

**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  
July 27, 2010**

**PRESENT:** Chairman Larry A. Reed, Fire Retiree Representative; Vice Chairman Shawn Ury, Police Representative; Donald R. Wagoner and Bart Moczygemba, Fire Representatives; and Alex Perez, Police Retiree Representative.

**ABSENT:** Councilman/Secretary Justin Rodriguez; Councilwoman Mary Alice P. Cisneros; and Mayoral Designee Art A. Hall.

**OTHERS  
PRESENT:** Warren Schott, Executive Director; Beatrice Ahrens; Richard Matye, 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: Litigation (551.071).

The Board reconvened at 9:43 a.m.

**MINUTES:** Mr. Wagoner moved to approve the minutes of the regular meeting held June 29, 2010. The motion was seconded by Mr. Moczygemba, and it carried unanimously.

**EDUCATIONAL OPPORTUNITIES**

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

- A. IFEBP Annual Conference  
November 13-17, 2010
- B. Northern Trust Client Conference  
October 27-29, 2010
- C. TLFFRA Conference  
September 12-15, 2010
- D. Wellington Research Forum  
September 28-29, 2010
- E. National Pension Education Association Annual Conference  
October 16-20, 2010

F. NCPERS Public Safety Conference  
October 10-13, 2010

Vice Chairman Ury 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 23 year, 6 month service pension for Police Officer Patrick S. Heathcock, effective July 24, 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. Wagoner made a motion to approve the following pensions:

1. A 29 year, 4 month service pension for Detective Investigator Robert S. Cunningham, effective July 24, 2010.
2. A 36 year, 6 month service pension for Detective Investigator Thomas S. Lauderdale, III, effective August 1, 2010.
3. A 36 year, 2 month service pension for Fire Captain Paul W. Radtke, effective August 1, 2010.
4. A 34 year, 5 month service pension for District Chief Thomas N. Thompson, effective August 1, 2010.
5. A 33 year, 11 month service pension for Fire Captain Thomas W. Walker, effective August 1, 2010.

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

**BENEFICIARY PENSION**

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

1. A beneficiary pension for Mrs. Cassandra Foley, widow of Active Fire Apparatus Operator William C. Foley, effective May 4, 2010.
2. A beneficiary pension for Ms. Elizabeth Foley, dependent of Active Fire Apparatus Operator William C. Foley, effective May 4, 2010, guardianship pending.

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

**EXECUTIVE  
DIRECTOR  
REPORT:****BOARD OF TRUSTEE ELECTION UPDATE**

Mr. Schott informed the Board there were 5 active police members who are running for the Board. They are: Jim Smith; Felix Rendon; Jimmy Sides; Josie Galindo; and Jim Perdue.

Mr. Schott stated that VR Election Service will be conducting the election which will again give the membership the opportunity to vote by mail, phone or internet. Mr. Schott stated that ballots are scheduled to be mailed out to the membership on Friday, July 30<sup>th</sup>.

**UPDATE ON CIO POSITION**

Mr. Schott reported that out of the 74 applications he received for the Chief Investment Officer position, he has narrowed the list down to 17. He stated he had requested salary requirements from the individuals, and has received all but four. He will begin calling individuals and keep the Board and Chairman of the Personnel Committee posted.

**FIRE CADET CLASS 2010-A – GRADUATION JULY 9, 2010**

Mr. Schott requested a motion to approve Fire Cadet Class 2010-A into membership. Mr. Wagoner moved to approve the class into membership. The motion was seconded by Mr. Moczygamba, and it carried unanimously.

**FIRE DEPARTMENT CEREMONY – AUGUST 4, 2010**

Mr. Schott reported that the Fire Department Awards Ceremony was scheduled for August 4<sup>th</sup> at 7:00 p.m., at the Municipal Auditorium. Mr. Schott reported there are approximately 21 members who have retired from the department within the last 6 months. He invited Board Members to attend.

**2011 BUDGET UPDATE**

Mr. Schott stated that staff is currently working on the 2010-2011 Annual Budget. Mr. Schott stated that with the fiscal year beginning October 1<sup>st</sup>, the budget would need to be approved at either the August or September Board meeting; therefore, he will coordinate with the Chairman of the Personnel/Audit Committee to schedule a meeting for August.

