

**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
January 30, 2014**

PRESENT: Chairman Shawn Ury, Police Representative; Vice Chairman J. T. Trevino, Fire Representative; Mayoral Designee Art A. Hall; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative; Jim Smith, Police Representative; Dean Pearson, Fire Representative.

ABSENT: Councilman Ray Lopez and Councilman Rey Saldaña.

**OTHERS
PRESENT:**

Warren Schott, Executive Director; Mark Gremmer; Matthew O'Reilly; Erik Dahler; Beatrice Ahrens; Sonia Martinez, Richard Matye, Pension Fund Staff.

At 9:02 a.m., Chairman Ury called the meeting to order. Roll was called, and a quorum was declared present.

The Board then recessed to Executive Session at 9:03 a.m., pursuant to Texas Govt. Code §551.071 and §551.074.

Mr. Smith arrived at 9:04 a.m.

The Board reconvened at 9:30 a.m.

MINUTES: Mr. Pearson moved to approve the minutes of the regular meeting held December 18, 2013. The motion was seconded by Mr. Smith, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

Mr. Griffin moved to authorize Board members and appropriate staff to attend the following conferences:

1. GFOA Conference
May 18-21, 2014
2. ENTRUST Investment Summit
February 4-5, 2014
3. Institutional Investor Roundtable for Public Plans
April 23-25, 2014
4. Western Technology Annual Meeting
April 24-25, 2014
5. AEW Client Conference
April 2-3, 2014
6. Pension Bridge Annual Conference
April 22-23, 2014

7. Kayne Anderson Energy Fund Meeting
April 7-8, 2014

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

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

Mr. Reed made a motion to approve the following:

Pension Applications

1. A 24 year service pension for Detective Investigator Wallace W. McCampbell, effective January 3, 2014.
2. A 33 year, 9 month service pension for Deputy Chief Noel T. Horan, Jr., effective January 18, 2014.
3. A 23 year, 7 month service pension for Police Sergeant James R. Fiste, effective February 1, 2014.
4. A 30 year, 1 month service pension for Police Sergeant Steven S. Lovelady, effective February 1, 2014.
5. A 30 year, 5 month service pension for Detective Investigator Francisco Ovalle, effective February 1, 2014.
6. A 21 year, 4 month service pension for Detective Investigator John A. Patino, effective February 1, 2014.
7. A 30 year, 5 month service pension for Police Officer Carlos Salas, effective February 1, 2014.
8. A 24 year, 7 month service pension for Police Officer Darrell L. Volkmann, effective February 1, 2014.
9. A 29 year, 6 month service pension for Detective Investigator Timothy E. Bigham, effective February 2, 2014.
10. A 30 year, 4 month service pension for Police Officer Pete A. Galindo, effective February 2, 2014.

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

Beneficiary Pensions

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

1. A beneficiary pension for Mrs. Denise Deckard, widow of Active Police Officer Robert C. Deckard, effective December 21, 2013.
2. A beneficiary pension for Davin W. Deckard, dependent of Active Police Officer Robert C. Deckard, effective December 21, 2013, guardianship pending.

3. A beneficiary pension for Cheyenne R. Deckard, dependent of Active Police Officer Robert C. Deckard, effective December 21, 2013, guardianship pending.
4. A beneficiary pension for Mr. Sidney R. Marsh, widower of Retired Police Sergeant Joye E. Wells Marsh, effective December 24, 2013.
5. A beneficiary pension for Mrs. Carol Ann Chriswell, widow of Retired Police Officer Dow O. Chriswell, effective December 27, 2013.
6. A beneficiary pension for Mrs. Sandra Mitchell, widow of Retired Police Officer James A. Mitchell, effective December 30, 2013.
7. A beneficiary pension for James Mitchell, Jr., dependent of Retired Police Officer James A. Mitchell, effective December 30, 2013, guardianship pending.
8. A beneficiary pension for Mrs. Sylvia Mitchell, widow of Retired Fire Engineer Virgil L. Mitchell, effective January 4, 2014.
9. A beneficiary pension for Mrs. Leticia Barasa, widow of Active Detective Investigator Anthony M. Barasa, effective January 8, 2014.
10. A beneficiary pension for Isabella R. Barasa, dependent of Active Detective Investigator Anthony M. Barasa, effective January 8, 2014, guardianship pending.

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

**EXECUTIVE
DIRECTOR
REPORT:**

HEALTHCARE & RETIREMENT BENEFITS TASK FORCE UPDATE

Mr. Schott provided the Board with an update on the January 27, 2014 City of San Antonio's Healthcare & Retirement Benefits Task Force meeting. He stated the Committee is scheduled to report its findings to City Council in February.

FINANCIAL DISCLOSURE FORMS

Mr. Schott provided the Board with a copy of the Financial Disclosure Forms for reporting period 2013. He stated the forms are due March 31st.

TEXPERS DELEGATE LIST

Mr. Schott provided the Board with a copy of the TEXPERS Delegate List and requested Board provide staff with the names of those to be placed on both the delegate and alternate list. He stated the deadline to submit the list is February 21, 2014.

Mr. Reed made a motion that Official Delegates be Larry Reed, Dean Pearson, J.T. Trevino, Harry Griffin, Shawn Ury, Jim Smith, and Alternate Delegates be Warren Schott, Matthew O'Reilly, Mark Gremmer, Jerry Clancy, Michael Trainer, and James Bound. After some discussion, the motion was seconded by Chairman Ury, and it carried unanimously.

Chairman Ury suggested allowing delegates to meet if there are any changes, issues or items on the agenda that need to be discussed and requested support for both Larry Reed and Jim Smith for a position on the TEXPERS Board. Mr. Griffin made a motion to approve. The motion was seconded by Mayoral Designee Hall, and it carried unanimously.

MARCH BOARD MEETING DATE CHANGE

Mr. Schott informed the Board there was a conflict between the TEXPERS Conference and the Pension Fund's March Board meeting. After some discussion, Mr. Smith moved to change the March Board meeting to Thursday, March 27th at 9:00 a.m. The motion was seconded by Mr. Pearson, and it carried unanimously.

BENEFITS SPECIALIST POSITION

Mr. Schott stated that over 100 applications have been received for the Benefits Specialist position currently open at the Fund.

At this time, the Board acknowledged Dora Barrientos for 18 years of service as Benefits Specialist to the Pension Fund and wished her well in her retirement. Dora thanked the Board and Staff, stating she would miss everyone and enjoyed working for the Pension Fund.

COLA REPORT

Mr. Schott provided the Board with a copy of the Consumer Price Index Summary. Mr. Schott reported that the CPI for calendar year 2013 was 1.5%, therefore members retiring prior to October 1, 1999 will receive 1.5%, and members retiring after September 30, 1999 will receive 1.1%.

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

BENEFIT STATEMENTS

Mr. Schott reported that annual benefit statements were mailed to all active members in mid-January.

POLICE CADET CLASS 2013-B, GRADUATION DECEMBER 20, 2013

Mr. Schott requested Board approve Police Cadet Class 2013-B into the membership. Mr. Smith made a motion to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

2013 POLICE PLAQUE PRESENTATIONS – FEBRUARY BOARD MEETING

Mr. Schott reported that the 39 Police Officers that retired January through December, 2013, have been invited to attend a plaque presentation to be held during the February Board Meeting. He stated that Police Chief William McManus has also been invited to attend the presentation.

FINANCIAL REPORTS FOR PERIODS ENDING NOVEMBER 30, 2013 AND DECEMBER 31, 2013

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending November 30, 2013 were \$2,543,578,309.48.

Financials for periods ending December 31, 2013 were unavailable.

**COMMITTEE
REPORTS**

PERSONNEL/AUDIT COMMITTEE

Mr. Reed reported the Personnel/Audit Committee held a meeting January 29th to receive the Annual Audit and the Actuarial Valuation Report.

At this time, Mr. Gary Hoyack and Jody Hillenbrand, BDO USA, presented the Audit Report for the year ended September 30, 2013 to the full Board. Mr. Reed made a motion on behalf of the Committee to accept the Audit Report as presented. Mr. Griffin seconded the motion, and it carried unanimously.

Mr. Rocky Joyner, The Segal Company, presented the Board with the Annual Valuation Report dated October 1, 2013. Mr. Reed made a motion on behalf of the Committee to accept the Actuarial Report as presented. Mr. Pearson seconded the motion, and it carried unanimously.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Mr. Pearson stated the Legislative Committee met last Wednesday to discuss numerous legislative issues.

