

**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
December 22, 2009**

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

ABSENT: Councilwoman Mary Alice P. Cisneros.

**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 2:02 p.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 2:05 p.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).

The Board reconvened at 2:36 p.m.

MINUTES: Mr. Wagoner moved to approve the minutes of the regular meeting held November 24, 2009. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

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

- A. AEW 2010 Client Conference
April 29, 2010
- B. 2010 Plan Sponsor Educational Institute
January 31-February 3, 2010
- C. IMN Winter Forum
January 13-15, 2010
- D. TEXPERS Annual Conference
April 10-14, 2010

E. IMN Public Funds Summit
March 1-3, 2010

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

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

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

1. A 24 year service pension for Fire Apparatus Operator Valentino Castaneda, effective January 2, 2010.

Mr. Moczygamba 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 34 year, 4 month service pension for Fire Captain Arturo V. Martinez, effective January 2, 2010.
2. A 32 year, 2 month service pension for Fire Apparatus Operator Michael M. Ruggs, effective January 2, 2010.
3. A 31 year service pension for Police Sergeant Willie G. Gonzales, effective January 3, 2010.
4. A 32 year, 2 month service pension for Fire Captain Edward R. Kesl, Jr., effective January 3, 2010.
5. A 33 year, 1 month service pension for Police Sergeant Jules E. Morris, Jr., effective January 3, 2010.
6. A 33 year, 10 month service pension for Fire Fighter Genaro M. Vargas, effective January 3, 2010.
7. A 24 year, 11 month service pension for Police Officer Alan P. Hernandez, effective January 4, 2010.
8. A 35 year, 7 month service pension for Fire Apparatus Operator Francis Gaitan, effective January 5, 2010.
9. A 34 year, 8 month service pension for Police Sergeant James E. Gutierrez, effective January 5, 2010.
10. A 31 year, 11 month service pension for Fire Lieutenant Lawrence O. Sutton, III, effective January 5, 2010.
11. A 34 year, 8 month service pension for Detective Investigator Lazaro Duarte, effective January 6, 2010.

12. A 30 year service pension for Fire Captain Robert L. Martinez, effective January 9, 2010.
13. A 34 year, 4 month service pension for Fire Apparatus Operator Wayne A. Taylor, effective January 9, 2010.
14. A 31 year service pension for Detective Investigator Frank R. Corn, effective January 10, 2010.
15. A 33 year, 1 month service pension for Detective Investigator Arthur J. Pue, Jr., effective January 10, 2010.

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

REFUND OF CONTRIBUTION

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

1. A 14 year, 3 month refund of contribution for Police Officer Anthony A. Sterling, effective December 10, 2009.

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

EXECUTIVE DIRECTOR REPORT:

AUDIT UPDATE

Mr. Schott reported the audit is scheduled to be completed the first week in January. He also requested Board turn in all confirmation letters if they have not already done so.

POLICE CADET CLASS 2009-B – GRADUATION 12/4/09

Mr. Schott requested a motion to approve Police Cadet Class 2009-B into the membership. Vice Chairman Ury moved to approve the class into membership. The motion was seconded by Mr. Griffin, and it carried unanimously.

PROBATIONARY BUYBACK DEADLINE

Mr. Schott noted that the deadline for the probationary buyback is December 31, 2009. Mr. Schott stated that members who come in after the deadline will not be considered for this option. Members will have until September 30, 2010 to pay their contribution sum. Approximately 138 members have taken advantage of this option. Most are members from the Police Department.

FINANCIAL REPORT FOR PERIODS ENDING OCTOBER 31, 2009 AND NOVEMBER 30, 2009

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending October 31, 2009 were \$1,764,247,064, and Statement of Net Plan Assets for period ending November 30, 2009 were \$1,804,003,931.

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

Mr. Perez stated the Committee did not meet this month but will be scheduling a meeting on Monday, January 25th to receive the Annual Audit and the Actuarial Valuation Report. The auditors and actuaries will be present and will also attend the Board Meeting the following day.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Mr. Wagoner reported the Committee did not meet this month; however, the Committee will be scheduling a meeting in late January to begin the legislative process. The first order of business will be to approve the Legislative Timeline and to place articles in the Centurion and Grapevine requesting input from the membership.

INVESTMENT COMMITTEE

Mr. Moczygemba reported the Investment Committee held a meeting on December 15, 2009.

Oppenheimer Capital Presentation

The Committee received a presentation by Oppenheimer Capital on its Structured Alpha product. This product is managed as an absolute return strategy that uses equity call and put options. It was an interesting strategy, but no action was taken because the Committee lost its quorum. Mr. Moczygemba stated he has added this item to the January Committee Meeting for further discussion.

Northern Trust Securities Lending

Staff provided an update on the status of the Fund's securities lending program with the Northern Trust Company. At the end of the last fiscal year, the Fund experienced an unrealized loss of \$2 million. At that time, as a good faith effort, Northern Trust contributed approximately \$250,000 to the Fund's account and also reduced its fee by approximately \$50,000. Both of these actions offset the realized losses from the Lehman bonds in the program. On November 30th, due to an increase in market value in the program, Northern Trust reversed a large portion of the liability, resulting in a remaining unrealized loss of only \$402,000.

Capital Springs Presentation

The Committee also received a presentation by Capital Springs on its Franchise Equity Capital Partners III Fund. This is a private equity investment focusing on making equity investments with franchise operators. They target cash returns of 15% and IRRs of 25%. Mr. Moczygemba stated no action was taken on this investment due to the lack of a quorum but stated he would also be including this on the January Investment Committee agenda.

AEW L.P. Amendment

Staff reviewed a request by AEW Value Investors II to modify their Limited Partnership Agreement regarding leverage. The current leverage limit is set at a "portfolio" level of 60%. AEW is requesting this be changed to an "asset" level limitation not to exceed 60% at the time it is acquired. The Committee had numerous questions regarding this issue and directed Staff to get more information to provide at the January Committee meeting.

Hancock Timber L.P. Amendment

The Committee reported Hancock Timber Forestree IV is requesting to modify their Limited Partnership Agreement to allow them to extend the Termination Date of the Fund by 30 months. The termination date is currently December 31, 2009, but it still has a small plot of timber that has not been sold. The Pension Fund's share of this timber is \$300,000. Hancock plans to have this timber sold by the end of 2010 but does not want to be forced to sell in the current market. Mr. Moczygamba offered a motion on behalf of the Committee to recommend approving the extension of the termination date for Hancock Timber Forestree IV. The motion was seconded by Mr. Wagoner, and it carried unanimously.

Valley Forge Mandate Amendment

The Committee stated Valley Forge Asset Management, one of the Fund's large cap core equity managers, has requested an amendment to its investment mandate to allow them the flexibility to hold up to 20% cash in its portfolio. The current limitation is 10%. Mr. Moczygamba offered a motion on behalf of the Committee to recommend approval of the mandate amendment to allow up to 20% cash. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

First Eagle Investment Management

The Committee discussed the merits of First Eagle Investment Management (formerly Arnhold & Bleichroeder). First Eagle was considered in last month's International Equity Manager search, but due to turnover in the team, further due diligence was requested. Staff provided information regarding the departures and subsequent hires and also provided the results of the reference checks that were conducted. There was a lengthy discussion on its fees and whether the Fund would invest in its commingled account or its separate account. Mr. Moczygamba stated the Committee had a recommendation to hire First Eagle Investment Management for a \$25 million ACWI ex U.S. Mandate. However, prior to making the recommendation, he requested staff report on the latest information collected. After receiving the information from staff and much discussion by Board, Secretary Rodriguez made a motion to hire First Eagle for a \$25 Million commingled account at a fee of 90 basis points. The motion was seconded by Vice Chairman Ury. After more discussion by Board and staff, Mr. Moczygamba offered an amendment to the motion. This motion was to rebalance \$10 million from Artio Global and \$15 million from Acadian, with a funding date of March 1, 2010. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

Votes were then taken on the original motion as amended, and it carried unanimously.

Hedge Fund Consultant Search

The Committee reported it had conducted interviews for a Hedge Fund Consultant. The Committee interviewed Aksia, Cliffwater and Albourne. The Committee reported all three firms were very qualified. Mr. Moczygemba offered a motion on behalf of the Committee to recommend approval to hire Albourne as the Pension Fund's Hedge Fund Consultant at an annual fee of \$400,000. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

REAL ESTATE COMMITTEE

Vice Chairman Ury reported the Committee continues its search for an office building. Vice Chairman Ury stated that at this time, the Committee is focusing its attention on one particular building near the airport. The Committee will continue to keep the Board posted on any developments.

**LEGAL
REPORT:**

Mr. Burney briefly discussed a report regarding certification pay as part of salary.

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

(See attached disbursements dated December 22, 2009).

**OTHER ITEMS
REQUIRING**

BOARD ACTION: Board discussed the possibility of hosting a local investment advisor workshop. Board directed staff to contact local pension funds and investment management firms to gauge interest in this idea.

**MEMBERS TO
BE HEARD:**

Mr. Michael Trainer, Pensioners Association President, wished everyone a Merry Christmas and Happy New Year. Mr. Trainer was also supportive of Board hosting a workshop of local investment advisors.

ADJOURNMENT: Being that there was no further business; Mr. Wagoner moved to adjourn the meeting at 3:40 p.m. Mr. Moczygemba seconded the motion, and it carried unanimously.