

**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
February 17, 2017**

PRESENT: Chairman J. T. Trevino, Fire Representative; Vice Chairman Jim Smith, Police Representative; Mayoral Designee Art A. Hall; Councilman Joe Krier; Dean Pearson, Fire Representative; Jimmy Foster, Police Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative.

ABSENT: Councilman/Secretary Ray Lopez.

OTHERS

PRESENT: Warren Schott, Executive Director; Mark Gremmer, Erik Dahler, Beatrice Ahrens, Rick Matye, Pension Fund Staff.

At 9:00 a.m., Chairman Trevino called the meeting to order. Roll was called, and a quorum was declared present.

At this time, the Board presented plaques to the following 2016 police retirees: David S. Herrera; Robert Hinojosa, Jr.; Steven Lares; Dennis May; Willie Mendez; George M. Ward; Jerry Whitson; Rodney Denton; Dan Flaharty; David Howard; Robert Krantz; Larry Price; Kenny Randall; Raymond Roberts, Jr.; Robert Martinez; Steven Peterson; Marc Randle; Daniel Scott; Warren Gilstrap; Jose Banales; Enrique Martinez; and Peters Laksbergs.

The Board congratulated each of the police retirees and thanked them for their dedicated service.

The Board then recessed to Executive Session at 9:35 a.m., pursuant to Texas Govt. Code §551.074, and reconvened at 10:35 a.m.

Councilman Krier left the meeting at 10:20 a.m.

MINUTES: Mayoral Designee Hall moved to approve the minutes of the regular meeting held January 25, 2017. The motion was seconded by Mr. Pearson, and it carried unanimously.

EDUCATIONAL

OPPORTUNITIES: Mayoral Designee Hall moved to authorize Board members and appropriate staff to attend the following conferences:

1. Pension Bridge Annual Conference
April 18-19, 2017
2. Opal Real Estate Investment Summit
April 26-27, 2017

3. Institutional Investor Public Funds Roundtable
April 26-28, 2017

The motion was seconded by Mr. Foster, and it carried unanimously.

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

CONTRIBUTIONS: Mr. Griffin made a motion to approve the following pension applications:

Pension Applications

1. A 22 year, 9 month service pension for Police Officer Gary J. N. Donovan, effective January 28, 2017.
2. A 28 year, 11 month service pension for Police Officer John Michael Garcia, effective January 28, 2017.
3. A 30 year, 4 month service pension for Police Officer Gary G. Albrecht, effective February 1, 2017.
4. A 30 year, 1 month service pension for Police Sergeant Kenneth D. Cook, effective February 1, 2017.
5. A 30 year, 1 month service pension for Police Officer Alejandro Cornejo, effective February 1, 2017.
6. A 30 year, 4 month service pension for Fire District Chief Chris J. Varelas, effective February 1, 2017.
7. A 26 year, 4 month service pension for Detective Investigator James Michael Phelan, effective February 11, 2017.

Beneficiary Pension

1. A lump sum death benefit to the Estate of Active Detective Investigator Benjamin Marconi, effective November 21, 2016.

Refund of Contribution

1. A 1 month refund of contribution for Police Officer Rebekah Jean Currie, effective January 5, 2017.

The motion was seconded by Vice Chairman Smith, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:**

FINANCIAL DISCLOSURE FORMS REMINDER–DEADLINE 3/31/17

Mr. Schott reminded the Board to complete their financial disclosure forms by March 31st.

2016 FIRE PLAQUE PRESENTATIONS – MARCH BOARD MEETING

Mr. Schott informed the Board that the 2016 Fire Retiree plaque presentation would be held during the March 29th Board meeting. There are 45 retirees who will be invited to the presentation.

ANNUAL MANAGER WORKSHOP – APRIL 19, 2017

Mr. Schott informed the Board that the Annual Manager workshop for Hedge Fund managers will be held on April 19th at the pension fund office. He stated there are currently 15 managers planning on attending.

ADVISOR NEWSLETTER

Mr. Schott reported that Staff is currently working on its next Advisor Newsletter and if there are any articles that the Board would like to include, to please turn them in as soon as possible.

TRUSTEE ELECTION UPDATE

Mr. Schott reported that election schedules for Active Fire Representative, Active Police Representative, and Retired Fire Representative were scheduled to be mailed on March 1st. The expiring terms are those of Dean Pearson, Jimmy Foster, and Larry Reed. He stated candidate filing will be held March 20-24th.

FINANCIAL REPORTS FOR PERIODS ENDING DECEMBER 31, 2016 AND JANUARY 31, 2017

The Statement of Net Plan Assets for period ending December 31, 2016 and January 31, 2017 were unavailable. Mr. Schott noted that the December 31st financial statements were being left open to allow our investment managers time to provide their audited 2016 financial reports.

**COMMITTEE
REPORTS:****PERSONNEL COMMITTEE**

Mr. Griffin reported the Personnel/Audit Committee met on January 26th and February 15th to discuss its media relations contract, the Employee Handbook and Employee Salaries.

He reported the main item on the January agenda was a review of the Employee Handbook. The Board approved several changes to the employee benefits over the past several months. These changes were similar to the changes the City Council made for the civilian employees of the City. Staff incorporated those changes into the Employee Handbook and the Committee reviewed the changes. The Board was provided a copy of the Revised Employee Handbook. Mr. Griffin reported the Committee has reviewed the changes and recommends the Board approve the Revised Employee Handbook. He noted that the Committee is not proposing any new benefits, the motion is strictly to approve the Revised Employee Handbook that incorporated the changes that the Board has already approved.

Vice Chairman Smith then made a motion to approve the Revised Employee Handbook as presented. The motion was seconded by Mr. Pearson, and it carried unanimously.

Mr. Griffin reported that the Committee also discussed the social media contract with G3 Public Relations. Their contract was signed at the beginning of 2016 and does not have an expiration date. However, the contract was written such that either party can terminate the contract with 30 days' notice. The Committee discussed the continuing need for media relations services and decided to continue with the contract. Due to the 30-day termination clause, if the Committee determines at a later date that the service is no longer needed, it will bring its recommendation to the Board.

Mr. Griffin reported at the meeting held on Wednesday, the Committee reviewed employee salaries. After a lengthy discussion, the Committee unanimously approved a motion to recommend the Board approve a budget amendment to increase the salary budget. Mr. Griffin then made a motion to approve increasing the salary budget. The motion was seconded by Mayoral Designee Hall, and it carried unanimously.

Mr. Griffin reported that the Committee was also informed that the Fund's General Counsel, Erik Dahler, has tendered his resignation effective September 2017. Mr. Dahler stressed that his decision should in no way reflect poorly on the Board or Staff; it simply was motivated by the long personal commute each day. The Committee has directed the Executive Director to begin searching for a replacement.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Vice Chairman Smith reported the Legislative Committee did not have a meeting this month. He stated several members will be going to Austin on Tuesday, February 28th because it is "San Antonio Day" at the Capitol. He stated they plan on meeting with most of the delegation to provide them updates on the Fund and let them know its concerns with some of the bills that have been filed.

INVESTMENT COMMITTEE

Mr. Reed stated the Investment Committee held a meeting on Thursday, January 26th, 2017.

Mr. Reed reported the only item on the agenda was the annual Strategic Study. Staff led the discussion on 2017's outlook for the Pension Fund, focusing on potential allocations. Also present were two of the Fund's consultants, a representative from NEPC, who discussed market expectations and potential moves within the fixed income space, as well as a representative from Albourne, who discussed both the current health of the Fund's hedge

fund portfolio along with a potential allocation to provide more global macro exposure.

Mr. Reed reported the Investment Committee also held a meeting on Wednesday, February 15th, 2017.

The first item on the agenda was a performance update from NEPC. A representative from NEPC presented materials on the total Fund's performance for 2016. The preliminary return for 2016 was 9.1%, which places the Pension Fund in the 9th percentile for 2016 returns.