The first item on the agenda was an update by the Executive Director regarding the progress of the Healthcare & Retirement Benefits Task Force. He noted there are two more meetings scheduled before the final report is presented to the City Council in mid-February. He stated the Task Force has been shown several times that the contributions to the Pension Fund and the Pre-funded Healthcare Fund are not increasing relative to the General Fund, and therefore should not be the focus of the Committee. The vast majority of the members have acknowledged this fact, but the City Manager continues to press for changes to the Pension Fund. The next meeting is scheduled for February 3rd at 2:00 p.m.

Next, the Committee reviewed the proposed contract with KGB Texas. KGB is the public relations firm the Pension Fund has used in the past. After reviewing the contract, the Committee motioned to recommend the Board approve the public relations contract with KGB Texas. The contract calls for a monthly retainer of \$5,000.

At this time, Jonathan Gurwitz, KGB, discussed its services and contract with the Board. After some discussion, Mr. Griffin made a motion to accept the contract as presented. The motion was seconded by Jim Smith and carried unanimously.

Next, Staff discussed the issue of guardianships with the Committee. Staff noted that guardianships are required for children under the age of 18 years and also for wholly dependent children receiving a pension annuity. In the past, the Pension Fund had not required documentation from the guardian that the guardianship is still active. Because this allows for the possibility that guardianships are being allowed to lapse, Staff will begin requiring documentation annually from the guardian, that the guardianship is still active. There was no action needed on this issue; however, Staff informed the Committee it would be sending annual letters to the guardians requesting proof of guardianship.

Lastly, the Committee discussed the 2015 Legislative Session and whether the Pension Fund would be filing legislation this year to make benefit or technical changes to the Pension Law. The Committee decided that even though a decision has not been made whether legislation would be filed, it would be a good idea to proceed with the process until a decision is made. As such, the Committee will be scheduling a meeting in mid-February to begin the legislative process. The first order of business will be to approve the Legislative Timeline and to place articles in the Centurion and Grapevine requesting input from the membership.

Erik Dahler, General Counsel, stated the Employee Handbook discussed during the Board Retreat was finalized and requested approval.

Mr. Reed made a motion to approve the Handbook as presented. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

INVESTMENT COMMITTEE

Mr. Smith reported that the Investment Committee held a meeting on January 22, 2014.

He stated Staff gave a brief update on the Kayne Anderson Credit Opportunities Fund. During the November 20th Investment Committee meeting, the Board approved an allocation of \$15 million to Kayne Anderson. The Investment Committee requested an update before the final close if any changes were to occur. Staff reported that no changes have occurred and the final closing would happen 1st Quarter of 2014.

NEPC provided market research and return expectation forecasts for various asset classes. Staff provided an annual strategic study for the overall investment portfolio with an emphasis on net cash flows from private equity, private debt, real estate and real asset commitments. A pacing schedule under different macroeconomic scenarios was presented to provide an analysis and spur discussions for potential projects over the rest of the year.

Discussions were held regarding rebalancing the Small Cap Equity allocation, which is currently over the strategic range by 13 basis points. In addition, discussions were held to reduce the allocation of Energy Opportunities Capital Management by \$10 million now and an additional \$10 million in six months. The proceeds of the rebalance would increase the allocation of the Domestic Bonds portfolio, which is currently 3.42% below the policy target.

Ultimately, the Committee decided to redeem \$20 million from Rothschild Asset Management Small Cap Value, \$20 million from Putnam Investments Small Cap Growth, and \$10 million from Energy Opportunities Capital Management. The \$50 million proceeds would be allocated to the following: \$20 million towards Golden Tree Asset Management High Yield, \$20 million to MacKay Shields High Yield, and \$10 million to Pinebridge Investments Bank Loans.

At this time, Mr. Smith made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

Mr. Smith reported that discussions were held regarding adding an additional manager in the Private Equity space. The Committee decided to approve a Private Equity Manager Search.

Mr. Smith made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

Discussions were also held regarding adding an additional manager in the Private Debt space. The Committee decided to approve a Private Debt Manager Search.

Mr. Smith made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

DISBURSEMENTS: Mr. Pearson moved, and Vice Chairman Trevino seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated January 30, 2014).

**MEMBERS TO
BE HEARD:**

Mr. Bart Moczygamba congratulated Dora Barrientos on her retirement.

ADJOURNMENT: Being that there was no further business, Mr. Griffin moved to adjourn the meeting at 11:08 a.m. Mr. Pearson seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON FEBRUARY 26, 2014.**

Capt. Shawn Ury, Chairman

ATTEST:

J. T. Trevino, Vice Chairman