

**MINUTES
INVESTMENT COMMITTEE MEETING
FIRE AND POLICE PENSION FUND, SAN ANTONIO
THURSDAY, JULY 24, 2014
PENSION OFFICE – 9:00 A.M.**

Roll Call	Mr. Smith called the meeting to order at 9:00 A.M.
Committee Members Present	Jim Smith, Police Representative; Dean Pearson, Fire Representative;; J.T. Trevino, Fire Representative; Art Hall, Mayoral Designee
Committee Members Absent	Harry Griffin, Police/Retiree Representative; Larry Reed, Fire/Retiree Representative
Others Present	Warren Schott, Executive Director; Matthew O’Reilly, CIO; Mark Gremmer, Deputy Director; Will Albright, Investment Analyst; Erik Dahler, General Counsel

Mr. Smith called the meeting to order at 9:00 AM

Approval of Minutes from June 18, 2014

- Mr. Smith made the motion to approve the minutes of the June 18th Investment Committee Meeting. The motion carried unanimously.

Mackay Shields Update

- Therese Hernandez and Andrew Susser from Mackay Shields updated the Committee regarding the departure of Matt Philo, Mackay Shield’s former lead Portfolio Manager for the High Yield Fixed Income product, for personal reasons. Andrew Susser, Senior Managing Director, will take over as lead Portfolio Manager and assume the responsibilities. Mackay Shields also updated the committee on performance and portfolio characteristics, highlighting the conservative investment process.

Brandywine Policy Guideline Changes

- Discussions were held regarding changes to Brandywine’s investment management agreement. Brandywine’s new mandate calls for a (i) reduction in the maximum exposure limit to lower quality countries/currencies rated below BBB-, (ii) addition of a minimum rating requirement to prohibit investment in non-index countries/currencies rated below BB- and (iii) increase in the maximum exposure limit for non-index countries/currencies rated A.
- Mr. Hall made the motion to approve the Brandywine Policy Guideline changes. The motion carried unanimously.

Update on Emerging Manager of Manager

- Discussions were held regarding the Emerging Manager of Manager search. Staff discussed the investment processes and asset class capabilities of the emerging manager of managers.
- Mr. Trevino made the motion to continue due diligence on Attucks Asset Management, FIS Group, Northern Trust Investments and Progress Investment Management Company. The motion carried unanimously.

Small Cap Value Allocation

- Discussions were held regarding portfolio's small cap value allocation. Staff and Committee discussed looking at other managers and whether or not having multiple small cap value managers would create overlap, moving the portfolio closer to the index.
- Mr. Smith made the motion to approve a Small Cap Value search. The motion carried with a majority vote.

Rebalance

- Rebalancing the portfolio is conducted on an annual basis. The equity market has had a substantial run so the Committee discussed redeeming money from both U.S. large cap and international equity managers.
- Mr. Smith made the motion to redeem \$25 million from C.S. McKee, \$25 million from Northern Trust Investments and \$40 million from LSV Asset Management. The motion carried unanimously.

Unconstrained Fixed Income Search

- Discussions were held regarding the Unconstrained Fixed Income strategy. Staff discussed the merits of an unconstrained fixed income strategy including its flexibility to invest across multiple geographies and credit instruments without being constrained. Staff proposed using the redemptions from large cap and international equity managers to increase the allocation to fixed income.
- Mr. Hall made the motion to approve an Unconstrained Fixed Income search. The motion carried unanimously.

Real Estate Search Update

- Staff provided an update on the ongoing real estate search. Staff is continuing due diligence and will have finalists come in at next month's Investment Committee meeting.

- **ADJOURNMENT:** Mr. Smith made a motion to adjourn at 10:48 AM and carried unanimously.

Approved this ____ day of _____, 2014.

Jim Smith, Investment Committee Chairman