AUGUST 2017

ADVISOR

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

From the Executive Director, *Warren J. Schott, CFA*

Let me begin this Advisor Newsletter by informing you that your Pension Fund has reached $3.0 billion in assets. That's right, the San Antonio Fire & Police Pension Fund now stands at over $3 billion. Most of you were members when we crossed the $2 billion mark in 2007, and some of you might remember when we crossed the $1 billion mark in 1998. I cannot tell you how proud the Board and Staff are with the size and, more importantly, the strength of the Pension Fund. Back in 1998 when we hit $1 billion, the Pension Fund was 78% funded. Now we are $3 billion and 88% funded. In case you are wondering what "funded" means, our funding level is the value of assets in the Pension Fund divided by the amount of retirement benefits we have promised. We currently have 88% of the assets we need to cover the benefits we have promised. And if we continue on the current path, we will be 100% funded within 13 years. This combination of funding level and years to achieve 100% funding places the San Antonio Fire & Police Pension Fund as the best large plan in the state.

The Board received the Annual Audit and the Actuarial Valuation Report at our June Board Meeting. Both reports were positive. The auditors gave the Pension Fund an unqualified opinion on our financial statements. This means that the financial statements prepared by the Staff are fairly and appropriately presented and in accordance with Generally Accepted Accounting Principles. Congrats and thanks to the accounting department for their hard work! We also received the Actuarial Valuation Report from our actuaries. The funding level of the Plan dropped slightly from 88.82% to 87.92% and the years to pay off this unfunded liability increased from 11 years to 13 years. To put this in perspective, the Texas Pension Review Board, which is charged with overseeing the approximately 100 public pension funds in the state, has published a set of guidelines related to the appropriate funding of pension plans. They have an upper limit not to exceed 30 years, with 10-25 years being preferred. Your Pension Fund is at 13 years.

Aided by the strong U.S. and international stock markets, our investment portfolio is having a great 2017. From January 1st through June 30th, the overall performance of our $3 billion Pension Fund stands at 7.0%. Our goal for the full year is to generate a 7.25% investment return, so as you can see, we are almost there. Our Chief Investment Officer, Matt O'Reilly, will give you more detail on the investment portfolio on page 3. It is important to note that stocks currently account for only 40% of our portfolio, with the rest invested in bonds, real estate, hedge funds and private equity. As such, our current investment portfolio is built to protect on the downside. We continue to enjoy the strong stock markets, but our current portfolio is built to protect our assets when the stock market ultimately falls. Considering our strong funding level, the Board understands that protecting our current $3 billion in assets is more important than reaching for higher returns by investing in riskier assets.

With the increased threat and attention to hacking in this country, the Board has begun the process of conducting a cyber security review to assess any and all vulnerabilities in our computer network. Although we currently have software that should protect our information, it is important to have an experienced provider conduct a review and provide solutions. Protecting the Pension Fund's assets and your personal data is of utmost importance to us.

Congratulations to Fire Engineer Dean Pearson, Police Detective Jimmy Foster and retired Fire Captain Larry Reed on their re-election to the Pension Fund Board. They will each serve a four-year term. Your other current fire and police representatives on the Board are: Fire Engineer J. T. Trevino, Police Sergeant Jim Smith and retired Assistant Police Chief Harry Griffin. We appreciate their willingness to donate their time to the Pension Fund to ensure retirement security for the police officers and firefighters of San Antonio.

While on the topic of Board members, we are still awaiting the names of the two City Council members that will be serving on our Board alongside the Mayor. These two individuals will be replacing former Councilmembers Ray Lopez and Joe Krier. As most of you know, the Pension Fund is governed by a nine-member Board that consists of the Mayor, two City Councilmen, two active firefighters, two active police officers, one retired firefighter and one retired police officer. The six service members serve staggered four-year terms, and the Council representatives are appointed by the City Council. The Mayor or his appointee serves until his term ends.

We have a new employee at the Fund. Gail Jensen has joined the Fund as General Counsel. She replaces Erik Dahler who decided to leave after working at the Fund for six years. Gail comes to us after working as the Chief Legal Officer for the University of Texas at San Antonio. We are very lucky to have her join the Fund.

Annual statements are now available online for our active members to view. Just go to our website at www.safppf.org and sign on to MemberDirect.

Thank you for your support, and please let us know if there is anything the Pension Fund can do for you. We stand ready to serve.

