committee to consider, please take the time to write it down and forward it to one of your trustees by March 8, 2010, or to the Fund staff at: www.safireandpolicepension.org. The Committee will be meeting with representatives from the Fire Association, Police Association and the Retirees' Association. The Committee will also meet with the City of San Antonio for its input.

As you can see, we try to get as much input as possible from everyone concerned. This is a process that has been developed over the past several years and has been very successful. ***So put your mind to work and let us hear from you!***

MEMBER BENEFITS...

Mark Gremmer, Deputy Director



The new year is here and most of us are breathing a sigh of relief that the stock market recovered most of the losses from the previous year, and our hope in the new year is that it will stay on track. The auditors, Carneiro, Chumney & Co., have completed its audit once again and presented its report at the January meeting of our Board of Trustees. The auditors expressed an unqualified opinion which is the best report they can give. In a separate

letter to the audit committee, the auditors reported that the accounting practices and policies of the Pension Fund were being consistently applied from year to year, that there were no changes to those policies or how they were applied, and there were no changes in accounting estimates. They also reported that there were no material misstatements that needed correcting and no disagreements with the management of the Pension Fund. This year, the auditors rotated their staff so that they could get a fresh look at the accounting records. This works well because it combines the concept of auditor rotation with the ability to glean from the experience of the staff that worked on the audit in the past.

In addition to having the accounting records and financial statements audited every year, the Pension Fund also hires The Segal Company, an actuarial firm, to provide an annual actuarial valuation and review. The actuaries' report provides information about the funded level and funding progress of the Pension Fund. We received a good report from it, also. Obviously, the last two years have been challenging, but our Pension Fund has performed relatively well, and is financially healthy. In addition, every five years the City of San Antonio is required to hire its own actuary to review the ongoing work of the Pension Fund's actuary. Its report was submitted in March 2009 and showed that the assumptions made by the Pension Fund were reasonable.

On October 1, 2009, the Pension Fund's new legislation took effect, and the election period for eligible members to buy back their probation time began. The election period ran from October 1, 2009 until December 31, 2009. Final payment will be due by September 30, 2010, for those who did not pay at the time of their election. There were a total of 168 members who made the election to buy back their probation time. 161 were police officers, and 7 were firefighters. The option to purchase probation time had been requested by the membership for many years. We are happy that so many members availed themselves of this option.

The City of San Antonio is growing, as we can all see, and the public safety departments are having to grow also. 81 members left the departments in the year ended December 31, 2009 (mostly retirements). There were 13 resignations and 2 active members died. Of the members that left, 55 were police officers and 26 were firefighters. The average number of retirements for the last ten fiscal years was 93. In 2009, 212 new members were added. 120 were police officers, and 92 were firefighters.

Attention Retirees:

There has been a lot of talk about economic stimulus payments lately. The "Making Work Pay" tax credit that has been widely reported is paid to eligible recipients who had earned income in 2009. Retired people who receive Social Security payments also received stimulus payments of \$250. The following tax tip is for retirees who did **NOT** receive Social Security payments and, therefore, probably did not receive the \$250 payment from the U.S. Treasury.

Tax Tip: The following is an excerpt from the IRS website

Government Retiree Credit

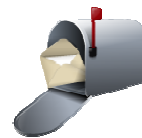
You can take this credit if you received a pension or annuity payment in 2009 for service performed for the U.S. Government or any U.S. state or local government (or any agency of one or more of these) and the service was not covered by social security.

The credit is \$250 (\$500 if married filing jointly and both you and your spouse received a qualifying pension or annuity). However, you cannot take the credit if you received a \$250 economic recovery payment during 2009. You may have received an economic recovery payment if you received social security benefits, SSI benefits, railroad retirement benefits, or veterans' disability compensation or pension benefits. No government retiree credit is allowed if (a) you file a joint return, (b) both you and your spouse received a qualifying pension or annuity, and (c) both of you received an economic recovery payment; if only one of you received an economic recovery payment, the credit is \$250.

How to take the credit. To take the credit, complete Schedule M (Form 1040A or 1040) and attach it to your Form 1040 or 1040A. Include your credit on Form 1040, line 63, or Form 1040A, line 40.

http://www.irs.gov/publications/p17/ch37.html#en_US_publink1000209396

As always, every taxpayer's situation is different. It is always important to consult your tax preparer as to how tax provisions will affect your return.



Annual Statements

Annual statements which included annual contributions and retirement estimates were mailed to all active members in January.

Statements were mailed to members at the addresses currently on file with the City of San Antonio.

