

**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
October 27, 2009**

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

ABSENT: None.

**OTHERS
PRESENT:**

Warren Schott, Executive Director; Mark Gremmer, Deputy Director; Beatrice Ahrens; Aubrey Berry; Richard Matye; Sonia Martinez, Pension Fund Staff; Frank B. Burney, Martin & Drought, P.C.

At 9:02 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 9:04 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).

Secretary Rodriguez entered the meeting at 9:15 a.m.

Mr. Griffin entered the meeting at 9:25 a.m.

The Board reconvened at 9:30 a.m.

MINUTES: Mr. Wagoner moved to approve the minutes of the regular meeting held on September 29, 2009. The motion was seconded by Mr. Perez, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

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

A. Opal Public Funds Summit
January 6-8, 2010

B. GAIM USA 2010
January 19-21, 2010

C. Golden Tree Client Conference
November 5, 2009

D. IMN Super Bowl of Indexing
December 6-9, 2009

Secretary Rodriguez 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 pensions:

1. A 24 year, 8 month service pension for Police Officer Isaac A. Rodriguez, effective October 17, 2009.
2. A 21 year, 5 month service pension for Police Officer Linda Diaz, effective November 2, 2009.

Mr. Perez 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) BENEFICIARY PENSION

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

1. A 21 year, 5 month service pension for Police Officer Armando Ramirez, effective November 2, 2009.
2. A 31 year, 11 month service pension for Fire Fighter Roland A. Trevino, effective October 2, 2009.
3. A 35 year, 4 month service pension for Fire Captain Mariano Bryand, Jr., effective October 2, 2009.
4. A 29 year, 3 month service pension for Fire Apparatus Operator Donnie H. Napier, effective October 17, 2009.

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

BENEFICIARY PENSION

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

1. A beneficiary pension for Mrs. Lori L. Kierstead, widow of Retired Fire Apparatus Operator Earl L. Kierstead, effective September 10, 2009.

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

REFUND OF CONTRIBUTION

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

1. A 13 year, 11 month refund of contribution for Police Officer Jason W. Rozacky, effective September 29, 2009.
2. An 11 year, 9 month refund of contribution for Fire Fighter Charles L. Adamson, effective October 2, 2009.

Secretary Rodriguez seconded the motion, and it carried unanimously.

RECOGNITION OF SENATOR JEFF WENTWORTH AND STATE REPRESENTATIVE RUTH JONES MCCLENDON

The Board recognized Senator Jeff Wentworth and State Representative Ruth Jones McClendon for their support during the 2009 Legislative session. The following resolution was then presented to Senator Wentworth:

WHEREAS, the Fire and Police Pension Fund, San Antonio, oversees the retirement benefits for over 5,500 Plan participants and beneficiaries, and;

WHEREAS, the Fund has as its sole objective providing retirement security for fire fighters and police officers, past, present and future, and;

WHEREAS, legislative amendments to benefits and plan improvements must be made to the Plan as an acknowledgment of the sacrifices made by the members during their long careers in protecting the safety and welfare of the citizens of San Antonio, and to insure the financial stability of the Fund, and;

WHEREAS, the leadership exhibited by Senator Jeff Wentworth was instrumental in the passage of the Fund's legislative proposals during the 2009 Session, and;

WHEREAS, the acts of Senator Jeff Wentworth reflect his belief in the principles of dignity in retirement and respect for the service of fire fighters and police officers in our community;

NOW, THEREFORE, BE IT RESOLVED;

1. That the dedication and leadership of Senator Jeff Wentworth in the Legislature be recognized with distinction by our community at large and by our members in particular;
2. That the effort exhibited by Senator Jeff Wentworth be acknowledged as a trademark of a noble lawmaker and a legislator with an utmost sense of community;
3. That the active members of the Fire and Police Pension Fund, along with the retirees and beneficiaries, go on record expressing their gracious thanks and support for a job well done in achieving passage of our significant legislation in 2009, and;

4. That a copy of this resolution be tendered to the Honorable Jeff Wentworth for all the citizens of Texas to know of the outstanding leadership and commitment by Senator Jeff Wentworth in the preservation and protection of retirement benefits for members and beneficiaries of the Fire and Police Pension Fund, San Antonio.

The following resolution was then presented to State Representative Jones McClendon:

WHEREAS, the Fire and Police Pension Fund, San Antonio, oversees the retirement benefits for over 5,500 Plan participants and beneficiaries, and;

WHEREAS, the Fund has as its sole objective providing retirement security for fire fighters and police officers, past, present and future, and;

WHEREAS, legislative adjustments to benefits and plan improvements must be made to the Plan as an acknowledgment of the sacrifices made by the members during their long careers in protecting the safety and welfare of the citizens of San Antonio and to provide a more efficient operation of the Fund, and;

WHEREAS, the leadership exhibited by State Representative Ruth Jones McClendon was instrumental in passage of the Fund's legislative package in the 2009 Session, and;

WHEREAS, the acts of State Representative Ruth Jones McClendon reflect her belief in the principles of dignity in retirement and respect for the service of fire fighters and police officers in our community;

NOW, THEREFORE, BE IT RESOLVED;

1. That the dedication and leadership of State Representative Ruth Jones McClendon in the Legislature be recognized by our community;
2. That the relentless effort exhibited by State Representative Ruth Jones McClendon be acknowledged as a quality of a noble lawmaker and a legislator with a sense of community;
3. That this resolution be recorded in the minutes of the annals of the Fund; and
4. That a copy of this resolution be tendered to the Honorable Ruth Jones McClendon for all the citizens of Texas to know of the outstanding leadership and commitment by State Representative Ruth Jones McClendon in the preservation and protection of retirement benefits for members and beneficiaries of the Fire and Police Pension Fund, San Antonio.

Chairman Reed called for a 5 minute recess to allow members present to also acknowledge Senator Wentworth and State Representative McClendon.

The Board reconvened at 10:05 a.m.

Mr. Hall made a motion to approve the resolutions for Senator Wentworth and State Representative McClendon. Secretary Rodriguez seconded the motion, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:**

13TH CHECK ANALYSIS

Mr. Schott stated he had conducted an analysis on the 13th check for Board's review. Mr. Schott reported the 2009 annual return was projected to be approximately -6.0%. This would result in a five year average of 4.3%; therefore, the Board does not have discretion to issue a 13th check.

REVISED 2010 MEETING SCHEDULE

Mr. Schott presented Board with a Revised 2010 Meeting Schedule and noted that all Investment Committee meetings were rescheduled from Tuesdays to Wednesdays, thereby avoiding any conflicts with the San Antonio Fire & Police Health Care Fund. Vice Chairman Ury made a motion to approve the revised schedule. The motion was seconded by Secretary Rodriguez, and it carried unanimously.

RESCHEDULE DECEMBER BOARD MEETING

Mr. Schott informed the Board that the December Board meeting is scheduled for December 29th. He asked if this date is acceptable with the Board, due to concerns about achieving a quorum. After a short discussion, Mr. Hall made a motion to reschedule the December Board meeting to December 22, 2009 at 2:00 p.m. The motion was seconded by Councilwoman Cisneros, and it carried unanimously.

REAL ESTATE / PRIVATE EQUITY WORKSHOP REPORT

Mr. Schott reported that the workshops held on October 15th and 16th, were well attended. Investment Analyst, Aubrey Berry, provided Board with a brief review of discussions held during the two-day workshop, including discussions regarding Opportunistic Real Estate portfolios.

**RESIGNATION FROM COMMITTEE OF INVESTMENT ADVISORS
P.S.F.**

Mr. Schott presented Board with a copy of a resignation letter he submitted to the Texas Permanent School Fund in regards to his position on their Committee of Investment Advisors. Mr. Schott reported he had been serving on the Committee since February 2005 but no longer has the time to dedicate to the position. He thanked the Board for allowing him the opportunity to serve on this Committee.

PRE-RETIREMENT SEMINAR REMINDER

Mr. Schott reminded Board of the November 13th seminar, to be held inside City Council Chambers at the Municipal Plaza Building. Mr. Schott requested Board's attendance, and stated the seminar would begin at approximately 8:20 a.m.

CALL & WAIVER OF NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF SA F&P PROPERTY HOLDING CORP.

Mr. Wagoner moved to approve the Call and Waiver of Notice of Annual Meeting of shareholders of the Fire & Police Pension Fund Property Holding Corporation. The motion was seconded by Vice Chairman Ury, and carried unanimously.

FINANCIAL REPORT FOR PERIOD ENDING SEPTEMBER 30, 2009

Financials were unavailable.

COMMITTEE APPOINTMENTS

At this time, Chairman Reed stated that he would begin working on Committee assignments for the various Committees, and asked Board to let him know which Committees they would be interested in serving.

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

Mr. Griffin stated the Committee did not hold a meeting this month; however each Board Member will be receiving a copy of the Executive Director's Evaluation. Mr. Griffin requested Board complete the evaluation and return to him as soon as possible. Mr. Griffin stated once the evaluations are received and compiled, the Committee will schedule a meeting to review them.

Mr. Griffin stated he had asked that an item be placed on the Board agenda in regards to an RFP for a Fiduciary/Operational Audit. He stated that in May 2009, the Committee had reviewed the possibility of engaging in an RFP for a Fiduciary/Operational Audit.

Mr. Griffin then made a motion to authorize staff to issue an RFP for a Fiduciary/Operational Audit. The motion was seconded by Mr. Hall.