We encourage our members (both active and retired) to register on our website @ www.safppf.org. This allows us to send you important information and allows you to access info you may need any time of day.

If you need help registering, call us @ (210) 534-3262 and we will be happy to assist you.

CHAIRMAN'S LETTER TO MEMBERS

J. T. Trevino, Chairman

It is a great privilege to serve as Chairman of the San Antonio Fire and Police Pension, and it certainly is an honor to work with such great Board members and our exceptional staff. Our investment returns, our rank among other multi-billion dollar pension systems in Texas, and even the collegial environment in which we do our work are all fulfilling rewards to my service on the Board.

Nonetheless, I do want to share my concerns about two developments from the 2017 Legislature's regular session. These are personal opinions and concerns, but I simply wish to share them because I know how our members like to stay on top of issues.

To address many issues in Dallas, legislation known as HB 3158 was passed and signed into law. Beginning in October, the Dallas Police and Fire Pension Fund will not have a majority of active and retired police and firefighters serving as Trustees. Instead, six Dallas citizens will be appointed by the Mayor. All will have 'financial, accounting, business, investment, budgeting, real estate or actuarial expertise.' One of the likely appointees is Shad Rowe, a former chairman of the Pension Review Board who strongly advocated for 401(k) plans for public employees. Now, nothing is 'wrong' with seeking such expertise for the Board. But the question is whether this shift in governance is a precedent which will be forced onto other pension systems. There's certainly no model or experience to suggest that only those sorts of appointees can maintain a pension fund. The opposite is true. Our long history of success with a majority of firefighters and police trustees certainly validates our governance structure. We will just have to watch closely for whether a larger movement unfolds against police and firefighter governance of pension funds in the years ahead.

Other legislation addressing a situation in Houston, known as SB 2190, radically restructured the pension funds relationship with their sponsor, the City of Houston. The police and municipal employees pensions fell in line with the City's proposal for a "corridor provision," but the firefighters' pension fund did not. The provision, say the firefighters, violates the Texas Constitution as to who has authority over actuarial assumptions. Is it the Board or the City? We are going to keep a close eye on what the courts say. The question will be whether other city governments will want to adopt elements of the corridor provision. On the other hand, the police and municipal employees' pension funds seemed mostly fine with the corridor provision, except they expressed concern about the possibility of 'gaming' by the city. Nothing is ever clear cut.

The good news is that we continue to be on track here in San Antonio. We will continue to advise our elected officials about our system. In short, we believe "If it ain't broke, don't fix it." Nothing could be more true for our system.

TRUSTEE'S MESSAGE

Jim Smith, Active Police Representative / Legislative Committee Chairman

As the Legislative Committee Chairman of your Pension Fund, I want to speak to you about the Legislative Session that just ended on August 16th with the Special Session. I would first like to thank everyone involved in the legislative process. This is a huge team effort involving pension funds, labor associations, retirement organizations, and our many Local and Statewide Legislators. All of these groups worked together to prevent bad legislative bills from being ratified into law.

As expected from past legislative sessions, this Session was no different. There were bills filed that attempted to place pension funds under local control of their specific municipality, and bills filed to move defined benefit pension plans into defined contribution savings plans. Fortunately, these efforts failed. There is no rest for the weary, however. We realize that legislators will be filing these same types of bills in 2019, and we are already preparing for that now.

As you are all aware, both Dallas and Houston pension plans were in the news on an almost daily basis. Even though our Pension Fund and many others are well-run plans, there was criticism that all defined benefit pension funds have the same issues that Dallas and Houston do.

There was some positive legislation that was passed this Session. Both the Dallas and Houston plans came to agreements with their respective City and State elected officials. They made needed adjustments to their individual pension plans to make sure they maintained defined benefit pension plans for not only current employees, but also future hires. The fact that these plans worked together and made significant changes should reduce some political pressure going into the future for all pension plans in Texas.

Now I want to address some specific pension benefits that get brought up at roll calls. The first topic of interest that many people are not aware is that our Fund provides a 50% pension benefit for qualified survivors (spouses, children and fully dependent children) if the service member had the misfortune of passing away off duty. This applies as soon as you enter active duty. This also applies if you are on duty and were to pass away from natural causes.

Being killed in the line of duty is a totally different benefit. The Line of Duty death benefit is 100% of your pay to a surviving spouse, children or fully dependent children. The same 50% pension benefit also applies if you were to get injured, regardless if you were on-duty or off-duty. However, you must be permanently disabled so you cannot perform the duties of either a Police Officer or Firefighter.

