

**Minutes of the  
Regular Meeting of the  
Board of Trustees of the  
Fire and Police Pension Fund, San Antonio  
11603 W. Coker Loop, Suite 201  
San Antonio, Texas  
July 31, 2012**

**PRESENT:** Chairman Shawn Ury, Police Representative; Vice Chairman Justin Rodriguez, Mayoral Designee; Secretary J. T. Trevino, Fire Representative; Jim Smith, Police Representative; Harry Griffin, Police Retiree Representative; Dean Pearson, Fire Representative; and Larry A. Reed, Fire Retiree Representative.

**ABSENT:** Councilman Ray Lopez; Councilman Cris Medina.

**OTHERS**

**PRESENT:** Warren Schott, Executive Director; Mark Gremmer, Beatrice Ahrens, Matthew O'Reilly, Erik Dahler, Richard Matye, Sonia Martinez, Pension Fund Staff; Frank Burney, Martin & Drought, P.C.

At 9:03 a.m., Chairman Ury 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 9:05 a.m. pursuant to Texas Govt. Code §551.071, §551.072, and §551.074.

The Board reconvened at 9:50 a.m.

**MINUTES:** Mr. Griffin moved to approve the minutes of the regular meeting held June 26, 2012. The motion was seconded by Mr. Smith, and it carried unanimously.

**EDUCATIONAL OPPORTUNITIES**

Secretary Trevino moved to authorize Board members and appropriate staff to attend the following conferences:

1. Pension Review Board Annual Seminar  
October 1, 2012
2. Pension Bridge 2012 Private Equity Exclusive  
July 23-24, 2012
3. Opal Emerging Managers Summit West  
October 10-11, 2012
4. Pension Gold Teaming Conference  
October 16-18, 2012
5. NCPERS Public Safety Conference  
October 7-10, 2012
6. Century Management Client Conference  
September 15 & September 29, 2012

7. Albourne America Client Conference  
October 2-3, 2012
8. Pension Summit  
September 19-20 & September 25-27

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

**PENSION  
APPLICATIONS,  
ADJUSTMENTS  
AND REFUND OF  
CONTRIBUTIONS:**

Secretary Trevino made a motion to approve the following pensions:

Pension Applications

1. A 23 year, 10 month service pension for Police Sergeant Anthony E. Linson, effective July 21, 2012.
2. A 31 year, 11 month service pension for Firefighter Fidencio G. Valadez, Jr., effective July 1, 2012.
3. A 24 year, 2 month service pension for Firefighter Gregory Todd Bieller, effective July 14, 2012.
4. A 24 year, 5 month service pension for Detective Investigator Robert S. Handowski, effective August 2, 2012.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Deborah Jeanson, widow of Active Fire Lieutenant Richard B. Olmo, effective July 4, 2012.
2. A beneficiary pension for Nicole Olmo-Jeanson, dependent of Active Fire Lieutenant Richard B. Olmo, effective July 4, 2012, guardianship pending.
3. A beneficiary pension for Thomas Olmo, dependent of Active Fire Lieutenant Richard B. Olmo, effective July 4, 2012, guardianship pending.

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

Mrs. Olmo was in attendance and thanked the Board and Staff for helping her and her family during this very difficult time. The Board expressed its condolences to the Olmo family.

**EXECUTIVE  
DIRECTOR  
REPORT:**

**RESOLUTION ADOPTING PROVISIONS REQUIRED FOR PLAN  
QUALIFICATION (AMENDMENT OF SECTION 5.10 OF THE  
PENSION LAW)**

Mr. Schott presented and requested approval of a resolution adopting provisions required for plan qualification (amendment of section 5.10 of the pension law). After a thorough explanation by Mr. Schott regarding the

resolution, Mr. Reed made a motion to approve. The motion was seconded by Mr. Smith, and it carried unanimously.

### **WEBSITE UPDATE**

Mr. Gremmer provided the Board an update on the website. He reported that Techsimplified is still working on finalizing the member log-in feature and is also reviewing the fire and police contracts to use in building the calculator. Once these features are working as they should be, members will be notified so they can log in and register to the website.

### **REDUCTION OF ACTUARIAL ASSUMED RATE OF RETURN**

Mr. Schott reported that the assumed rate of return (investment return) is currently 7.75% and the inflation rate is 4%. He stated that it would be appropriate for the Board to consider adjusting both the assumed rate of return and the inflation rate.

To give the Board options to consider, he is having The Segal Company run projections for lowering the inflation rate and assumed rate of return to see the impact to the Fund. Once Segal has this additional information, he will have them attend a future Board meeting to discuss the impact of these alternatives.

### **POLICE CADET CLASS 2011-C – GRADUATION JULY 27, 2012**

Mr. Schott requested Board approve Police Cadet Class 2011-C into membership. Mr. Smith made a motion to approve. The motion was seconded by Secretary Trevino, and it carried unanimously.

### **BUDGET UPDATE 2013**

Mr. Schott stated that Mr. Gremmer is currently working on the 2013 budget. Mr. Pearson, Chairman of the Personnel Committee, will be scheduling a meeting in late August to review.

### **UPDATE ON INVESTMENT ANALYST POSITION**

Mr. Schott reported that the investment team had conducted interviews for the Investment Analyst position. He stated the investment team has narrowed the search down to two individuals and is hoping to have the position filled within the next couple of weeks.

### **POLICY ON CORPORATE CREDIT CARDS**

Mr. Schott discussed the current credit cards the Fund is using through Generations Federal Credit Union. He stated he would like to change to a financial institution that could offer better interest rates. Mr. Schott also inquired whether the Board was opposed to using corporate cards and/or would prefer using its own personal cards. After some discussion, Mr. Schott was directed to begin searching for another institution.

**FINANCIAL REPORT FOR PERIOD ENDING JUNE 30, 2012**

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending June 30, 2012 were \$2,122,898,411.

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

Mr. Pearson stated that the Personnel Committee did not meet this month. He stated staff is putting the finishing touches on the 2012-2013 Annual Budget. The Committee will receive a copy of the Proposed Budget in early August and will schedule a meeting in mid-August to begin reviewing it. Mr. Pearson requested if any Board Members have items they would like included in the budget, they should contact Mr. Schott.

**DISABILITY COMMITTEE**

Secretary Trevino stated that the Disability Committee met on July 23<sup>rd</sup> to review income tax returns of the disability pensioners for 2012.

The Committee reviewed 43 tax returns for any irregularities that may necessitate further investigation. Secretary Trevino stated there are four pensioners that have filed extensions and the Committee recommends approval of the extensions.

Mr. Griffin moved to approve the extensions. Mr. Pearson seconded the motion, and it carried unanimously.

Secretary Trevino reported for the first time in several years, staff had received all of the tax returns other than the four extensions. No further action was needed.

**LEGISLATIVE COMMITTEE**

Mr. Smith reported the Legislative Committee met last week with members of the TEXPERS Board to discuss TEXPERS' plan for the upcoming legislative session.

Mr. Smith reported that several months ago, Larry Reed had been invited to co-chair a TEXPERS' sub-committee that was charged with drafting ethics and transparency legislation. Mr. Reed was hesitant to accept the offer because of the Pension Fund's concerns with this strategy. Mr. Smith stated that Mr. Reed had begun the meeting by discussing the Pension Fund's concerns regarding the possibility of TEXPERS drafting statewide legislation on ethics and transparency. Although the Pension Fund supports ethics and transparency, he noted the challenges that will be faced by the committee in trying to draft legislation that will be acceptable to all of the pension funds in the state.

Frank Burney also gave his opinion on the political landscape in Austin and also his hesitancy to draft statewide pension legislation.

Ralph Marsh, who is the chair of this TEXPERS sub-committee, reviewed the legislative landscape in Houston and clarified that the purpose of this committee was not to actually draft legislation. The purpose was to draft points of agreement among all of the pension funds in the state as it relates to ethics and transparency. He and Eyna Canales-Zarate stressed that the purpose of the committee was not to draft legislation.

After a lengthy discussion with the Board Members of TEXPERS, the Legislative Committee had a better understanding of the sub-committee's purpose and gave its support.

At this time, Mr. Reed thanked Ralph Marsh, Max Patterson and other members of the TEXPERS Board for taking the time to come and meet with the Fund and other members who were present at the meeting.

### **INVESTMENT COMMITTEE**

Mr. Reed reported the Investment Committee held a meeting on July 25<sup>th</sup>. He stated Albourne provided the Investment Committee with a general overview on the Fund's current direct hedge fund portfolio and a breakdown of its risk profile. Afterwards, the due diligence process was explained in further detail followed by lengthy discussion in regards to final candidates.

Mr. Reed reported that the Investment Committee made a motion to accept Staff's recommendation to commit \$10 million each to the following hedge fund managers: Indus Pacific Opportunities Fund, Pine River Fund, Pacific Alliance Asia Opportunity Fund, Brevan Howard Multi-Strategy, and Da Vinci Re. At this time, Mr. Reed made a motion on behalf of the Committee to approve staff's recommendation on the hedge fund allocation. The motion was seconded by Mr. Smith, and it carried unanimously.

In conclusion, Albourne reported that the direct hedge fund portfolio has continued to perform well despite a difficult investment environment in the first quarter of the calendar year. The direct hedge fund portfolio outperformed the hedge fund of funds portfolio by approximately 70 basis points after fees as of June 30, 2012.

NEPC gave an update on its risk parity manager search. In total, nine products of institutional quality were analyzed extensively. The Investment Committee made a motion to select Bridgewater Associates, AQR Capital Management, Putnam Investments and Invesco, Inc. for finals presentations. The interviews will be conducted on August 22<sup>nd</sup>.

Discussions were held regarding NEPC's efforts to revamp the Fund's Investment Policy Statement. Staff will continue to work with NEPC and will report to the Investment Committee once a final draft is complete. The Investment Policy Statement will be placed back on the agenda in the next month or two for approval.

Staff gave an overview of the Fund's current real estate portfolio and shared insight collectively gained by Townsend as well as Staff's proprietary research across possible candidates in both the Opportunistic and Value-

Added space. The Investment Committee made a motion to recommend the following opportunistic real estate managers for finals presentations: (1) Rockpoint Fund IV and (2) Trigate Property Partners; and the following value-added real estate managers: (1) Admiral Capital Real Estate Fund, (2) DSF Capital Partners IV, (3) USAA Core Plus Fund, (4) Covenant Apartment Fund VII and (5) Invesco Real Estate Fund III. The interviews will be conducted on August 24<sup>th</sup>.

### **REAL ESTATE COMMITTEE**

Chairman Ury stated that the Real Estate Committee did not meet this month, but stated that the potential sale of 311 Roosevelt is still progressing. The buyer has filed for a zoning change for the property and the sale is contingent on the approval of this change. The Committee will keep the Board posted if any issues arise.

Chairman Ury also reported that architectural and construction plans have been changed slightly for the covered parking of the Fund's current building. The Fund will now be building the covered parking in two separate units instead of one long unit. The reason for this is because the City would not give the Fund a building permit due to the original structure being built across property lines. The property we purchased is actually comprised of three separate plots of land and the covered parking was set to be built across one of the lines. The City could not allow this and it would have cost approximately \$15,000 to have the land re-platted, so the structure had been adjusted and will be all on one piece of property. Structural drawings are scheduled to be completed within three weeks and the construction is set to begin on October 1<sup>st</sup>.

**DISBURSEMENTS:** Mr. Griffin moved, and Vice Chairman Rodriguez seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated July 31, 2012).

**MEMBERS TO  
BE HEARD:** None.

**ADJOURNMENT:** Being that there was no further business, Secretary Trevino moved to adjourn the meeting at 10:49 a.m. Mr. Smith seconded the motion, and it carried unanimously.