

**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
March 29, 2017**

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

ABSENT: Vice Chairman Jim Smith, Police Representative.

**OTHERS
PRESENT:** Warren Schott, Executive Director; Mark Gremmer, Erik Dahler, Beatrice Ahrens, Rick Matye, Pension Fund Staff; Frank Burney, Martin & Drought.

At 9:01 a.m., Chairman Trevino called the meeting to order. Roll was called, and a quorum was declared present.

The Board then recessed to Executive Session at 9:02 a.m., pursuant to Texas Govt. Code §551.074, and reconvened at 9:31 a.m.

The Board presented plaques to the following 2016 fire retirees: Willie Barbola; Oscar Estrada; John Campa; Jeryl Foster; Steven Holquin; Robert Martinez, Jr.; Joe Rea, Jr.; William Summers, Jr.; George Casanova; Ruben Sanchez; Paul Villarreal; Anthony San Miguel; and Roy Willborn, Jr.

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

PRESENTATION REGARDING CANCER IN THE FIRE DEPARTMENT

Captain Shawn Griffin, Captain Jennifer Chadwick and Chrystal Woodcock, gave an educational presentation about members of fire departments incurring and dying from work-related cancers. They described types of cancer and the causes.

Councilman Krier left the meeting at 10:41 a.m.

MINUTES: Mayoral Designee Hall moved to approve the minutes of the regular meeting held February 17, 2017. The motion was seconded by Mr. Pearson, and it carried unanimously.

**EDUCATIONAL
OPPORTUNITIES:** Mr. Reed moved to authorize Board members and appropriate staff to attend the following conferences:

1. Siguler Guff Annual Meeting
May 3-4, 2017

2. NEPC Client Conference
May 9-10, 2017
3. L&B Client Conference
May 10, 2017
4. Paladin Annual Meeting
May 10-11, 2017
5. Skybridge SALT Conference
May 16-19, 2017
6. Covenant Annual Meeting
May 17-18, 2017
7. GFOA Annual Conference
May 22-24, 2017
8. NCPERS Annual Conference
May 22-24, 2017
9. IFEBP New Trustees Institute – Level I
June 26-28, 2017
10. IFEBP Employee Benefits Conference
October 22-25, 2017

The motion was seconded by Mayoral Designee Hall, and it carried unanimously.

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

Mr. Griffin made a motion to approve the following pension applications, with the exception of Item 1 under Beneficiary Pensions (Juan Antonio Morales, II) which will be discussed under the Disability Committee report:

Pension Applications

1. A 30 year, 9 month service pension for Police Sergeant Jesse C. Garcia, IV, effective February 10, 2017.
2. A 22 year, 6 month service pension for Police Officer Michael G. Kelley, effective March 1, 2017.
3. A 30 year, 2 month service pension for Firefighter Raymond Puente, effective March 1, 2017.
4. A 36 year, 8 month service pension for Firefighter Darrell C. Ritchey, effective March 1, 2017.
5. A 31 year, 5 month service pension for Police Officer Thomas Valdez, III, effective March 1, 2017.
6. A 27 year, 2 month service pension for Detective Investigator Darron Lyndon Phillips, effective March 2, 2017.

7. A 29 year, 5 month service pension for Fire Lieutenant Eric M. Ernst, effective April 1, 2017.
8. A 27 year, 3 month service pension for Police Sergeant Daniel Charles Simpson, effective April 1, 2017.
9. A 26 year, 5 month service pension for Police Officer Richard Malcom Smith, Jr., effective April 1, 2017.

Beneficiary Pensions

1. A beneficiary pension for Juan Antonio Morales, II, dependent of Active Police Officer Juan Antonio Morales, effective December 30, 2014.
2. A beneficiary pension for Mrs. Nancy A. Vidaurri, widow of Retired Detective Investigator Elias Mendoza Vidaurri, effective February 18, 2017.
3. A beneficiary pension for Mrs. Sylvia K. Maud, widow of Retired Police Sergeant Clarence W. Maud, Jr., effective February 20, 2017.
4. A beneficiary pension for Mrs. Pauline Villarreal, widow of Retired Firefighter Rudy P. Villarreal, effective February 21, 2017.
5. A beneficiary pension for Mrs. Ann Bjugstad, widow of Active Police Officer Mark S. Bjugstad, effective March 3, 2017.
6. A beneficiary pension for Mrs. Carmen Garza, widow of Retired Police Officer Julian Garza, Jr., effective March 18, 2017.