Maintaining our defined benefit pension fund is very important for many reasons. Besides the obvious purpose of providing retirement security for our members, a defined benefit pension fund ensures that the survivors of our police officers and firefighters killed in the line of duty are taken care of. We are all aware that it has not been a good year for police officers and firefighters. We all have broken hearts over the loss of Firefighter Deem, Police Officer Marconi and Police Officer Moreno. We all need to keep these heroes' families in our prayers.

I look forward to seeing you out in the field, and once again if you have any issues, concerns, or rumors that need to be addressed, please do not hesitate to contact any trustee or staff member so we can take care of your needs. Please be careful out there. God Bless, Jim Smith.

Investment Market News & Information

Matthew O'Reilly, Chief Investment Officer

The good times keep on rolling. We are up 7% since the beginning of 2017 and up 14% over the last twelve months. Over that same one-year period, the average pension generated 12.7%, so our result is a beneficial accomplishment for everyone. Our favorable performance could be attributed to the active managers we picked. As with most things in life, performance goes in cycles. Some years our managers exceed the benchmark; some years they do not. It is my belief that picking a good manager starts with understanding their philosophy and process to better gauge when those managers will outperform and underperform. The great news is that over the past five years, we have outperformed our peer group while taking less risk. Our performance compared to the level of risk we took places us in the top 26% of all public funds.

I love investing. To me, it is the ultimate game of chess. The game consists of figuring out a company's cash flows, the market position of its product, and ultimately what the value of the stock is. If you believe an investment is undervalued, you buy it and wait for the price to increase. You make money from the future cash flow's effect on the stock price and also on the view of what others are willing to pay for those cash flows. If others see the value, they buy the stock, which will push the price higher. The math is easy, getting the variables right is hard. To make things more complicated, humans are often overtaken by emotion when an investment's market value moves up or down. Since our emotions shape how we believe a company will perform in the future, we will always see stocks swing to the upside or downside more than they probably should.

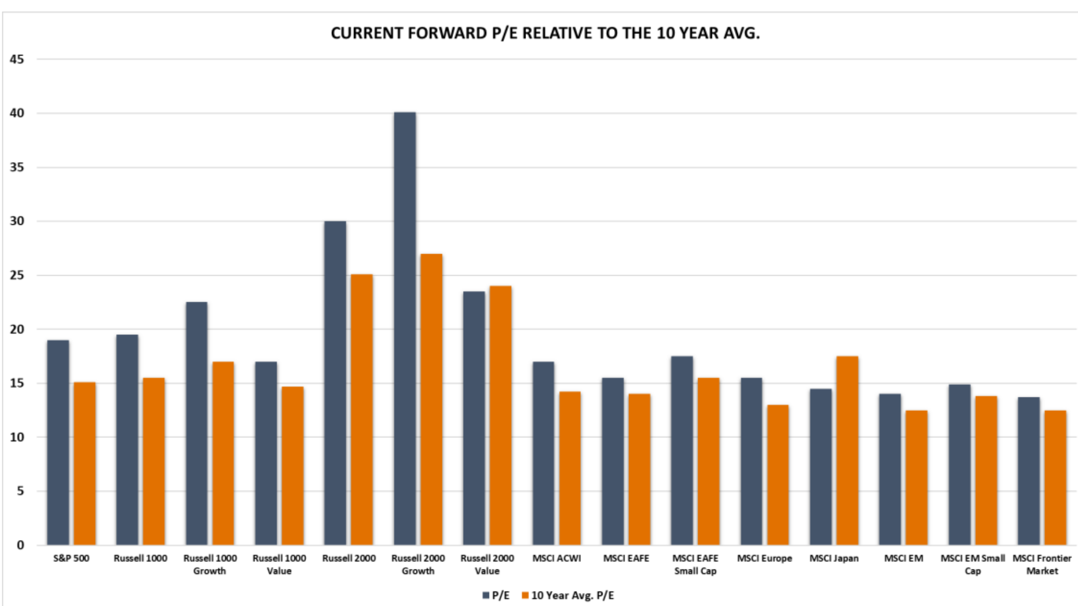
Behavioral finance has been investigating this phenomenon since the late 1970s. Many studies have shown that humans do not process information in a rational way. People value gains and losses differently and often base decisions on the realizable gains rather than the perceived loss. For example, answer the following question:

1) You have $1,000 and you must pick one of the following options:
Choice A: You have a 50% chance of gaining $1,000, and a 50% chance of gaining $0.
Choice B: You have a 100% chance of gaining $500.

2) You have $2,000 and you must pick one of the following choices:
Choice A: You have a 50% chance of losing $1,000, and a 50% chance of losing $0.
Choice B: You have a 100% chance of losing $500.

The results of this study showed that an overwhelming majority of people chose "B" for question 1 and "A" for question 2. The implication is that people are willing to settle for a modest gain that is guaranteed (even when they have a reasonable chance of earning more), while willing to engage in risk-seeking behavior when they are offered a chance of losing less.

In my role as the Pension Fund's Chief Investment Officer, I try to take emotion out of investing and remain focused on the fundamentals. Let us start with a simple fact. Today, almost all equity asset classes are above their 10-year average price-to-earnings ratio as depicted in the chart below. The P/E ratio is only one indicator of valuation, but I think it is one of the better ones. It is interesting that all current P/E ratios are above their long-term averages, except for U.S. small capitalization value stocks and Japanese shares. We all know that equity markets have had a good run, so it is important to rebalance your personal portfolio in order to keep your risks in check. Taking chips off the table on a periodic basis is prudent, especially in this environment. I often get the question, where should one invest? Sometimes, there are a lot of good opportunities and sometimes they are rare. In the current environment, where compelling opportunities are rare, limiting one's downside is probably more important than attempting to capture further incremental increases.



BENEFITS SPOTLIGHT: Three-Pay-Period Months

Rick Matye, Payroll & Benefits Supervisor

You may have heard that you can get a better pension at retirement if you take advantage of the magical three-pay-period months. The objective of this article is to explain how they work and how they can benefit you.

As an active member, you are paid every two weeks. However, the Pension Fund gets information from the City of San Antonio on a monthly basis. The information includes salary, contribution, sick leave hours, and various other data. Most times, the monthly information includes two pay periods. However, every six months or so you will get paid three times in a month. Therefore, your salary for that month will be higher than the previous month.

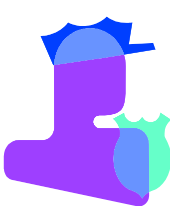
"So how does that impact my pension?" Your pension is based on average total salary and vesting percentage. Average total salary is based on the high three of the last five years of service. Generally, that will be the most recent three years or thirty-six months. There are usually two three-pay-period months in a one-year period. That would be six three-pay-period months in a three-year period. However, if you separate from service at the end of a three-pay-period month, the three-year period ending on your separation date will include seven three-pay-period months. That will increase your total salary compared to a normal three-year period. The resulting increase in average total salary will increase your pension. If you get a benefit projection from the Pension Office, the last two pages will show the salary numbers by month used to calculate average total salary. The calculator on the Pension Fund website has those numbers on the last page. You will notice that a few of the months are considerably higher than most months. Those are the three-pay-period months.

It all relates to how the calendar falls. If you leave at the end of a three-pay-period month, you will get a benefit in your average total salary. The Benefits Specialists at the Pension Office have calendars denoting three-pay-period months. You can ask them when the next one occurs or when it will occur next year or any year after that.

Pretty simple, right? "I leave at the end of a three-pay-period month and I get a better benefit." Not so fast. If you take a BackDROP, the average total salary is calculated as if you retired in the past. If you take a 60-month BackDROP, we go back 60 months from your separation date and use the high three of the last five years from that point backward. In other words, if you take a BackDROP, it doesn't matter if you actually retired on a three-pay-period month. In this case, you need your separation date to match a three-pay-period month five years ago. The Benefits Specialists at the Pension Office have calendars not only for the future, but for three-pay-period months in the past.

"If I take a BackDROP that's not 60 months, how do I know if I'm getting the three-pay-period month benefit?" The answer lies in the benefit projection. When you get a benefit projection, the second and third pages have your BackDROP information. The far-right column labeled "Difference in the BackDROP Annuity" section is the key. Most of the numbers are negative. As you go back, your average total salary generally goes down resulting in a lower monthly annuity (pension). If you see a plus sign, that means you've gone back just far enough to get the benefit of an additional three-pay-period month in your average salary calculation. A large negative means you went back one month too far and just missed the benefit. If you take no BackDROP or a 60-month BackDROP, your separation date is important. If you take something in between, the number of months you choose for the BackDROP is more important than when you leave.

I've only touched on the basics here, but taking advantage of the three-pay-period months can add $60, $80, even $100 or more to your monthly annuity. That's for the rest of your life. It also benefits your BackDROP lump sum. We go into more detail at the Financial Planning Seminars held at the Pension Office every month. We spend approximately 45 minutes explaining the benefit projection. We go into detail about how the monthly annuity and BackDROP lump sum are calculated. There is a PowerPoint slide demonstrating how the three-pay-period months impact average total salary. The seminar usually attracts 20 or fewer members and spouses, so we have time to answer any questions. If you need additional information, you can meet with a Benefits Specialist after the seminar. If you are interested in attending, please contact the Pension Office at 210-534-3262.

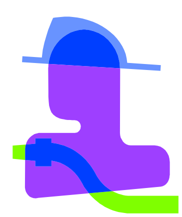


Pre-Retirement Seminar

Friday, November 3, 2017
8:00 AM – 3:30 PM

For additional information, check our website @ www.safppf.org

Call now to register @ (210) 534-3262
Spouses Welcome



WHY YOU REALLY <u>DO</u> NEED A WILL.

By Gail Jensen, General Counsel

Don't have a will? You're not alone. According to Gallup, in 2016, more than half of Americans reported not having a will. Even some of the "rich and famous" don't have wills – the late singer Prince died without one. So you may be thinking to yourself, "If *they* don't need a will, *I* certainly don't. But the reality is, you <u>do</u> need one. It's not about the money you have or don't have; it's about leaving your loved ones a guide to help them wind up your affairs and carry out your wishes.

Here are just a few of the reasons you should have a will:

If you don't say what happens to your stuff, the state will.

The law actually spells out what happens to your property if you die without a will. In fact, the law sets out a very detailed set of rules for who will get your property when you die, and those rules can get complicated fast, depending on your specific family situation. There are a number of factors that dictate who gets what: Are you married? Divorced and remarried? Do you have children? Do you have children from a prior marriage? Do you have parents or siblings? Depending on those factors, your property can get divided up any number of ways among any number of varying relatives. If you have a will, you can avoid any issues and make sure your property gets distributed the way you want it to be.

Having a will lets you decide the best way to provide for your loved ones – even if it means you don't provide for them at all.

If you have a significant other, children, grandchildren or someone else that you want to be sure is provided for, having a will is the best way to do so. In addition, if there are certain items that you want to go to a specific person – you want your daughter to get your mother's wedding ring; or you want your grandson to have the grandfather clock in your hallway – leaving specific directions in the will for that item to go to that person is the best way to make sure it happens.

By the same token, maybe there's someone that you want to make sure does <u>not</u> receive any of your property. Depending on how that person is related to you, that person could end up with a share of your property if you don't leave a will. Having a will and specifically disinheriting them, or limiting their "inheritance" to only something of minimal value ensures that your wishes are carried out. And while you may think doing something like that is unheard of, it's not. In fact, William Shakespeare himself largely disinherited his wife – leaving her only his "second-best bed".

Having a will makes it easier for your loved ones during a very difficult time.

In the aftermath of your death, your loved ones will be grieving. The last thing they should have to deal with is figuring out how to settle your estate without your input. That can be a trying task even when everyone agrees on what to do (and what is the likelihood of that?). Having a will gives your loved ones specific directions for what to do with your things, and in so doing, gives them the peace of mind that they are doing what you wanted and minimizes the possibility for infighting and even court battles.

Having a will allows you to avoid a cumbersome probate process.

"Probate" is the legal process of having a court recognize a person has died and winding up that person's affairs. It involves formally accepting the will (if there is one), collecting and cataloguing the person's property, identifying and paying the person's debts, paying any taxes and distributing the remaining property. Your estate must go through the probate process whether you have a will or not, but if you don't have a will, your estate will have to be processed as a "dependent administration", which means the probate court has to supervise every step of the process. And that can be costly and time-consuming. If you have a will and you're in Texas, you can specifically set it up so that your estate will be processed as an "independent administration", which means after the initial steps of probate (proving up and recording the will and submitting an inventory, appraisement and list of claims), the business of your estate can be handled with minimal court supervision and approval.

If you have a will, you can designate the person who's best suited to settle your affairs.