If you did not receive your statement, and would like to receive a copy, please call our Benefits Department at 210-534-3262.

Also be sure to contact your police or fire accounting departments to update any information.

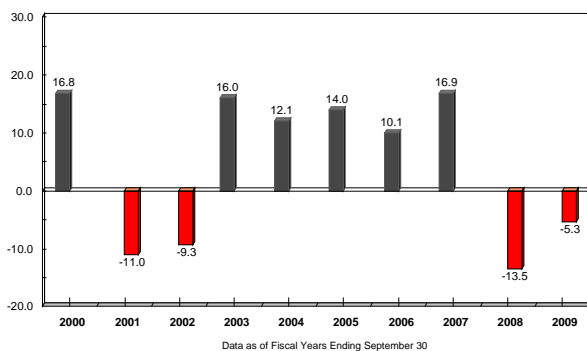
Market Analysis

A. C. Berry, Investment Analyst



When I last wrote, in September, the Pension Fund was on the verge of achieving its second consecutive-year fiscal year loss in the new millennium. At that particular moment, the Fund had a 2009 fiscal year-to-date return of -9.3%. This was a bit unsettling, given the fact that the Fund had just realized a -13.5% return in fiscal year 2008. From staff's perspective, this was quite discouraging given the progress the Fund had realized towards its funding status (89%). But patience and a prudently diversified portfolio fortunately, allowed the Fund to participate in the market rally and finish with a smaller -5.3% return for fiscal year 2009.

Total Portfolio - Rate of Return
Average Rate of Return - 4.68%

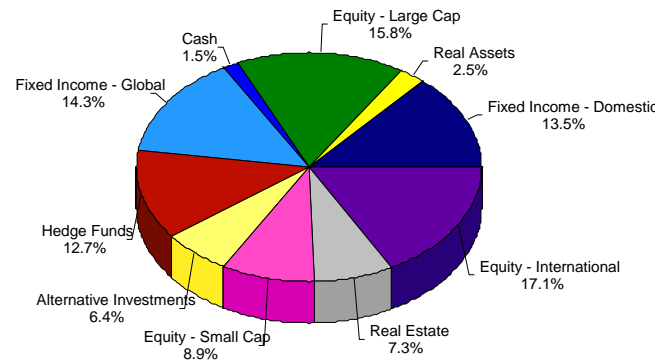


Data as of Fiscal Years Ending September 30

During the early part of the first half of the year, it became official: the United States had fallen into a recession (defined as two successive quarters of negative growth). What many market pundits had forecasted was acknowledged by the Bureau of Economic Analysis (BEA). The recession was spurred by what many considered as a collapse of a global housing bubble. The bubble's peak (in the U.S.) in 2006 caused the values of securities tied to real estate pricing to plummet, damaging financial institutions globally. Multiple questions arose, from bank solvency, to declines in credit availability, all which damaged investor confidence and impacting the global stock markets. This led to large financial losses during late 2008 and early 2009. Economies worldwide slowed during this period as access to credit evaporated and international trade declined. For the Pension Fund, this led to a (fiscal) first-half return of -19.8%. Portfolio allocation returns were decimated in a marketplace where everyone sought an exit. All of the Fund's allocations realized negative returns during the crisis. Equity returns lead the spiral downward by realizing -31.4% returns. Domestic stocks performed marginally better than their international counterpart (-31.1% versus -32.0%). This was followed by (in a descending order) real estate, hedge funds, private equity, real assets, and fixed income (-20.1%, -11.5%, -10.6%, -8.7%, and -6.4%, respectively). There truly was no safe haven other than cash or Treasury obligations, with investors exiting the doors. For the first two fiscal quarters, your Fund realized returns of -14.0% and -6.8%, respectively during this period. During this period, some pension plans actually made headlines due to their inability to access cash in meeting their (liability) obligations or (investment) unfunded commitments. The San Antonio Fire & Police Pension Fund avoided this "squeeze" and effectively managed itself during the crisis. Key to successfully weathering such (crisis) events is a prudent allocation of capital with the intent of maximizing return potential while minimizing risk.

Risk is something which institutions cannot effectively negate out of a portfolio, only minimize. Institutions commonly seek to mitigate risk (at a portfolio level) by prudently allocating capital towards meeting a 'target' return and long-term liabilities. Towards this goal, the Pension Fund has the following actual allocations illustrated below.

Asset Allocation By Asset Class



September 2009

It was during the second half of fiscal year 2009 when the tide started to turn. Optimism reigned supreme, thereby dwarfing the doom and gloom which had buffeted the national mood throughout the first half of the fiscal year. Perhaps the uplift in spirits may have simply been a collective sigh of relief that the economy was not headed into another Great Depression, but suffice to say, optimism rose from the dead. To the surprise of some, the economy started growing in the (calendar) third quarter, stock prices began a remarkable rally in the spring (mid-March), the debilitated housing collapse appeared to have bottomed out, and the firing frenzy that buffeted household psychology in latter 2008/early 2009 receded. The Pension Fund realized returns of +8.6% during both the third and fourth (fiscal) quarters, narrowing some of the deficit created in the first half of the fiscal year. Drivers in the returns were both equity allocations (domestic and international), followed by fixed income, hedge funds, and private equity. The Achilles heel was and continues to be the Fund's real estate allocation. During the first half of the year, real estate returned -20.1%. Following this, the real estate allocation realized third and fourth quarter returns of -14.3% and -17.4%, respectively. Real estate continues to struggle in tandem with the country's employment situation.

Stay the Course

Though (calendar year) 2008 was a difficult storm to weather (with S&P returning -37%), investors must acknowledge that market returns have been steadier over the long-term. An interesting article came across my desk recently (compliments of one of the Fund's investment managers). It illustrated the benefit to investors who have a long-term perspective and *Stay the Course*. Specifically, it covered historical performance of the S&P 500 Index over the past 83 years (through 2008). During this period, the S&P 500 Index experienced 59 years of positive annual returns with 24 years of negative returns. The average annual return for the entire 83-year period was 9.6% (+1.6% over the Fund's 8% return target). The S&P 500 Index's return of -37% was in fact the second worst in history. This was second only to the -43% return realized in 1931. Keeping this historical perspective in mind, institutions traditionally have an emphasis on the long-term horizon in constructing a well-diversified portfolio.

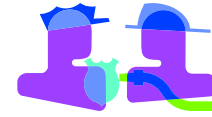
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Market Analysis (Continued from Page 3)

2009 Comes to a Close

The calendar year 2009 finished on a positive note with the S&P 500 Index rebounding from its dismal start to return 26%. EAFE (Europe, Australia, & Far East) and emerging markets followed in a positive fashion returning 32% and 79%, respectively. Credit-oriented assets rebounded well with High Yield Bonds and Bank Loans leading the way with returns of +58% and +45%, respectively. As the Executive Director mentioned in his narrative, the Fund is off to a good start in the fiscal 2010 year having a +3% return. The general hope is for a continuation on the path to recovery. But our economy faces some daunting challenges ahead. Unemployment is high, growth projections (domestic and developed markets) appear muted relative to their long-term potential, and the United States national debt currently stands at \$12Trillion and growing. Nevertheless, your Fund has one objective in mind: *Stay the Course.*

NEXT PRE-RETIREMENT SEMINAR



Friday, May 14, 2010

**City Council Chambers
Municipal Plaza Building**

8:00 a.m. ~ 3:00 p.m.

PLAN FOR YOUR FUTURE!

Congratulations! 2009 Retirees

January 2009 – Police

Frances J. Jackson – 29 years
Richard C. Rigsby – 26 years
Edward Quintanilla – 30 years
Ronnie W. Maxwell – 30 years
Howard W. Jerman, Jr. – 34 years
Michael S. Welborn – 30 years
Eugene B. Tobias – 33 years
Michael J. Gomez – 32 years
Richard D. Rodriguez – 30 years
Richard G. Cervera – 30 years
Eugene R. Cran – 26 years
Robert W. Farley – 35 years
Ronald R. Tondre – 33 years
Robert W. Hardeman – 33 years

January 2009 – Fire

Roger C. Dominguez – 35 years
Rudolph R. Puzon – 33 years
Hugh G. Douglass – 32 years
Julio F. Rodriguez – 34 years

February 2009 – Police

Dan W. Walton – 21 years
Ruben P. Cerda – 34 years
Jesse T. Contreras – 33 years

February 2009 – Fire

Thomas R. Dziuk, Jr. – 31 years
Bernard Walker – 32 years
David Lee Brown – 32 years

March 2009 – Police

Donald E. Boccock – 30 years
Michael E. Willis – 26 years
Michael G. Anders – 32 years
Stanley R. Biedrzycki, II – 33 years
Fernando P. Casarez – 34 years
Gregory W. Charleville – 28 years
Elias M. Vidaurri – 33 years
Donald R. Klaus – 33 years
Robert J. Carter – 26 years

March 2009 – Fire

Ramon Pacheco – 33 years
Robert B. Scott – 33 years
Guillermo R. Esparza – 34 years
Wesley D. Clark – 33 years
Roy L. Eickenroht – 31 years
Richard L. Morales – 32 years

April 2009 – Police

Gary A. Newman – 20 years
Richard D. Martin – 27 years

April 2009 – Fire

Robert Jacinto – 35 years

May 2009 – Police

Telesforo Mandujano – 29 years
Brian A. Walsh – 24 years
Richard G. Martinez – 28 years
George R. Vidal – 32 years
Juan Campacos – 29 years

May 2009 – Fire

Armando Fuentes – 28 years

June 2009 – Police

Ramiro A. Escamilla – 28 years
Gloria I. Vela – 27 years
Shelton W. Spears – 33 years

June 2009 – Fire

Layne A. Granata – 27 years

July 2009 – Police

Richard A. Gutierrez – 29 years

July 2009 – Fire

Mark A. Mijak – 30 years
David Mendez – 23 years

September 2009 – Police

Jesus Salazar – 30 years
Irvin Boynes – 24 years

October 2009 – Fire

Frank Castaneda – 22 years
Mariano Bryand, Jr. – 36 years
Roland A. Trevino – 32 years
Michael Mechler – 33 years
Donnie H. Napier – 29 years

October 2009 – Police

Isaac A. Rodriguez – 24 years

November 2009 – Police

Linda Diaz – 21 years
Armando Ramirez – 21 years

BOARD OF TRUSTEES



Larry A. Reed, Chairman
Retired Fire Representative
lreed@safireandpolicepension.org



Shawn Ury, Vice Chairman
Active Police Representative
sury@safireandpolicepension.org



Justin Rodriguez, Secretary
Councilman
jrodriguez@safireandpolicepension.org



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Mayoral Designee
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Bart Moczygamba
Active Fire Representative
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Alex B. Perez
Retired Police Representative
aperez@safireandpolicepension.org

The nine member Board of Trustees of the Fire and Police Pension Fund normally meet on the last Tuesday of every month at 311 Roosevelt, San Antonio, Texas, at 9:00 a.m. The nine members consist of two City Council Representatives; the Mayor or a Mayoral Designee; two active fire representatives; two active police representatives; one retiree fire representative; and one retiree police representative.

Trustees play a difficult and most responsible role in pension administration. The issues which they address are numerous and varied. They serve strictly on a voluntary basis. The current Board remains dedicated to serving all plan participants and their ultimate beneficiaries. They are there to serve and represent, a task they perform in an exemplary fashion.



IN MEMORIAM

As this is the first newsletter of the New Year, we would like to take this opportunity to honor the memory of those active and retired police officers and fire fighters who passed away in 2009. We will continue to be grateful for their past service and sacrifice.

Police

Roberto Coronado
Johnny Sanders
Joe R. Garcia
Gerald Connell
Stacey Robinson
Antonio Cruz
Ronald Ullevig
Herbert Koenig
Richard Clayton
Larry Bodiford
Abel Hernandez
John Brown
Manuel Vasquez
Eddie Wright
Alfred Trinidad
James Calvert
Jimmy Gonzales
Charles Edwards

Date of Death

January 29, 2009
March 2, 2009
March 6, 2009
April 3, 2009
May 11, 2009
June 1, 2009
June 19, 2009
June 23, 2009
July 25, 2009
August 11, 2009
August 24, 2009
September 9, 2009
September 28, 2009
October 4, 2009
October 13, 2009
November 3, 2009
December 16, 2009
December 23, 2009

Fire

Tomas Moreno
Matthew Lozano
Johnny Garza
Thomas Dziuk, Jr.
Jackie Reed
Anthony Bachmeyer
Joe Trevino
Jay Miller
Earl Kierstead
Edward Morales
Fidel Mena
Wilton Lackey

Date of Death

February 2, 2009
February 26, 2009
April 4, 2009
June 4, 2009
June 11, 2009
June 15, 2009
July 18, 2009
September 3, 2009
September 9, 2009
September 10, 2009
October 21, 2009
November 7, 2009



Fire and Police Pension Fund, San Antonio

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www.safireandpolicepension.org

THE ADVISOR

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CITY OF SAN ANTONIO

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Councilman Justin Rodriguez, Secretary
Councilwoman Mary Alice P. Cisneros

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Harry Griffin
Shawn Ury, Vice Chairman

FIRE DEPARTMENT

Bart Moczygemba
Donald R. Wagoner

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Alex B. Perez / Police
Larry A. Reed, Chairman / Fire

EXECUTIVE DIRECTOR

Warren J. Schott