Next item on the agenda was a discussion regarding the rebalancing of the Fund's fixed income allocation, particularly within high yield and bank loans. The Investment Committee recommends redeeming \$30 million from MacKay Shields and \$20 million from GoldenTree High Yield and allocating the aggregated \$50 million to the Pension Fund's existing allocation to PineBridge. Mr. Reed then made a motion to approve. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

Next item on the agenda was a discussion on the Pension Fund's ongoing search in the small cap growth space. Staff presented materials regarding 7 managers within the space. The Investment Committee approved a motion to continue due diligence in the form of on-site visits with Rice Hall James, Summit Creek, and William Blair. However, after a lengthy discussion, the Board decided to conduct on-site visits with Artisan Partners, Summit Creek, and William Blair.

Next on the agenda was a discussion about initiating a hedge fund search. The discussions touched upon information provided by Albourne at the prior investment committee meeting regarding increasing the Pension Fund's exposure to global macro. The Investment Committee recommends starting a search for a global macro hedge fund. Mr. Reed then made a motion to approve. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

Next on the agenda was a discussion regarding the ability of staff to have discretion to co-invest alongside its managers. The Pension Fund currently does not have a co-investment program in-place. Discussions were held regarding the pros and cons of co-investments. Staff will present the Investment Committee with a policy at an upcoming meeting.

Next on the agenda was NCPERS' Code of Conduct. Staff brought to the Investment Committee a proposal by NCPERS, which would be sent out to current managers. The Code of Conduct includes guidelines on acting in the Fund's best interest, as well as a request to disclose any funding made by managers to institutions that may be seen as opposed to defined benefit plans. The Committee took no action on this item.

Next on the agenda was a discussion regarding emerging manager investment guidelines. One of the Pension Fund's emerging managers, Cooke & Bieler, has had a level of holdings that exceed its current investment guidelines. After contacting the manager, staff was informed that the current investment guidelines would need to be adjusted to fit the manager's long-term plans. As

such, the Investment Committee recommends increasing Cooke & Bieler's maximum industry position from 10% to 15%.

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

Last on the agenda was the Invesco Asia Real Estate Fund III. Representatives from Invesco presented one of its current funds that they are fundraising, targeting the Asian market, primarily Australia, Japan, South Korea, China, and Singapore. No action was taken by the Committee.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

Mr. Pearson reported the Property Holding Corporation met on Wednesday to get an update on the leasing activity on the Fund's three buildings. Sullivan Commercial noted that the Pension Fund Building is 100% leased. The Shavano III building has a couple of new leases that are being finalized for over 10,000 square feet. Once finalized, this building will be over 90% leased. The Shavano IV building is currently over 90% leased and has a couple of prospects that could take the occupancy to over 95% leased. Considering the high occupancy levels of the three buildings, the Fund should expect to have cash returns in the high single digits this year.

Sullivan Commercial also gave an update on the directory at the front of the building. The Committee had previously discussed the possibility of replacing the current directory with an all-weather directory that could be placed on the outside of the building. However, after discussing the costs, the Board decided to just replace the current directory with a new directory that will be placed on the inside of the building but can be viewed from the outside. The new directory is now in place and can be viewed at the entrance of the building.

Lastly, Staff provided an update on the terms of the loan on the Shavano III & IV buildings. Staff noted that the loan has a balance of \$17 million and an interest rate of 1.38%. Although the interest rate has increased over the past two years, staff still recommends maintaining the loan due to the low interest rate. The Board agreed and instructed staff to continue to provide quarterly updates.

DISBURSEMENTS: Mayoral Designee Hall made and Mr. Pearson seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated February 17, 2017).

**MEMBERS TO
BE HEARD:** None.

ADJOURNMENT: Mr. Reed made a motion to adjourn the meeting at 11:34 a.m. The motion was seconded by Mr. Foster, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON MARCH 29, 2017.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman