



# ADVISOR

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



## FROM THE EXECUTIVE DIRECTOR

*Warren J. Schott, CFA*

I have much to update you on regarding the Pension Fund, so let's get right to it. The Fund recently received our Annual Audit and Actuarial Valuation report for the year. We are happy to report that the auditors gave the accounting records a clean bill of health and informed the Board that the financial

statements accurately reflected the true value of the Pension Fund. A clean audit is something we have come to expect due to our exceptional accounting department, but it is not an easy accomplishment. I am very pleased with the work of our accounting department and thank them for their hard work.

The annual Actuarial Valuation Report also provided solid results. The Fund was able to maintain a very strong 90.57% funding level despite the difficult investment environment. As a point of comparison, our funding level last year was 90.69%. Public pension plans across the state and country would kill to have a pension fund this strong. Almost as important as the actual level of our funding ratio is the fact that the "trend" of our funding has been improving. We have steadily improved from 71% in 1995 to our current level of 91%. As a point of reference, the State Pension Review Board considers a funding level of 80% or higher a healthy plan. You should feel comfortable that your pension fund is strong and will be around for the long haul.

As another bit of reassurance, the Texas Pension Review Board recently issued a report covering almost 100 pension plans in the state. The San Antonio Fire and Police Pension Fund was the 2<sup>nd</sup> best plan based on the amortization of our unfunded liability. If you consider only plans with over \$1.0 billion in assets, your plan is #1 in the state. The Texas Pension Review Board is mandated to oversee all public retirement systems in regard to their actuarial soundness. Their mission is to provide the Legislature with the necessary information and recommendations to ensure that public pension systems are financially sound. We should all be proud that our Pension Fund is viewed in such high regard.

Having said this, make no mistake that an attack on pension funds is in our future. Whether the attack will be on our plan specifically, or on all defined benefit plans as a whole, remains to be seen. Just know that your Board and Staff are already planning and coordinating a plan of action. The first step in this plan is education. We have been meeting with the legislative delegation on both the local and state level to educate them on the Fire and Police Pension Fund and also on the benefits of defined benefit plans vs. defined contribution plans. We have been very well received and the delegation has been very appreciative of our visits. We all know that our Pension Fund is one of the strongest in the state, now we need to make sure our representatives know it. Luckily, we have the facts on our side to defend our plan and also the rest of the defined benefit pension community. We are currently working to update our website to communicate more effectively with our members. We plan on creating a members only section to keep you informed about what is occurring and how you can help. We also want to capture an email for each member so that we can relay information to you when necessary.

I have not mentioned it yet, but the assets of the Fund sit at over \$2.1 billion. As of the end of March, the investment return for the first six months of our fiscal year is positive 10.0%. We have an annual target of 7.75%, so we are already over our goal, and we still have six months until the end of the year. On page 3, Matt O'Reilly gives a more in-depth review of our investments and the economic environment.

On behalf of the Pension Fund, I want to welcome our newest Board members, J.T. Trevino, Harry Griffin, Councilman Ray Lopez and Councilman Cris Medina. J.T. represents the active fire members, Harry represents the retired police, and the Councilmen obviously represent the City of San Antonio. Harry has previously served on the Board as an active police representative for 19 years, so he has obviously jumped right in. J.T. is new to the Pension Fund but has been very eager to learn and is getting up to speed on the numerous issues affecting your Fund. We welcome all of them and look forward to working with them. With that said, we say goodbye and thanks to Captain Don Wagoner, Sergeant Alex Perez, Lieutenant Bart Moczygemba, Councilwoman Mary Alice Cisneros and former Councilman Art Hall for their service to the Pension Fund. Each of these individuals has left the plan in much better shape than when they joined. They will all be sorely missed, and we wish them the best in their future endeavors. With the retirement of Lt. Bart Moczygemba, we have an open seat for one of the active fire representatives on the Board. We have six candidates that have applied for the position, which shows how important the Pension Fund is to our membership. Under the assumption that there will be a runoff, we should have the new representative on the Board at the April Board Meeting. Good luck to all candidates.

The Pension Fund has moved! Hopefully this is old news to you. The move has been seamless and the whole staff is getting settled in. If you have not had a chance to visit, please make a point to stop by and tour the office. I think you will like it as much as we do. A big part of the reason we moved is that we had outgrown the old office. This leads to the next bit of information: we have hired an in-house attorney and two investment analysts. The attorney's name is Erik Dahler and his main focus will be dealing with divorces and investment contracts. On page 6 of this newsletter you will see an article by Erik that will give you an idea of the work that he is performing for the Fund. The two investment analysts are Jesus Torres and Rafael Ramirez. Both will be assisting our CIO in the monitoring of our growing investment portfolio. We are very happy to have all three on board.

The COLA has arrived. The cost-of-living adjustment for this year was 3.0% for those members that retired prior to October 1, 1999. If you retired after September 30, 1999, you received 2.3%. This is the largest increase you have received since 2008, so I hope you can find a nice use for the extra cash.

I will close by saying thank you to our members for allowing us to serve you. If there is anything we can do to improve our service to you, please feel free to call me or send an email to the office. We are always open to ideas for ways to improve.

# A Letter from the Board

The Pension Fund Trustees are responsible to the members of the plan and should make all decisions with this fundamental duty in mind. They serve as fiduciaries which means they must act in the best interest of the membership. An event recently occurred which brought into question the actions of Trustee Harry Griffin. A special board meeting was called on April 10<sup>th</sup> to get an explanation for his actions and to evaluate the impact on the Fund. After hearing Trustee Griffin's explanation, the Board voted unanimously to censure him for failing to act in the best interest of the membership. Censure is the action available to the Board to express its strong disapproval or harsh criticism and is tantamount to a reprimand. The Board also approved the release of this article to the various membership publications to inform the membership of the behavior and the actions taken. That motion passed with Trustee Griffin being the only Trustee who opposed the release. It was agreed that Trustee Griffin should be allowed to provide an explanation for his actions to accompany this article in the pension Advisor Newsletter. It should be noted that his response, which is included in this newsletter, contains accusations against other Trustees (current and former) regarding events that have nothing to do with this issue and happened years ago. This is a classic attempt to minimize his actions and divert attention from the current issue. Each item mentioned in his response was handled at an open board meeting to the satisfaction of previous Boards. Affording him the opportunity to explain his actions to the membership was not an open door to vent about decisions he disagreed with over the years. Nevertheless, the nature of the response itself demonstrates the adversarial and confrontational role Trustee Griffin frequently assumes. The Board objects to this one-sided attack on others and is always available to answer questions regarding previous decisions.

On March 25<sup>th</sup> the Fund's staff and trustees attended the bi-annual conference of TexPERS (Texas public employee's retirement systems) in Corpus Christi, Texas. This organization is considered by many Texas funds and politicians to be the "voice" of pension funds in the state and therefore very important during the legislative process. The TexPERS Board is comprised of police, fire and municipal employees throughout the state and elections are held at this annual conference. Our active police Trustee, Jim Smith, had expressed interest in running for one of the positions on this board to help advance our agenda at the state-wide level. This group will be influential in the upcoming battle on defined pensions, and our participation on the board would greatly improve our fund's ability to protect our membership.

Each Fund that is a member of TexPERS is allocated a number of delegate votes, which include six delegate votes for our Fund. It should be pointed out that delegate votes belong to the organization and not the individual casting the votes. The Fund can assign the delegate positions to any individual that will attend the election and be willing to represent the Fund. Just like in the presidential election, delegates are merely selected to cast a vote for the group (A *state* in the presidential race) and are not expected to vote as individuals. Police, fire, and municipal employees have separate TexPERS board elections to fill their specific seats on the TexPERS Board. Our Fund can allocate our delegates to either the police or fire election and usually considers who is running when making that decision. This year we allocated 4 delegates to the police elections and 2 delegates to the fire election because of the importance of the police election to our Fund. The police delegates were assigned to Harry Griffin, Warren Schott, Jim Smith and Shawn Ury.

At the election, a Trustee from the El Paso police department was nominated along with Jim Smith and each made their case before the delegates for why they should be elected. A vote by show of hands was conducted that resulted in a 10-10 tie, with Trustee Griffin voting for the officer from El Paso. There was additional discussion and Trustee Ury spoke on Jim's behalf, pointing out his experience with legislative issues. A second vote by show of hands was conducted and it remained a 10-10 tie with Trustee Griffin again voting for the officer from El Paso. A vote by secret ballot was then conducted and Jim lost with a vote of 7-13.

During the Special Board Meeting there was extensive discussion regarding Trustee Griffin's role as a delegate and how his vote belonged to the Fund. Most of the members in attendance expressed their opinions that regardless of his status as a delegate, that he should have supported a Trustee from the San Antonio Pension Fund over a Trustee from another city. Ultimately the Board agreed with this view and decided to censure Trustee Griffin for his actions and for not acting in the best interest of the Fund. Our Trustees believe that Lieutenant Grossman from El Paso has good intentions as a TexPERS Board Member but also realize our Funds differ in structure and goals. Our Fund has not always agreed with the decisions of the TexPERS board and felt an additional vote on its Board would have helped advance our Fund's interests at the state wide level. Trustee Griffin would have you believe he is a victim but the Fund and membership are the ones who will be impacted by his actions.

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## Voting in Texas, "Get a Rope"

On March 25, 2012 while attending the Texas Public Employee Retirement System Conference (TEXPERS) in Corpus Christi Texas, I cast a vote for El Paso Police Lieutenant Tyler Grossman to serve on the board of this non-profit organization. TEXPERS provides two educational conferences a year for Texas public pension fund trustees and is also an advocacy group supporting public pensions and defined benefit plans. I voted for Lieutenant Grossman because of his experience; 17 years as a police officer and 8 years as a trustee with the El Paso Fire and Police Pension Fund. I voted for Lieutenant Grossman because of his educational background, he holds a Masters in Business Administration from the University of Texas at El Paso. He has served as a SWAT team member with El Paso PD and he served in Iraq protecting American interests and U.S. diplomats. He is articulate and passionate about protecting pension interests. I am confident he will work hard to protect the interests of public pension fund members and their beneficiaries, and even the other members of the San Antonio Fire and Police Pension Board who disagree with my vote for Tyler Grossman believe he will do a good job and be an advocate for all retirees.

Because I exercised my vote as an American and voted for Lt. Grossman, I was censured at a special called meeting held on April 10. Four board members of our pension fund took this action because I did not vote for Sergeant Jim Smith, one of our board members, at this conference. Jim has served with SAPD for 20 years and has served on our pension fund as a trustee for only one year. I simply voted as an American and Texan for the person I thought was the best qualified, and for this I was censured. (Continues on Page 3.)

## Voting in Texas, “Get a Rope” (Continued from Page 2.)

There is no policy, procedure or directive regarding voting at the TEXPERS conference by members of our pension fund. We have always been allowed to vote our conscience until now. Ultimately, 65% of the voting police delegates at this conference joined me in voting for Lt. Grossman.

I was surprised to learn a special called board meeting was called to admonish me about the way I voted. I believe elections should be free and those who cast votes should not have to worry about intimidation and coercion. I have voted opposite my fellow board members on occasion. In 2010 I voted at a TEXPERS board meeting to enhance ethics provisions of TEXPERS board membership. Every delegate representing the San Antonio Fire and Police Pension Board voted the other way against this provision. At the final vote, I was the only board member of our pension system who voted on the prevailing side. I was not censured for that vote. In 2009, one of our current board members failed to list the fact he worked for two investment firms, as required by Board policy. He stated he forgot, and even though he violated board policy he was not censured. Several years earlier, one of our board members attempted to have our Fund buy a church to serve as the new pension fund headquarters, and this purchase was being supported by a board majority. When I asked questions about the propriety of this purchase, a conflict of interest was revealed. After the revelation, the city council members present could not condone the purchase and it failed. That board member, also the president of the union, was not censured. I thought you had to do something wrong to get admonished, I never thought casting a vote for someone you believe would serve Texas public pension fund interests would cause such a stir.

I have served as one of your trustees for 20 years and served during the time our Fund has grown seven-fold to over \$ 2 Billion Dollars in assets. Benefits have improved over the past 20 years and our Fund has been recognized as one of the best in Texas. I will continue to work hard to make our Fund strong and will work hard to protect our Fund from any outside interests attempting to harm what we have all worked hard to achieve, even if a “rope” is called for when I vote my conscience because that’s the good old American way.

Harry Griffin

Board Member, San Antonio Fire and Police Pension Fund

## Market News

*Matthew O'Reilly, CFA, Chief Investment Officer*



I started working with your Fund almost a year and a half ago, and it has been amazing. Many positive changes and accomplishments have occurred and many more are in the pipeline. First, the credit goes to your Board members. They dedicate so much time and effort to the investment process along with their work on other committees. It is truly miraculous how they make everything work. I have worked with dozens of extremely large retirement funds with assets of over \$100 billion to smaller municipal funds, and you should be extremely proud of how effective things are at your Fund. San Antonio Fire and Police Pension Fund has a reputation of being a thought leader, conducting thorough due diligence, and establishing an investment process that goes shoulder to shoulder with the biggest funds in the country.

As members, I am sure you would want to know how the portfolio has performed and the projects we are working on to continually improve. First, here are a few things the staff and Board have worked on over the past several months. The Fund has been able to reduce costs in our hedge fund program which resulted in over \$2 million dollars of savings per year. Additionally, we identified a few promising real estate and energy opportunities that should help the overall risk and return of the portfolio. Last, but not least, we continue to improve our technology, communication, and began monthly seminars for all members, which are several important goals the Board had in mind.

With all the work last year, your Fund's performance ranked in the top quartile of all public pension funds and 3<sup>rd</sup> out of 54 members of TEXPERS as of September 2011. This is something that should be recognized, as it is a fantastic achievement.

The Board and staff have created a list of projects for 2012, and we are already off to a great start. In January, we replaced our investment consulting firm and hired NEPC, headquartered in Cambridge (Boston area). NEPC has tremendous resources and great research that will prove to be extremely helpful over time.

As for the financial markets, the last year ending in December was very challenging. The equity markets over the past year remain very volatile and the Russell 1000, a broad market index similar to the S&P 500, returned 1.0%. The international equity markets were down 13.7%. European debt and fears of recession created a sell-off. Additionally, European banks are tightening their credit standards making it more challenging for companies to get loans.

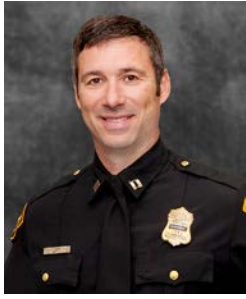
On the bright side, the U.S. has a few reasons for optimism. The chance for a relapse into a recession is very low in my opinion. Overall levels of output, employment, and spending were slashed at such low levels during the recession that a further reduction is limited. Consumer's debt is coming down, corporate companies retain a significant amount of cash, and unemployment is slowly coming down. The household finances continue to improve as the periodic principal and interest payment on outstanding debt has fallen to 11.1% from 11.7% (a year ago it was at 13.9%). The less income goes to pay for previous purchases, the more income can go for future purchases, savings, or paying down debt. One final point is operating earnings continues to grow even beyond the point of 2007.



On balance, the global economy still faces a lot of uncertainty and many people are still extremely nervous. The debt levels of many countries, including our own, are making many investors sit on the sidelines. However, the fundamentals of businesses and the economy look promising.

# "The Perfect Storm"

*Shawn Ury, Chairman, Active Police Representative*



There are events and periods in every organization's history that define them with opportunities and challenges. Sometimes events can be so profound that they send the organization into a totally new direction. In our nation's history there were events like the invention of the automobile, the great depression, the industrial revolution, the attacks at Pearl Harbor, the creation of the internet and the terrorist acts of September 11<sup>th</sup> to name a

few. Sometimes negative events come together in such a fashion that we dubbed it "the perfect storm". Wikipedia defines the perfect storm as "a confluence of events that drastically aggravates a situation". I mention this because I believe our Pension Fund is in the middle of a perfect storm. The recent economic recession coupled with a conservative majority in most governing bodies has drastically aggravated the situation. Add in the negative publicity from some pension funds that are structured more aggressively, and you get the perfect storm.

Let me digress a bit and explain how all defined benefit pension funds were not created equal. The San Antonio Police and Fire Pension Fund was created in the early part of the 20<sup>th</sup> century as a mechanism to provide retirement benefits to Police Officers and Firemen. I am only speculating but imagine this Fund was enacted as a benefit to attract qualified candidates into a career they might not otherwise choose. When the Fund was created, the city and membership established an unfunded liability to pay for this benefit. You may have seen the term "unfunded liabilities" in the many news articles recently published about pension funds. The individuals writing the articles want the public to believe these liabilities are the result of a pension model that is unsustainable and the problem will continue to worsen until every tax dollar received will be needed to pay pension costs. The truth is, our Fund has always had unfunded liabilities that were expected, given how it was created. Our Pension Fund was created in the same manner as a mortgage is created when most people buy a new home. Few people have the money on hand to cover the purchase of a home and therefore take out a loan from the bank (unfunded liability). The owner then pays off this liability over time until the point when the house has no remaining liability. When city officials created this Fund almost one hundred years ago, they did not have the money to completely pay for the benefit. They created a system where the members and city pay off some of the liability each year. This is what is meant when you amortize a liability. The excess investment returns the Pension Fund earns on the money not currently needed to pay benefits helps to reduce the amount needed to pay off the liability. So unfunded liabilities have always been a part of the defined benefit pension structure.

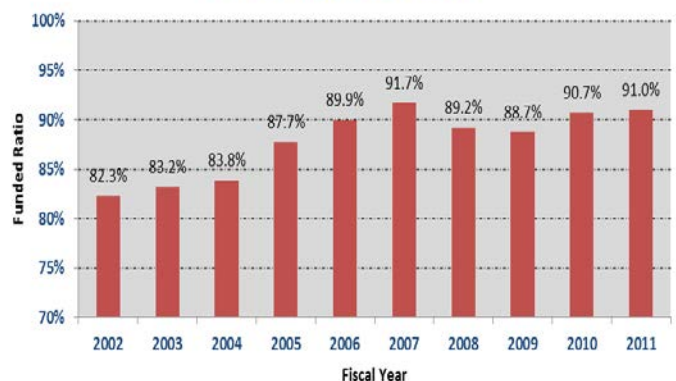
The method used to pay off these liabilities can vary between funds. Many of the funds that are experiencing funding troubles rely on their actuary to set the Annual Required Contribution (ARC). The actuary looks at the current period investment performance and fills the gap in funding with contributions from the sponsor (city) and members. The problem with this approach is that when investment returns are low, contribution requirements are high. Low investment returns usually indicated a contraction in the economy. For local governments, this means a lower tax base as sales taxes decrease and appreciation in home values fail to meet projections.

As local governments are struggling to balance their budgets with decreases in tax dollars, pension funds are telling them they must increase their contributions to fund the liabilities. You can easily see how this can become a problem very quickly for the city and pension fund.

The Trustees and local officials who created our plan had the foresight to avoid this situation by establishing a consistent mechanism for paying off our unfunded liabilities. A portion of our contributions pay for the "normal costs," which is the amount needed to fund each member's benefits. The remaining amount is used to amortize our unfunded liabilities. Our contributions are set as a percentage a payroll and do not fluctuate with the market. This allows the city to budget for this expense with a high degree of certainty and limits contribution increases to times when the salaries of active members increase. This funding mechanism is one of the primary reasons our Fund was considered the second best funded plan in the state of Texas and the best plan with over \$1 billion in assets. Our fund is currently over 90% funded, which means we have less than 10% left to pay off our mortgage. It does not sound that bad when you explain it this way to the politicians and public.

Currently the Trustees and staff are making our rounds to the local politicians to ensure they understand the dynamics of how the pension plan works. Jim Smith, as the Legislative Chairman, has included an article detailing our efforts. Our fear is not directed at our city government who has always supported the Pension Fund and has three members on our board. Our fear is the perfect storm that is brewing at the statewide and national levels. Individuals who have always opposed the benefits earned by our members see this as their opportunity to take them away. They do not play fair and they have a singular objective: to decrease your benefits. I predict this will be one of those events that reshape our organization and potentially send us into a new direction. The storm is on the horizon, and we are headed straight for it. It is going to take all hands on deck, working together to get through it with your benefits intact!

**Fire and Police Pension Fund, San Antonio Historical  
Funded Ratio (2002-2011)**





# PAYROLL DEDUCTIONS...

*Rick Matye, Payroll & Benefits Supervisor*



You did everything by the book to prepare for retirement:

- ✓ Attended a Pre-retirement seminar conducted by the Pension Fund
- ✓ Got benefit projections and picked your retirement date
- ✓ Decided what to do with your BackDROP
- ✓ Made an appointment and met with your accounting personnel
- ✓ Made an appointment and met with a Retiree Health Care Fund Benefit Specialist
- ✓ Made an appointment and met with a Pension Fund Benefits Specialist to complete your retirement application

You are just about finished with the retirement application and the Benefits Specialist says "I looked at your pay stubs for one month and noticed there are several deductions you can continue as a retiree. Which ones would you like to keep?" Your response ..... Dead silence, followed by "What is that deduction for?" The Pension Fund does not have copies of insurance policies, so we do not know who or what is covered by your deductions. At this point, the reaction from applicants varies. Some say "I guess I need to continue everything." Others respond "I've never used them, so stop all of them." Some, not wanting to commit, state "I'll get back to you." Needless to say, they do not always get back to us and coverage can lapse.

An important step in preparing for retirement that is often overlooked is analyzing the deductions you have as an active member. Active members nearing retirement should check deductions for a one month period. Employee Benefits in the City Human Resources Department or your accounting department should have contact information for your deductions. Know what you are paying for. You may have signed up for something straight out of the academy and cannot remember what it covers. In addition, find out what is available to you as a retiree. You may have life insurance on your whole family as an active member, but after retirement the insurance company offers coverage on the member only. You may have work related disability insurance as an active member that does not apply after retirement. It is important to let insurance companies know that you are retiring and what you have decided to do about your coverage. You may need to sign paperwork.

Not all deductions can be continued as a retiree. The ones that can be continued are Prudential Police Insurance, San Antonio Police Officer's Association Medical Claim Service, Firemen's Relief Fund Association, AFLAC, Leaders Life Insurance, Allstate, National Family Care Life Insurance, San Antonio Fire Fighter's Association Local 624, Police & Fire Insurance Association, and American Heritage Plans 1 & 2. As a retiree, you are paid monthly as opposed to biweekly, so your deductions will be once a month. Even if your coverage does not change, the monthly deduction amount is not always double the biweekly amount. If you are continuing any of these deductions, it is important to know the monthly deduction amount when completing your retirement application.

If an active member has deductions for Child Support, IRS Levies or Bankruptcy, arrangements will be made to continue those after retirement.

The Enrollment Form from the Retiree Health Care Fund required with your pension application will let us know what your health care deduction will be, if any.

There are several additional deductions that do not apply to active members. QCD of America offers Dental and Vision coverage. SAPOA also offers Dental and Vision. You may want to join the Pensioners' Association. You can have deductions taken for contributions to the Pensioners' Association Political Action Committee. The Benefits Specialists at the Pension Fund have contact information if you are interested in these deductions. All applications and forms are filed with the appropriate parties. The Pension Fund office does not process applications or provide forms for initiating these deductions.

At this time, the Pension Fund is taking deductions and making payments for Long-Term Care Insurance through Genworth Life Insurance, Ameriprise Financial, Transamerica Life Insurance Company, John Hancock Life Insurance Company, and State Farm Insurance. If you are interested in paying your Long-Term Care Insurance through payroll deduction, contact Rick Matye at the Pension office. No additional Long-Term Care Insurance carrier will be added unless at least 25 members participate.

If you wish to stop or change the amount of a deduction, a Benefits Specialist at the Pension office will provide you a Recurring Deduction Form that must be signed and dated. Of course, notify your provider if you are making changes to your coverage. Any changes in the amount or time period of deductions for Pensioners' Association Political Action Committee contributions must be made through the Pensioners' Association.

Last, but not least, federal income tax withholding. Other than annuity payments to widows and children of public safety officers killed in the line of duty, your monthly pension is subject to federal income tax. Income tax withholding on pension payments uses the same tax table as wages. You will complete IRS Form W-4P by entering marital status and number of allowances. You can have an additional amount taken if desired. You may also elect no withholding. January generally brings a Cost of Living Adjustment and changes in the income tax withholding tables. It is a good idea to review your withholding to see how this effects your situation. You can file a new IRS Form W-4P with the Pension office at any time to change your withholding.

In conclusion, check your deductions before you retire. Contact the appropriate parties to find out what is available after retirement. Know what you want to continue and the monthly deduction amount when you complete your retirement application. If you subsequently need to stop or change the amount of a deduction, contact a Benefits Specialist at the Pension Fund. Stay on top of your income tax withholding so there are no surprises when you file your federal income tax return. And lastly, enjoy your retirement.

## PRE-RETIREMENT SEMINAR



**Friday, May 11, 2012**

**City Council Chambers  
Municipal Plaza Building**

**8:00 a.m. ~ 3:00 p.m.**

### **Seminar Topics:**

***Review of Benefits  
Legal***

***Deferred Compensation  
Need for Financial Planning  
Tax Implications @ Retirement***

***Psychological  
Medical Insurance  
Health & Wellness***

**PLAN FOR YOUR FUTURE!**



## Protecting your Assets: The Role of the Pension Fund in Securities Litigation

*Erik T. Dahler, Staff Attorney*

Headlines across our country have repeatedly questioned when Wall Street executives will be held accountable for the fraud, negligence, and excessive compensation for their role in the recent collapse of our economy. While the SEC and other authorities pursue enforcement and criminal cases, your Pension Fund also pursues appropriate claims in civil lawsuits.

Your Pension Fund is participating in class-action lawsuits ("securities litigation") under the Private Litigation Securities Reform Act of 1995 ("PLSRA"). Participation in securities litigation can be attractive and cost-effective because the Pension Fund does not fund the cost of the suit and has no financial risk because the case is taken on a contingency basis. Obviously, it is necessary to have highly-skilled lawyers specializing in this area of law because securities litigation is not easy to bring or to conclude successfully and we are fortunate to have lawyers on our team, possessing this special expertise.

Participation in securities litigation may be passive as a member of the "class" who will benefit from any recovery or, it may, under certain circumstances, involve the Pension Fund taking a lead role. Some of the considerations in deciding on an active or passive role are whether the class might be adequately represented by another stockholder taking the lead, the need to address good governance issues, and the severity of the allegations at issue.

One example of the Pension Fund having shared a lead role is in the case of *In Re Tronox, Inc., Securities Litigation* filed in New York federal court. Briefly, we allege that Anadarko Petroleum Company was considering acquiring Kerr-McGee Corporation, but Kerr-McGee had significant liabilities related to environmental contamination at many of its locations. To make the acquisition more attractive, Kerr-McGee transferred these environmental liabilities onto a subsidiary called Tronox, Inc., and then spun-off Tronox, Inc. in an initial public offering, misstating to investors the extent of the liabilities in such assets.

The cost of remediating these liabilities was so high it effectively rendered Tronox insolvent, as it filed for bankruptcy three years later. We have alleged that management of Kerr-McGee had stock options that were triggered upon acquisition by Anadarko, which resulted in hundreds of millions of dollars in compensation to management. The acquisition by Anadarko would not have occurred without the transfer of assets to Tronox. However, because it and other investors were not aware of these circumstances, the Pension Fund invested in Tronox and lost value during this trading period. Mediation is scheduled to take place soon, and we are confident the case will be resolved favorably.

Another example of the Pension Fund having taken a lead role is in *San Antonio Fire & Police Pension Fund v. Amylin Pharmaceuticals, Inc.*, which was filed in Delaware. This case was different in that it did not involve overt fraud but instead involved an attempt by management of Amylin to deny shareholders the right to elect independent directors. The Pension Fund asserted that certain loan acceleration provisions agreed to by management coerced shareholders to re-elect the existing directors. Through the Pension Fund's efforts, the Court limited the applicability of these loan provisions and made clear that a board that approves such provisions in the future would likely violate their fiduciary duties. As for Amylin itself, new directors were successfully elected, improving the independent oversight of management that shareholders wanted. This case received national attention in the corporate financing and legal arenas and played a critical role in reducing the use of these shareholder-unfriendly provisions in debt agreements.

Rest assured that through monitoring, securities litigation where appropriate, and other efforts, your Pension Fund staff and Board of Trustees are constantly proactive and vigilant to help protect your Pension Fund assets from Wall Street fraud, mismanagement and negligence.

(Excerpt from San Antonio Business Journal, March 13, 2012)

### **San Antonio pension fund ranked among tops in Texas**

**James Aldridge**

**Web Editor - San Antonio Business Journal**

The Fire and Police Pension Fund of San Antonio, which provides retirement benefits for 6,000 firefighters, police officers and their families, has the shortest projected amortization period of any large public pension fund in Texas.

The Texas Pension Review Board, which oversees all public retirement systems in Texas, ranked 96 pension funds by the lengths of their projected amortization periods. This is the amount of time required to eliminate a pension plan's unfunded liability based on current contributions from employers and active members.

San Antonio's Fire and Police Pension Fund's projected amortization period of 9.09 years is the second lowest among public pension funds in the state and first among funds with \$1 billion or more in assets.

"That is like being nine years away from paying off a mortgage and owning your home free-and-clear," says Shawn Ury, chairman of the board of the Fire and Police Pension Fund. "At a time when pension funds across the country are under attack, the Fire and Police Pension Fund of San Antonio continues to be well-managed and fiscally sound by all industry standards."

The Texas Pension Review Board's Guidelines on Actuarial Soundness state the preferred amortization period for a public retirement system is between 15 and 25 years.

San Antonio firefighters and police officers do not contribute to or draw from Social Security upon retirement. Since 70 percent of the benefits provided by the fund come from investment returns, not employee or employer contributions, fund performance is important for retirement benefits.

The local Fire and Police Pension Fund guarantees retirement, death and disability benefits based on the member's earning history and length of service at the city.



**Jim Smith, Active Police Representative**  
Legislative Committee Chairman

I know what I'm about to tell you will not surprise you, that Defined Benefit (DB) retirement plans are under attack throughout the Country and also here in Texas. The rhetoric being spewed is that DB retirement plans are not sustainable. Nothing could be farther from the truth. As we all know, if something is said enough times, people will start to believe it as factual.

By now, most everyone in the Police Department has seen either me or Shawn Ury at your roll-calls. The main reason for speaking to you is to educate the membership so that everyone will be on the same sheet of music and have the ability to counter the anti-DB factions.

During the past State legislative cycle, we concluded that many of our state leaders did not really understand the difference between DB retirement plans and Defined Contribution (DC) savings plans. They did not realize the positive economic impact that DB plans have on our national, state, and local economies. Several legislative leaders jumped on the bandwagon and attempted to file anti-DB legislation. Until explained, many of these individuals did not even realize that they would also be receiving a DB retirement plan from one or more sources in the future.

Your Pension Board made the decision to educate our local, state, and federal leaders about the advantages of DB plans, and more specifically, on how well our individual Plan has performed. We let them know what great shape it is in, especially after surviving one of the worst economic downturns just a few short years ago. We made this decision to make sure our leaders receive the factual, objective information, not subjective rhetoric from our opponents. The meetings that have taken place so far have been very upbeat with positive information sharing.

They have conveyed their appreciation to us for taking the time and effort to speak to them concerning our issues and not waiting until the Legislative Session starts. Educating you, the membership, and our leaders, is not a one-time shot, but rather a continual process.

I would also like to stress the importance of all parties to unite as one, who have a vested interest in maintaining our DB plan. I would encourage everyone to join your respective PACs and contribute according to their wishes. I would also encourage you to dig even deeper and consider donating to the CLEAT PAC, and / or the Texans for Secure Retirement PAC. Just as important as your money, is your vote. I would implore you to take your PACs' political endorsements seriously. Make sure that not only you vote accordingly, but also your family and friends. Never has it been more important to support our current or future leaders who have championed our causes in the past.

In closing, I would say that as Police and Fire we are used to taking on these fights, and prevailing. However, we cannot take our opponents lightly, so everyone needs to step up both financially, and at the voting booth. This is not a one shot deal, and this fight will continue not only this legislative cycle, but also others to follow. There is a cliché that states, "The only place success comes before work is in the dictionary". With that said, we must all work together, and if we do, we will be successful in defeating our opponents.

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

## Pension News



I want to thank all the members of the San Antonio Fire Department for allowing me to have served as one of your representatives on the Fire and Police Pension Fund.

I strived to make all decisions in the best interest of the Fund and its members. Our Fund has weathered two recessions within a 10 year period and is still one of the best rated funds in Texas. We have had the benefit of trustees that would improve benefits when it was affordable and refused to do so when it wasn't. This Fund was not meant to be here for 20 or 30 years but into perpetuity. The members that have just entered the department should feel safe that the benefit promised to them during their enlistment will be there for them when they retire.

Ok, now that I have said all of that, here we are having to defend the type of pension plan we have because certain groups and individuals would like to eliminate Defined Benefit plans and replace them with Defined Contribution plans.

As of right now, we don't know what type of attempt to alter our system will come out. What we want to do is be prepared. We need to get in touch with legislators and educate them to the benefits of a Defined Benefit pension plan. In the upcoming election cycle, we will need to know who will support our DB system. Pension Fund Staff and Trustees have been visiting local and state government officials giving an overview on the benefits and stability of Defined Benefit plans.

This attempt to change pensions in Texas will most likely be around for years to come. Along with the active members, the Retiree Association has become more active in this effort. A PAC fund has been established and many retirees have opted to contribute monthly to this fight. I will continue to assist in any form I can through this organization.

As for retirement, it has been two months since I left active service, and as much as I liked coming to work, I like staying home even more. I hope that each and every one of you make it to this point in your career.

Good Luck and God Bless, Bart Moczygemba

# Congratulations! 2011 Retirees

## January 2011 – Police

Roland Casias – 27 years  
Salvador B. Gomez – 35 years  
Joseph M. Kokal – 32 years  
David L. Ellis – 26 years  
Joe J. Zavala, Jr. – 38 years  
Erasmio A. Martinez – 31 years

## January 2011 – Fire

Henry F. Keil, Jr. – 35 years  
Ralph A. Medina – 35 years  
Guy R. Smith – 33 years  
Paul M. Villarreal – 36 years  
Gary A. Wallis – 35 years  
Eugene S. Mireles – 38 years  
Thomas J. Moryl, Jr. – 25 years  
Robert D. Rakowitz – 31 years  
Ernest S. Estrada – 31 years

## February 2011 – Police

Robert D. Breen – 35 years  
Thomas R. Matjeka – 33 years  
Ernesto Celaya – 30 years

## February 2011 – Fire

Frederick H. High, Jr. – 28 years  
Michael L. Trial – 31 years  
Anthony L. Carrola – 31 years

## March 2011– Police

David A. Bejar – 31 years  
Charles J. Ricketts – 36 years  
Kenneth E. Thuleen – 25 years

## March 2011 – Fire

Manuel Ibarra – 35 years

## April 2011 – Police

Daniel V. Valdez – 35 years  
Mario M. Mata – 31 years  
Michael L. Burns – 32 years  
Farrell Tucker – 31 years

## May 2011 – Police

Patrick E. Porter – 33 years  
Deborah Wichlep – 31 years  
Salvador A. Gonzales – 37 years

## May 2011– Fire

David E. Coatney – 25 years  
Juan A. Longoria – 31 years

## June 2011 – Police

Gary R. Barge – 24 years  
David F. Goetz – 32 years

## June 2011 – Fire

Juan M. Gonzalez – 30 years  
Kelly V. Thomas – 23 years

## July 2011 – Police

Warren K. Titus, III – 22 years  
Christopher J. Chandler – 23 years

## July 2011 – Fire

Armando Acosta, Jr. – 34 years  
Billy G. Alexander – 37 years  
Jose Carlos Garcia – 36 years  
David C. Rojas – 30 years  
Richard F. Jacinto – 37 years

## August 2011 – Police

Ruben Ortega – 25 years

## August 2011 – Fire

Eleazar Flores, Jr. – 35 years  
Daniel Gonzalez, Jr. – 34 years  
Tommy J. Tymrak – 26 years  
Donald R. Wagoner – 31 years

## October 2011 – Police

Milton Troy Smith – 23 years  
Troy E. Marek – 21 years  
April F. Titus – 22 years  
Michael A. Jones – 26 years  
David W. Moore – 26 years

## October 2011 – Fire

Ricardo Castro – 34 years  
Gerard R. Goodwin – 31 years  
David A. Martinez – 32 years

## November 2011 – Police

Andrew Hernandez – 22 years  
Randall K. Tucker – 25 years  
Jose Casas – 36 years  
Manuel Garcia – 32 years  
William A. Lowry – 30 years

## November 2011 – Fire

Herbert M. Keilers – 31 years  
Delfino Munoz, Jr. – 31 years  
Theodore E. Bagley – 23 years

## December 2011 – Police

Edward J. Heras – 31 years

## December 2011 – Fire

Rodney C. Hitzfelder – 32 years



## IN MEMORIAM

As this is the first newsletter of the New Year, we would like to take this opportunity to honor the memory of those active and retired police officers and fire fighters who passed away in 2011. We will continue to be grateful for their past service and sacrifice.

### **Police**

Richard Asher  
Ronald J. Bonham  
Stephanie Brown  
B. Guy Buckelew  
John L. Corona  
Walter A. Dennis  
Gregory K. Fuqua  
Billy F. Hohensee  
Patrick R. Kilough  
James E. Marconi  
Shawn D. McGibbons  
Charlie McInvale  
Larry W. McGee  
Gonzalo O. Mendiola  
David Ochs  
Manuel Ortiz, Jr.  
William F. Overstreet  
Larry J. Parnell  
Norman R. Poppell  
Martha A. Rocha  
Warren L. Wheeler  
Michael P. Young

### **Date of Death**

May 2, 2011  
August 21, 2011  
March 15, 2011  
January 10, 2011  
May 20, 2011  
December 23, 2011  
August 17, 2011  
November 24, 2011  
December 4, 2011  
October 8, 2011  
September 7, 2011  
November 3, 2011  
October 4, 2011  
October 22, 2011  
March 28, 2011  
April 27, 2011  
September 2, 2011  
August 5, 2011  
June 30, 2011  
June 28, 2011  
July 26, 2011  
December 13, 2011

### **Fire**

Maurice Andrade, Sr.  
Asael L. Cano  
Miguel Gonzalez  
Charles Havel  
Ralph A. Perez  
Robert Renteria  
Charles A. Robinson, Jr.  
Julius C. Ruedinger  
Bill Selsor  
Oscar Villarreal  
Richard A. Wagner  
Jimmy L. Watson

### **Date of Death**

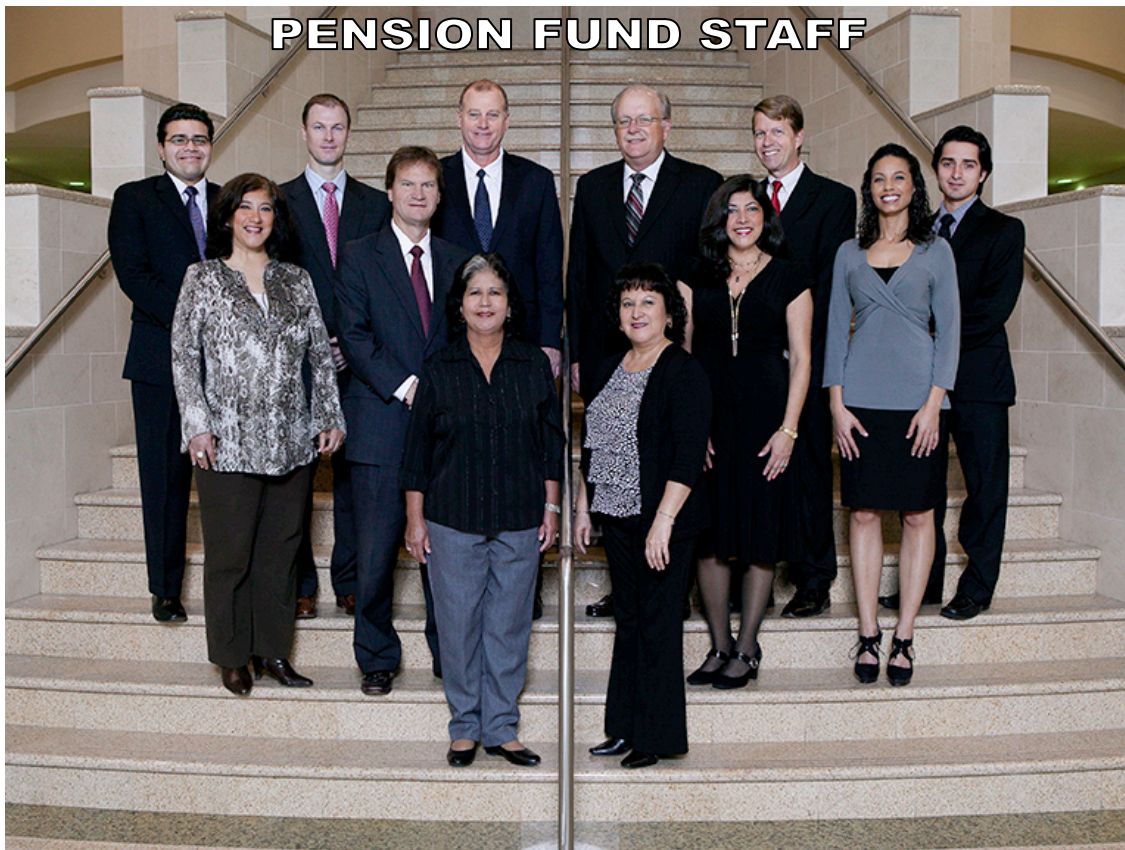
September 7, 2011  
May 15, 2011  
August 19, 2011  
October 8, 2011  
May 19, 2011  
February 23, 2011  
August 18, 2011  
January 15, 2011  
May 2, 2011  
January 17, 2011  
February 8, 2011  
October 29, 2011







*Congratulations!*  
Thanks For Serving On The Board



Back Row, Left to Right: Jesus Torres, Investment Analyst; Matthew O'Reilly, Chief Investment Officer; Rick Matye, Payroll & Benefits Supervisor; Mark Gremmer, Deputy Director; Erik Dahler, Staff Attorney; Rafael Ramirez, Investment Analyst; Second Row: Christine Tejeda, Receptionist; Warren Schott, Executive Director; Beatrice Ahrens, Administrative Assistant; Cinzia Davenport, Benefits Specialist; Front Row: Sonia Martinez, Benefits Specialist; Dora Barrientos, Benefits Specialist.



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