Refund of Contribution

1. A 5 year refund of contribution for Firefighter Matthew J. McFarland, effective February 27, 2017.

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

EXECUTIVE DIRECTOR REPORT:

POLICE CADET CLASS 2016-C – GRADUATION 2/24/17

Mr. Schott requested Board's approval to accept Police Cadet Class 2016-C into the membership. Mr. Foster made a motion to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

FIRE CADET CLASS 2016-C – GRADUATION 3/3/17

Mr. Schott requested Board's approval to accept Fire Cadet Class 2016-C into the membership. Mr. Pearson made a motion to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

GENERAL COUNSEL SEARCH UPDATE

Mr. Schott stated that he has received about 50 applications and there are 12 applicants that look very promising. He plans to conduct an analysis of those applicants within the next couple of weeks and will keep the Board updated.

FINANCIAL DISCLOSURE FORMS REMINDER–DEADLINE 3/31/17

Mr. Schott reminded the Board that financial disclosure forms are due by March 31st.

ANNUAL MANAGER WORKSHOP REMINDER – 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. There are 15 managers who will be invited to attend the workshop.

ADVISOR NEWSLETTER

Mr. Schott stated that the March Advisor Newsletter had been mailed out and was also available on the Fund's website.

TRUSTEE ELECTION UPDATE

Mr. Schott reported that Larry Reed, Retired Fire Representative and Jimmy Foster, Active Police Representative, were unopposed in the current election. There are three candidates who will be running for the Active Fire Representative position. They are: Dean Pearson; Jerry Cortés; and Frank Gutierrez. Ballots for this position are scheduled to be mailed out on Friday, April 7th.

FINANCIAL REPORT FOR PERIOD ENDING DECEMBER 31, 2016

Financial were unavailable.

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

Mr. Griffin reported the Personnel/Audit Committee did not have a meeting this month. However, the Executive Director has informed the Committee of his intent to begin negotiations on his contract. His current contract expires on September 30, 2017. The Committee will schedule a meeting in the next couple of months to begin discussions regarding his contract.

DISABILITY COMMITTEE

1. A beneficiary pension for Juan Antonio Morales, II, dependent of Active Police Officer Juan Antonio Morales, effective December 30, 2014.

Mr. Pearson reported that the Disability Committee met on March 22nd to discuss a Beneficiary Pension Application for Juan Antonio Morales II. Mr. Morales is the 20 years old son of police officer Juan Antonio Morales who

was killed in the Line of Duty in 2001. He is filing for a beneficiary pension under Section 1.02(7)(B) as a Dependent Child due to mental or physical disabilities. The Committee reviewed his application and medical reports and recommends the Board send Juan Antonio Morales II to an independent physician for further evaluation. Mr. Pearson stated upon receipt and review of the independent medical reports, the Committee will bring a recommendation to the Board.

Mr. Pearson then made a motion on behalf of the Committee to approve sending Juan Antonio Morales II to an independent physician for further evaluation. The motion was seconded by Mr. Griffin, and it carried unanimously.

LEGISLATIVE COMMITTEE

Mr. Foster reported that the Legislative Committee met on March 22nd to review numerous legislative bills that have been filed that may impact the pension fund. The Board was then provided a listing of bills the Committee reviewed. Erik Dahler then reviewed each of the bills and informed the Board of the Committee's recommendation for each one.

Mr. Reed then made a motion to support the Committee's recommendation for each of the bills. The motion was seconded by Mr. Pearson, and it carried unanimously.

INVESTMENT COMMITTEE

Mr. Reed stated the Investment Committee held a meeting on Wednesday, March 22nd, 2017.

The first item on the agenda was the finalists' presentations for the Small Cap Equity Growth Search. Representatives from Summit Creek Advisors and William Blair showcased its capabilities in the domestic small cap growth space. After a lengthy discussion regarding the capabilities of both firms, and comparing them to the current small cap growth manager, Putnam, the Investment Committee voted unanimously to recommend allocating \$45 million to William Blair.

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

Mr. Reed stated that with consideration of the action just taken by the Board, he would like to make another motion to terminate its current small cap growth equity manager, Putnam, and transition its assets to William Blair. He stated this issue was not on the Investment Committee agenda for action, so his motion is not based on a recommendation from the Investment Committee. He noted that with the hiring of William Blair, it is warranted to terminate Putnam at this time and transition its assets to William Blair. Mr. Foster then seconded the motion to terminate Putman, and it carried unanimously.

Next item on the agenda was a performance update from Attucks Asset Management. Representatives from Attucks gave a presentation on the current Emerging Manager program. Discussions were held regarding both performance of current managers, as well as current and target allocations within the Emerging Manager portfolio. Based on the current asset allocation of the program, the Investment Committee recommends beginning an Emerging Manager Active Domestic Large Cap Equity search.

Mr. Reed then made a motion on behalf of the Committee to approve. The motion was seconded by Mayoral Designee Hall, and it carried unanimously.

Next item on the agenda was a discussion on the Pension Fund's current global macro hedge fund search. Staff presented materials regarding 7 managers within the space. The Investment Committee approved continuing due diligence by conducting on-site visits with Autonomy Capital, Commonwealth Opportunity Capital, and Pharo Management. Staff will begin scheduling the site visits and will inform the Board when the dates are confirmed.

Next item on the agenda was a discussion regarding Luxor Capital Partners. The manager offers two share classes: Option 1 shares with more liquidity but slightly higher management fees, and Option 2 with lower management fees but a rolling 2-year lock-up. Luxor is changing its fee schedule so there will be no impact on the Pension Fund's current fee rate of 1.5%. The Investment Committee recommends converting its Option 2 shares into Option 1 shares.

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

Next item on the agenda was a discussion regarding a potential re-up with Apollo Investment Fund IX, L.P. Apollo Global Management is raising its ninth buyout fund. The Pension Fund is invested in Apollo Investment Funds IV, VI, VII, and VIII. The Investment Committee recommends allocating \$20 million to Apollo Investment Fund IX.

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

Next item on the agenda was a discussion regarding Alternative Investment data service providers. Staff noted the previous provider had been allowing the Fund to use its service at no cost on a trial basis. With the expiration of the trial period, the investment staff conducted a search for a replacement. They presented the Committee with a list of three data providers. Staff recommended, and the Committee concurred, contracting with Cobalt LP by Hamilton Lane. This motion includes amending the budget for the pro-rated \$20,000 expense.

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

Last item on the agenda was a discussion regarding a private debt search. The Investment Committee recommends starting a search for a private debt manager.

Mr. Reed then made a motion on behalf of the Committee to approve. The motion was seconded by Mayoral Designee Hall, and it carried unanimously.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

Mr. Pearson reported the Property Holding Corporation did not meet this month, but has scheduled a meeting immediately after the Board Meeting. The purpose of the meeting is to hear a report from the Fund's real estate brokers about two office buildings that are up for sale near the Fund's current two buildings. If the Corporation has an interest in the buildings, we will work with the Pension Fund's Investment Committee to determine how the buildings can be worked into the real estate allocation. We will keep you posted.

LEGAL REPORT: DISCUSSION AND POSSIBLE ACTION

1. Securities Litigation: Dole Food Company, Inc., *et.al.*, Civ. No. 15-1140-SLR, in the United States District Court for the District of Delaware

Mr. Reed made a motion to approve the settlement of the Dole Food Company, Inc. securities lawsuit. The motion was seconded by Mayoral Designee Art Hall, and it carried unanimously.

DISBURSEMENTS: Mr. Reed made and Mayoral Designee Hall seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated March 29, 2017).

**MEMBERS TO
BE HEARD:**

None.

ADJOURNMENT: Mr. Foster made a motion to adjourn the meeting at 11:48 a.m. The motion was seconded by Mr. Pearson, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON APRIL 26, 2017.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman