

**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  
September 30, 2008**

**PRESENT:** Chairman Larry A. Reed, Fire Retiree Representative; Vice Chairman Justin Rodriguez, Councilman; Secretary Harry Griffin and Shawn Ury, Police Representatives; Councilman Philip Cortez; Donald R. Wagoner, Fire Representative; and Art Hall, Mayoral Designee.

**ABSENT:** Bart Moczygamba, Fire Representative; and Alex Perez, Police Retiree Representative.

**OTHERS  
PRESENT:** Warren Schott, Executive Director; Mark Gremmer; Beatrice Ahrens; Sonia Martinez, Pension Fund Staff; Frank B. Burney, Martin & Drought, P.C.

At 9:10 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: Personnel Issues (551.074); Disability Pension Application (551.071, 551.078, 551.0785); Potential Real Estate Acquisition (551.071, 551.072).

The Board reconvened at 10:13 a.m.

**MINUTES:** Secretary Griffin moved to approve the minutes of the regular meeting held on August 26, 2008. The motion was seconded by Mr. Wagoner, and it carried unanimously.

**EDUCATIONAL OPPORTUNITIES**

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

- A. Pension Bridge Alternatives Conference  
October 7-8, 2008
- B. National Pension & Institutional Investor Summit  
December 3-4, 2008
- C. Public Fund Boards Forum  
December 13-16, 2008
- D. Opal Alternative Investing Summit  
December 7-9, 2008

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

Secretary Griffin made a motion to approve the following pension:

1. A 20 year service pension for Police Officer Lloyd O. Griggs, effective October 3, 2008.

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 pension:

1. A 32 year, 1 month service pension for District Chief David Mendiola, effective October 4, 2008.

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

**DISABILITY PENSION**

1. A second hearing for a disability pension for Police Officer Robert A. Milks, effective September 30, 2008.

Mr. Wagoner reported the Disability Committee held a meeting on September 18, 2008 to review the Disability Application for Police Officer Robert Milks. Mr. Wagoner reported after reviewing the independent doctor's reports and confirming the Police Chief does not have a billet for Mr. Milks, the Committee recommends Board's approval of the Disability Application.

Mr. Wagoner made a motion to approve. The motion was seconded by Secretary Griffin, and it carried unanimously.

**BENEFICIARY PENSION**

Vice Chairman Rodriguez made a motion to approve the following beneficiary pensions:

1. A beneficiary pension for Mrs. Joyce Wolfe, widow of retired Detective Investigator William B. Wolfe, effective August 21, 2008.
2. A lump sum death benefit for Ms. Linda McChesney, mother of Police Officer Christopher D. McChesney, effective September 14, 2008.

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

**PENSION ADJUSTMENT**

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

1. Police Officer Terry R. Bailey  
Adjust monthly annuity
2. Fire Engineer Ruben A. Estrada  
Adjust amount to be rolled over into a qualified plan  
Adjust amount to be paid directly
3. Fire Engineer Gregory B. Hernandez  
Adjust amount to be rolled over into a qualified plan  
Adjust amount to be paid directly
4. Mrs. Mary Katherine West  
Widow of retired Detective Investigator Robert Lee West  
Adjust Monthly Annuity
5. Jason West  
Dependent of retired Detective Investigator Robert Lee West  
Adjust Monthly Annuity

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

#### **REFUND OF CONTRIBUTION**

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

1. A 1 year, 8 month refund of contribution for Police Officer Terence K. Tisdell, effective September 9, 2008.

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

#### **EXECUTIVE DIRECTOR REPORT:**

#### **PROPOSED 2009 MEETING SCHEDULE**

Mr. Schott requested Board's approval of the 2009 Meeting Schedule. Mr. Hall made a motion to approve. The motion was seconded by Vice Chairman Rodriguez, and it carried unanimously.

#### **2008-2009 HOLIDAY SCHEDULE**

Mr. Schott requested Board's approval of the 2008-2009 Holiday Schedule which was approved by Council at its September 25<sup>th</sup> meeting. Mr. Hall made a motion to approve. The motion was seconded by Vice Chairman Rodriguez, and it carried unanimously.

#### **PRIVATE EQUITY WORKSHOP – OCTOBER 16 & 17, 2008**

Mr. Schott reminded Board of the Annual Manager Workshop scheduled for October 16 & 17, 2008. The two-day workshop will be held at the Pension Fund Office. Vice Chairman requested staff consider holding future workshops on either the fourth Thursday of the month or on a date that does not conflict with Council meetings.

**FINANCIAL REPORT FOR PERIOD ENDING AUGUST 31, 2008**

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending August 31, 2008 were \$2,016,178,446.

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

Secretary Griffin reported the Personnel Committee held a meeting on September 18, 2008 to conduct the Executive Director's Evaluation; review the 2008-2009 Annual Budget; and review the Audit Engagement Letter.

The Committee provided the Board with a copy of the proposed Audit Engagement Letter provided by Carneiro, Chumney.

The Committee recommended approval the Audit Engagement Letter with an estimated fee of \$28,000.

Mr. Wagoner made a motion to approve. The motion was seconded by Mr. Hall. The motion carried unanimously.

The Committee also discussed the possibility of having Carneiro, Chumney conduct an audit on the Fund's controls. Mr. Griffin reported no action was taken on this item. The Committee provided Board with three options and recommended this issue be discussed by Board.

After reviewing and discussing three Test of Controls Audit options provided by the Committee, Mr. Wagoner made a motion to engage Carneiro, Chumney to conduct Option 3 of the Test of Controls Audit. The motion was seconded by Mr. Ury.

After more discussion, Board recommended the Personnel Committee schedule a meeting and ask that Carneiro, Chumney attend the meeting to answer any questions. At this time, both Mr. Wagoner and Mr. Ury withdrew their motions.

Secretary Griffin reported the Committee also conducted a final review of the 2008-2009 Annual Budget. The Committee recommended approval of the Budget, to include an amendment to the Budget to include \$8,000 in legal fees to acquire the IRS Determination Letter. Mr. Wagoner made a motion to approve. The motion was seconded by Mr. Ury, and it carried unanimously.

**DISABILITY COMMITTEE**

Mr. Wagoner reported the Committee discussed three outstanding issues involving disability pensioners at the September 18<sup>th</sup> meeting. Two of the issues were resolved, but there is still a question involving outside income on the remaining pensioner. Staff will provide the information at the next Disability Committee meeting.

## LEGISLATIVE COMMITTEE

Mr. Wagoner reported the Legislative Committee held a meeting on September 23, 2008 to discuss the 2009 Legislative Package and the status of the Fund's IRS Qualification. In regards to the IRS Qualification, the Committee discussed engaging an attorney to assist the Pension Fund in acquiring an IRS Determination Letter. The purpose of the IRS Determination Letter is to get confirmation that the Pension Fund meets the requirements to be considered a Qualified Plan, and therefore, member contributions will be pre-tax. Mr. Wagoner reported that a new ruling had been released that requires Funds to acquire a new Determination Letter every five years. Mr. Wagoner reported that the Fund's last Determination Letter was received in 2002. The Committee then offered the following recommendation:

### Approval to Engage Strasburger & Price, LLP to Assist in Acquiring the IRS Determination Letter

Mr. Ury made a motion to approve. The motion was seconded by Secretary Griffin, and it carried unanimously.

Mr. Wagoner reported in regards to the 2009 Legislative Package, the Committee worked with its attorney to clarify issues involving benefit changes. The majority of the discussion dealt with the buyback of probationary time; the allowance of the Chief's to "opt-out" of the Pension Fund; and the guardianship issue. On these issues, the Committee offered the following:

- 1) Buyback of Probationary Time:
  - a. Not later than 90 days following the effective date of the new Law, the member must file with the secretary a written statement of intent to pay into the fund an amount equal to what the member would have paid if the member had been eligible for membership upon graduation from the academy, plus the City's double-match.
  - b. The member must make the payment in full prior to September 30, 2010.
  - c. The amount of credit purchased may not exceed the lesser of the length of probationary time or eight months.
  - d. The member will also be required to pay interest, compounded annually from the date of graduation to the date of payment. The rate of interest will be 8%. Salary and contribution rates of each member at the actual time of graduation will apply.
  - e. This option will only apply to active members.

Mr. Wagoner made a motion to approve and to add the following two additions to the probationary time language: 1) Payments must be made using "qualified" funds; and 2) The amount of credit purchased may not exceed the lesser of the length of probationary time or 10 months.

After some discussion, Mr. Wagoner offered a friendly amendment to his motion to add language “of each class” to the salary contribution language, to read as follows:

The member will also be required to pay interest, compounded annually from the date of graduation to the date of payment. The rate of interest will be 8%. Salary and contribution rates “**of each class**” at the actual time of graduation will apply. Mr. Ury seconded the amendment to the motion, and it carried unanimously.

The Committee then recommended approval of the following:

2) Beneficiary’s Benefits

- a. If at the time a death benefit annuity becomes payable, the deceased leaves a surviving spouse and at least one dependent child, the board shall award 65% of the annuity to the surviving spouse and 35% to the dependent child(ren). This provision will be re-calculated as of the effective date of this Law. No retro-active payments will be made.

Secretary Griffin made a motion to approve. The motion was seconded by Mr. Ury, and it carried unanimously.

Mr. Wagoner reported that another issue the Committee has discussed was the “opt-out” language for the police and fire chief. Mr. Ury made a motion to include language that any chief that comes from outside the department and is not a previous member of the Fund, has the option to opt-out within 90 days from their hiring. Secretary Griffin seconded the motion, and it carried unanimously.

### **INVESTMENT COMMITTEE**

The Investment Committee held a meeting on September 23, 2008 to discuss numerous issues, as well as hear a presentation by Berman DeValerio, a law firm which specializes in securities litigation.

Berman DeValerio gave a demo on its state-of-the-art portfolio monitoring system which streamlines loss calculations, tracks ongoing litigation, and provides updates on settlements. It is a web-based system that the Fund’s staff would have access to. It was noted that BLB&G currently is providing a similar service to the Pension Fund. The Committee directed staff to contact other providers of this service, to include emerging and regional providers, and bring the list of capable finalist to the Committee at a future meeting.

Our consultant, CSG, was also present to review the recent performance of the Fund, and more specifically, our investment managers. Absolute returns continue to fall, but relative returns vs. our benchmark are mostly positive. In regards to the Portable Alpha program, the Committee has a recommendation to terminate Marwood, and requested the following:

Terminate Marwood Group Asset Management

- Hedge Fund of Funds manager
- Effective immediately

Mr. Wagoner made a motion to approve. The motion was seconded by Mr. Ury. Secretary Griffin suggested putting Marwood on Watch-list rather than terminating them. After much discussion, the following votes were taken on the motion:

Councilman Cortez – yes  
 Secretary Griffin - no  
 Mr. Hall - no  
 Mr. Reed - no  
 Vice Chairman Rodriguez - no  
 Mr. Ury - yes  
 Mr. Wagoner - yes

Motion fails 3 to 4.

Vice chairman Rodriguez made a motion to place Marwood on Watchlist. The motion was seconded by Secretary Griffin, and it carried unanimously.

Mr. Ury reported that CSG also reviewed the Asset/Liability Study which included updated reports from the Actuary. After reviewing the reports, the Committee offered the following recommendation:

Approval of 5 year Asset/Liability Study

- Performed by Consulting Services Group and The Segal Company
- New Asset Allocation as follows:
 

Domestic Equity	23%
International Equity	17%
Hedge Funds	10%
Private Equity	6%
Real Estate	12%
Real Assets	5%
Global Fixed Income	27%

Mr. Wagoner made a motion to approve. The motion was seconded by Secretary Griffin, and it carried unanimously.

Mr. Ury reported CSG and staff will begin updating the Investment Policies to incorporate the changes approved within the study. The new policies will need to be approved by the Board upon completion. The Committee will also be discussing the different options to transition the current allocation to the newly approved allocation. A meeting will be scheduled in October to begin this discussion.

**AD-HOC REAL ESTATE COMMITTEE**

Mr. Ury reported the Real Estate Committee held a meeting on September 9, 2008 to discuss the potential purchase of The Parkway Center Office Building. The office building is located just north of the airport near Nakoma.

After discussing the office building, the Committee instructed the Executive Director to negotiate a non-binding Letter of Intent. Mr. Ury informed Board that a non-binding agreement has now been reached that is acceptable to the Committee.

Mr. Wagoner made the following motion:

- Approve Purchase of Parkway Center Office Building for \$11.5 Million, located at 11603 W. Coker Loop, San Antonio, TX 78216
- Authorize Expenditure of no more than \$25,000.00 to conduct Due Diligence and inspections on Parkway Center
- Authorize Executive Director to take all actions necessary to negotiate, execute and close acquisition, including, but not limited to, execution of contract and all closing documents

Motion passes 6 to 1.

**LEGAL  
REPORT:**

**MR. FRANK BURNEY, MARTIN & DROUGHT, P.C.**

No report.

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

(See attached disbursements dated September 30, 2008).

**OTHER ITEMS  
REQUIRING  
BOARD ACTION:**

None.

**MEMBERS TO  
BE HEARD:**

Mr. Robert Milks thanked Board for approving his application for a disability pension. He requested to receive copies of the doctor reports submitted to the Fund by the doctors who evaluated him.

**ADJOURNMENT:** Being that there was no further business; Secretary Griffin moved to adjourn the meeting at 11:37 a.m. Mr. Wagoner seconded the motion, and it carried unanimously.