The probate process itself is administered by someone, either an Executor (if there is a will) or an Administrator (if there is not). That person is responsible for handling all the "business" of your estate – identifying and collecting your property, paying your bills (and taxes, if necessary) and distributing your things. We all have loved ones who would be better suited to handling those tasks – people we trust, who have strong organizational skills, who may have work experience or educational backgrounds that would help them in performing those duties (business, finance, law, tax, even mediation or counseling). In your will, you can designate a specific person to be your Executor. If you don't have a will, the court will appoint someone to serve that role. And while the court may appoint the person you would have chosen, it may not. ***(Article continues on Page 6)***

WHY YOU REALLY DO NEED A WILL. ***(Continued from Page 5)***

If you have a child or elderly parent who is receiving government aid, having a will allows you to distribute your property in a way that avoids making them ineligible for that aid.

Many government aid programs have specific eligibility rules, many of which focus specifically on the amount of property the person has. If a person has too much property, they are not eligible to receive that aid. If you die without a will, your property could automatically pass to these individuals, and that could then disqualify them from receiving their government benefits. That may be fine if the property they are receiving is enough to cover all of their needs; but if it's not, they may be in a worse position simply by virtue of having inherited something from you. In a will, you can avoid that situation – either by ensuring they do not receive enough property to disqualify them or by setting up other mechanisms that allow them to still receive the benefit of your property while not actually getting the property outright.

Last but not least, your will truly is your "last word".

While your will is intended to be your instructions for how to settle your estate, it also – in most cases – is your last opportunity to say something to your loved ones. That doesn't mean that you have to fill your will with all sorts of personal messages; but if there is something you want to be sure to make sure to communicate to your loved ones, including it in your will is one way to do that.

These are just a few of the many reasons for why you should have a will. Bottom line, having a will is the best way for you to make sure your estate is handled and distributed as efficiently as possible and in the way you want. So if you're one of the roughly 50% of Americans who doesn't have a will, give it some thought and call your lawyer!

Report: Texas economy will see $160 billion loss if public pensions continue to be dismantled

By Michael Kahn, Director of Research at NCPERS

"Public pensions are under constant attack," says Michael Kahn, the report's author and director of research at NCPERS. "Dismantling includes reduction of benefits, moves to replace the plans with do-it-yourself 401(k)-like defined contribution plans and switching to hybrid plans."

Kahn's study, "Economic Loss: The Hidden Cost of PrevailingPension Reforms," examines the economic impact the undoing of defined-benefit public pension, or DB, plans would have in the United States within eight years. The U.S. would face a $3 trillion economic loss, according to the study. The report's projections are based on pension reform trends Kahn tracked during the last 10 to 15 years.

Texas would be especially hit by so-called public pension "reforms." It would take the fourth largest economic hit among all 50 states. California would see a more than $1 trillion financial hit, followed by New York with a $290 billion loss, and Florida with a nearly $180 billion setback to its economy.

"Opponents, having little or no understanding of how public pensions are funded, promote misleading information about rate-of-return assumptions and huge unfunded liabilities to convince policymakers to dismantle public pensions," Kahn wrote in his research paper's executive summary. "Some states are taking actions that are chipping away at public pensions without realizing the economic damage their actions will inflict on their states and our country's economic future."

During Texas' recent legislative session, law makers attempted to interpret under-funding issues among public pensions in the cities of Houston and Dallas as statewide problems. Bills were filed to try and do away with a state and local checks-and-balance system to ensure actuarial soundness of plans, to require local municipalities to seek voter approval for pension obligation bonds, and to switch certain defined-benefit plans to defined-contribution schemes that would place the burden of investing on public workers.

Among the bills proposed during the recent legislative session, Senate Bill 1752 sought to move the Employees Retirement System of Texas and the Teacher Retirement System of Texas to defined-contribution or hybrid plans. Sen. Paul Bettencourt, R-Houston, a proponent of defined contribution plans, wrote the bill. Despite his efforts to dismantle the public pensions of the two retirement groups, his bill failed to receive a hearing by the Senate's State Affairs committee.

Even though most attempts to change defined-benefit plans in Texas failed to gain traction this year, DC proponents are already prepping for renewed attacks during the state's next legislative session in 2019. Kahn says policy makers need to understand how public pensions are funded, the economic damage that will occur in 2025 if the dismantling of DB plans continue, and what can be done to address funding issues without further erosion of defined-benefit public pensions. ***(Article continues on Page 7)***

Report: Texas economy will see $160 billion loss if public pensions continue to be dismantled *(Continued from Page 6)*

"A great deal of criticism of public pensions is based on a faulty understanding of how long-term liabilities are funded," Kahn says.

In his report, he writes: opponents of DB plans "tend to whip up fear by arguing that cities and states can't cover their long-term pension liabilities with current revenues. That's like saying your 30-year mortgage is in trouble if you can't pay it off from the year's salary."

According to his research report, opponents of DB plans are applying rules to public-sector pensions, such as rate-of-return assumptions, that are designed for private-sector pensions. And, findings indicate that public pensions are not in as bad a shape as opponents claim.

According to Kahn's research, 76 percent of the money flowing into public pensions is coming from investment earnings. The figure in 1940, the heyday of public pensions, was 22 percent. And data shows that average funding levels are steadily moving up since 2014.

If defined-benefit plans continue to be undone, an estimated $19 trillion in total personal income in the U.S. would be reduced by $3.3 trillion in eight years, according to NCPERS' new economic impact study. The study also projects the 4 percent rate of national economic growth would decline to 3.29 percent.

Adverse changes to DB plans also would result in an increase in income inequality by an average of 15 percent over 10 years, says Kahn. That, he adds, undermines the rate of economic growth by about 18 percent.

"Spending by retirees stimulates local economies, and pension assets are a major source of capital for businesses, locally and nationally," Kahn says.

Pensions generate tax revenue at the local, state and national levels and are derived from two sources: Taxes paid by beneficiaries directly on their pension benefits and taxes resulting from expenditures made from pension benefits after income taxes are deducted. That would include sales taxes from a retail purchase.

In 2014, $519.7 billion in pension benefits were paid to 24 million Americans, according to the National Institute on Retirement Security, a nonprofit research, and education organization. The total economic output attributed to pension benefit expenditures in the U.S. that year was $1.2 trillion. In Texas, according to NIRS, public pensioners spent $22 billion and paid $3.5 billion in federal, state and local taxes.

Kahn and other economic researchers say cuts to pensions are usually greater than the pensions' positive impact. The negative impact of pension cuts is realized in the economy dollar for dollar and is multiplied several times over as it ripples throughout the entire economy, Kahn explains. Because recipients may spend only a portion of their checks in local economies, the full picture of the positive influence of pensions on the economy may not be fully understood.

In addition to spending by public pensioners, Kahn says pension systems invest in the world's economy. The U.S. mortgage market, its private equity and high-tech industries as well as many start-up companies rely on pension funds as a source of capital.

Kahn says there are several strategies to fund public pensions without dismantling them, and some states are already exploring and implementing them. According to his report, the best way to adequately fund public pensions is through progressive tax reforms. There are, however, other measures that can be put in place to ebb the dismantling of public pensions.

The report suggests:

- Utilizing asset monetization and dedicated revenue sources, such as parking or limited sales taxes
- Seeking well-designed pension obligation bonds
- Reformation of income systems
- Closing of wasteful tax loopholes
- Management of risks in economic ups and downs
- Stabilizing funds and economies of scale

Kahn says these aren't perfect solutions, but they are much better alternatives to dismantling DB plans.

ANSWERED THE LAST ALARM

Once again we hang our heads in sorrow over the passing of one of our brothers in the line of duty. Scott Deem answered the last alarm of his life while heroically searching for possible victims trapped in a massive four alarm fire. Scott gave his all to save others while selflessly participating in an extremely dangerous search effort.

Scott followed in the footsteps of many firefighters who have laid their lives on the line and cast their fears aside while conducting life and death searches. Scott leaves a rich and lasting legacy of bravery, sacrifice and heroism. The Deem family can take solace in knowing that he will always have a special place in the hearts of the entire firefighter community.

We will pray in solemn reverence for the repose of Scott's soul and for all the First Responders that have gone before.

Two other firefighters that assisted in the search and rescue were: Robert Vasquez and Brad Thipps. Robert was taken to the hospital for emergency care and released the next day. Brad was taken to the hospital and was in serious but stable condition at the time this article was written.

Our prayers and gratitude go out to these brave firefighters. We will continue praying for the families of all first responders who continue waiting and hoping that their love ones will return home safely after their tour of duty at their jobs.

Respectfully, proudly, and with great affection,
Henry Trevino

Fire and Police Pension Fund, San Antonio
11603 W. Coker Loop, Suite 201
San Antonio, TX 78216
(210) 534-3262 (210) 532-4339 Fax
www.safppf.org

THE ADVISOR