**TEXPERS SUMMER FORUM REGISTRATION REMINDER**

Mr. Schott reminded Board of the TEXPERS Summer Educational Conference taking place August 23-25 at the San Antonio Hyatt Hill Country Resort. He asked that Board please inform staff if they plan on attending the conference.

**COMMITTEE APPOINTMENTS**

Mr. Schott provided Board with a copy of the Revised Committee Appointment List, dated July 13, 2010. Mr. Schott stated that Chairman Reed will be temporarily sitting on the committees previously occupied by Mr. Griffin. He will be replaced when the new Police Trustee has been elected.

**KAPLAN FOX CLIENT CONFERENCE**

Mr. Schott provided the Board with a report submitted from Harry Griffin who attended the Kaplan Fox Client Conference prior to his departure from the Board.

**FINANCIAL REPORT FOR PERIOD ENDING JUNE 30, 2010**

Mr. Matye reported that the Statement of Net Plan Assets for the period ending June 30, 2010 were \$1,782,006,528.

Mr. Matye reported there are currently 71 members who participated in the probation buyback that have not yet paid back their probation time. The Board requested that staff send these members a letter reminding them of the September 30, 2010 deadline.

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

Mr. Perez stated the Committee did not meet this month; however, it will be scheduling a meeting in mid-August to review a preliminary draft of the 2010-2011 Budget. Mr. Perez stated if there were any specific items Board would like to include in next year's budget, please let staff know as soon as possible.

**DISABILITY COMMITTEE**

Vice Chairman Ury reported that the Disability Committee met on July 13<sup>th</sup> to review the tax returns of the disability pensioners. He reported there were three pensioners that filed extensions and requested Board's approval of the extensions. Mr. Perez made a motion to approve. The motion was seconded by Mr. Wagoner, and it carried unanimously.

Vice Chairman Ury reported there were also two pensioners that had not turned in tax returns, nor provided extensions at the time of the meeting. However; as of 7/26/10, one of the individuals has turned in their return and the other has provided their extension. The Committee directed Staff to keep the Chairman of the Committee updated once the tax returns of the extensions have been received.

**LEGISLATIVE COMMITTEE**

Mr. Wagoner stated that the Legislative Committee met on July 15<sup>th</sup> with the actuary to review the costs of the proposed legislative changes.

Mr. Wagoner reported there were seven benefit changes proposed, but only six had a financial impact. The Committee reviewed each of the items in detail regarding their costs. After a lengthy discussion on the benefits, the Committee discussed the current economic environment and the funded status of the Pension Fund. Due to uncertainty in the financial markets, the Committee postponed further action on a Legislative Package until later in the year. At that time, if the financial environment has improved, the Committee will discuss the possibility of proceeding with benefit improvements.

The Segal Company provided the Committee with a proposal to conduct a 5-year Actuarial Experience Study. Staff confirmed that an Experience Study is due this year and that The Segal Company performed the last experience study in 2005. The Committee then provided the Board with a copy of their proposal, stating the study will cover the period October 1, 2004 – September 30, 2009. Mr. Wagoner stated that this issue was not on the Committee agenda, so the Committee does not have a recommendation.

At this time, however; Mr. Wagoner made a motion to approve hiring The Segal Company to perform a 5-year Actuarial Experience Study for the Pension Fund at a cost not to exceed \$32,000. The motion was seconded by Vice Chairman Ury, and it carried unanimously.

### **INVESTMENT COMMITTEE**

Mr. Moczygemba reported the Investment Committee held a meeting on July 21, 2010.

The Committee reported that CSG was in attendance at the meeting to present a list of managers for the Fund's \$30 million infrastructure search. The Committee discussed eight firms that were either fund-of-funds or direct, open-ended or closed-end. Due to the cost issue, the fund-of-funds were quickly removed, leaving six firms. After discussing the pros and cons of each firm, the Committee decided to invite KKR, JP Morgan, Highstar and Yucaipa. JP Morgan is an open-ended fund and the other three are directs. Interviews are scheduled for August 25, 2010.

The Committee discussed the Fund's fixed income allocation, specifically as it relates to the Fund's high yield allocation. The Committee discussed rebalancing some of its gains from its high yield allocation due to the strong 1-yr returns. CSG acknowledged the strong returns during the past year, but stated they still felt high yield could generate a high single digit return going forward. However, as a different option, CSG felt the Committee could consider rebalancing a portion of GoldenTree's high yield account to their Distressed Debt Fund. After a lengthy discussion, the Committee motioned to rebalance \$30 million from GoldenTree's High Yield Account to GoldenTree's Distressed Debt Fund, with the understanding that the funds will remain invested in the high yield account until capital is called.

Mr. Wagoner made a motion to approve. The motion was seconded by Vice Chairman Ury. After much discussion by Board, the motion carried 3 to 2, with Chairman Reed and Mr. Moczygemba opposed.

The Committee reported it also discussed the real estate allocation. The Pension Fund needs to commit \$30 million in real estate this year in order to achieve its vintage year exposure as well as increase its overall real estate exposure. The Fund's current allocation is at 7% vs. its target of 12%. Staff noted the Fund's current real estate allocation has 25% in core, 50% in value added and 25% in opportunistic. The majority of the discussion centered on the Committee's risk tolerance and not its return expectations. The Committee did not feel comfortable having 75% in non-core real estate, and therefore, made a motion to have staff conduct a search for a \$30 million open ended, core real estate manager. The motion included a mandate that the Fund must be a "new" fund. Mr. Moczygemba made a motion to approve. The motion was seconded by Mr. Wagoner, and it carried unanimously.

The Committee reported that Staff and CSG discussed senior secured lending as a potential investment strategy within the private equity allocation. Both were positive on the outlook for this strategy. Staff noted that the Pension Fund needed to commit \$10 million this year within the private equity allocation in order to maintain the Fund's vintage year exposure as well as its target allocation. Based on Staff and CSG's opinion, the Committee recommends the Board begin a \$10 million search for a senior secured lending manager. The Committee did not specify who will conduct the search, so the Board will have to decide this. Mr. Moczygemba made a motion to approve. The motion was seconded by Mr. Wagoner.

At this time Mr. Schott provided estimates received from four firms to conduct the search. He reported the following fees: CSG \$25,000.00; PCG \$17,000.00; Altius \$40,000.00; and both Franklin Park and Albourne (Fund's current consultant); would not charge a fee.

After some discussion by Board, the motion to begin a \$10 million search for a senior secured lending manager carried unanimously. Mr. Wagoner then made a motion to hire Albourne to conduct the search. The motion was seconded by Mr. Moczygemba, and it carried unanimously.

The Committee received a presentation from Valley Forge Asset Management. Valley Forge is one of the Fund's large cap core equity managers and has been on board since last year. Valley Forge was invited to attend due to its poor annual performance. Valley Forge noted it is very cautious about the economy and was therefore very defensive in its portfolio. Unfortunately, this hurt them in the first 9 months since inception. However, it has outperformed its benchmark by almost 700 basis points in the last two months. No further action was taken.

**REAL ESTATE COMMITTEE**

Vice Chairman Ury reported the Real Estate Committee conducted a site visit to the Dallas Police and Fire Pension Fund and the Fort Worth Employees Pension Fund and also held two Committee meetings.

The Committee continues to review space plans for the building in order to ensure the appropriate number and size of offices. This also includes the location and layout of the offices, break room, board room and records rooms. This phase of the project is very important because the architectural plans will be based on these drawings.

The Committee has a meeting immediately following the Board Meeting to review the latest renditions and hopefully finalize the plans. If approved, it will begin preparing the architectural plans.

The Committee also reported that several board members conducted a site visit to the Dallas and Fort Worth Pension Offices to get ideas on office sizes and finish-out, and received some great ideas of what to do and what not to do.

Lastly, due to the time requirements and the speed with which decisions will need to be made, the Committee felt it would be best to give the Executive Director the authority to take whatever actions are necessary to complete the finish-out of the space at the Parkway Center, with the understanding that he will keep the Real Estate Committee involved and updated. Mr. Ury made a motion to approve. The motion was seconded by Mr. Wagoner, and it carried unanimously.

**FINANCIAL DISCLOSURES COMMITTEE**

Vice Chairman Ury reported the Committee was unable to get a meeting scheduled this month to finish reviewing the Standards of Conduct. Mr. Ury will be working with the Executive Director to find a date for the next meeting. The Committee already reviewed approximately half of the document, so it should be able to complete the review at the next meeting.

**LEGAL  
REPORT:**

Mr. Burney reported that the SEC had issued its play to play regulations, stating there are very strict rules and strict limits for Board to consider in reviewing its Standards of Conduct.

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

(See attached disbursements dated July 29, 2010).

**MEMBERS TO  
BE HEARD:**

None.

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