After a lengthy discussion by Board, Mr. Moczygamba offered an amendment to the motion to have the item referred back to the Personnel Committee for clarification as to scope of audit, and then have the Committee bring a recommendation to the full Board. The amendment to the motion was seconded by Mr. Wagoner.

The amendment to the motion passed 7 to 2.

A vote was then taken on the motion as amended. The motion carried unanimously.

DISABILITY COMMITTEE

Mr. Perez reported the Committee did not meet; however, it has one disability application pending. The applicant still has not provided the necessary medical reports, so the process is on hold.

LEGISLATIVE COMMITTEE

No report.

INVESTMENT COMMITTEE

Mr. Moczygamba reported the Investment Committee held four meetings this month, two of which were the Private Equity and Real Estate Workshops.

The first meeting was held on October 12th to conduct interviews for a private equity consultant. The Committee interviewed five firms: Altius, Franklin Park, Cliffwater, PCG, and StepStone. The Committee discussed the pros and cons of each firm as it related to their capabilities to serve as consultants and also to assume the G.P. role for the Aldus portfolio. The Committee also had concerns with the fees, which ranged from \$300,000 to \$750,000. After a lengthy discussion, the Committee directed Staff to contact each of the finalists and try and negotiate additional fee reductions.

The Committee held another meeting on October 16th. The Committee received updated fee proposals from the private equity consultants. Staff also advised the Committee that a less expensive option would be to hire a firm that would offer strictly monitoring and reporting services, but would not provide consulting services. This option had been proposed early on in the process, but was not originally considered. Staff mentioned that Aldus also out-sourced this service and used a firm called Invient. Invient would already be familiar with the Fund's investments and stated it would be willing to continue to provide monitoring and reporting services, as well as assume the G.P. role for a cost of \$130,000 per year, plus a one-time start-up cost of \$17,800.00. Mr. Moczygamba stated the Committee recommends the hiring of Invient to assume both roles. The Committee also directed Staff to include, if possible, a 30 day, no cause termination clause in the contract. At this time, Mr. Moczygamba then made a motion to hire Invient to provide private equity monitoring and reporting services to the Fund at a cost at \$130,000 and a start-up cost of \$17,800. The motion was seconded by Mr. Wagoner, and it carried unanimously.

Mr. Moczygamba also made a motion to hire Invient to serve as General Partner of the Aldus/S.A. Fire and Police Pension Fund, L.P. The motion was seconded by Mr. Wagoner, and it carried unanimously. The fees for this service are already included in the proposal above.

Mr. Moczygemba reported that CSG reviewed a long list of international equity managers for the Fund's international search. The Committee decided to interview Arnhold & Bleichroeder, Earnest Partners, Research Affiliates and Wentworth, Hauser & Violich. The interviews will be conducted on November 17, 2009.

Staff updated the Committee on the current collateral deficiency in the Northern Trust Securities Lending program. The program originally had a deficiency of \$2,063,155. It was noted that realized losses to date are \$313,584, and must be paid to Northern Trust. Fortunately, Northern Trust had previously contributed over \$240,000 to our program as a good faith effort. In addition, they also cut their fee on the program, which generated an additional \$54,000. Due to these two items, the actual loss to the Pension Fund is approximately \$15,000. At this point the collateral deficiency stands at \$1,749,752, but is projected to be reduced in the next couple of months. As a reminder, the Pension Fund's Securities Lending program has generated over \$2.3 million in net income to the Pension Fund over the past 2 ½ years.

The Committee also received a request by RMK Timber to extend the term of their timber fund by two years. RMK noted that the current timber environment is weak, and RMK does not want to be forced to sell into this market. The Committee recommends approval of the amendment to extend the term of the investment. Mr. Moczygemba offered this in the form of a motion. The motion was seconded by Mr. Wagoner, and it carried unanimously.

Mr. Moczygemba stated that Mr. Mike Carter and Mr. Bill Rubin, representing the L.A. Fire and Police Pension Fund and the Philadelphia Retirement Fund, spoke to the Committee about their respective emerging manager programs. No action was taken by the Committee on this issue.

Board directed staff to work on an appropriate thank you for both Mr. Carter and Mr. Rubin.

REAL ESTATE COMMITTEE

Vice Chairman Ury reported the Committee had not met but are 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 provided an update on the Amylin Pharmaceuticals Lawsuit, as well as a briefing on the BLB&G meeting he attended in New York.

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

(See attached disbursements dated September 29, 2009).

**MEMBERS TO
BE HEARD:**

Mr. Michael Trainer, Pensioners Association President stated he felt it was not necessary to conduct an RFP for a Fiduciary/Operational Audit.

ADJOURNMENT:

Being that there was no further business; Secretary Rodriguez moved to adjourn the meeting at 11:21 a.m. Mr. Wagoner seconded the motion, and it carried unanimously.