

**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  
May 28, 2014**

**PRESENT:** Chairman Shawn Ury, Police Representative; Vice Chairman J. T. Trevino, Fire Representative; Councilman/Secretary Ray Lopez; Harry Griffin, Police Retiree Representative; Larry Reed, Fire Retiree Representative; Jim Smith, Police Representative; Dean Pearson, Fire Representative; and Councilman Rey Saldana.

**ABSENT:** Mayoral Designee Art A. Hall.

**OTHERS**

**PRESENT:** Warren Schott, Executive Director; Mark Gremmer; Erik Dahler; Cinzia Davenport; Richard Matye, Pension Fund Staff.

At 9:04 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 9:05 a.m., pursuant to Texas Govt. Code §551.071, §551.078 and §551.0785.

The Board reconvened at 9:44 a.m.

**MINUTES:** Mr. Reed moved to approve the minutes of the special meeting held April 16, 2014 and regular meeting held April 24, 2014. The motion was seconded by Mr. Pearson, and it carried unanimously.

**EDUCATIONAL**

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

1. Greenhill Capital Partners Annual Meeting  
June 3, 2014
2. LOFT Investors Forum  
June 27, 2014
3. Opal Public Funds Summit East  
July 22-24, 2014
4. Pension Bridge Private Equity Exclusive  
July 21-22, 2014

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

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

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

1. A 32 year, 8 month service pension for Fire Captain James W. Miles, effective May 1, 2014.
2. A 34 year, 2 month service pension for Police Officer Gerald E. Tyler, effective May 1, 2014.
3. A 31 year, 5 month service pension for Police Officer Ernest Elizondo, Jr., effective May 2, 2014.
4. A 33 year, 11 month service pension for District Chief Robert J. Elizondo, effective June 1, 2014.
5. A 34 year, 1 month service pension for Assistant Chief Earl Crayton, II, effective June 1, 2014.
6. A 33 year, 11 month service pension for Fire Engineer Diana M. Chapa, effective June 1, 2014.
7. A 32 year, 9 month service pension for Fire Engineer Richard A. Lines, effective June 1, 2014.
8. A 32 year, 9 month service pension for Fire Captain Eusebio Perez, Jr., effective June 1, 2014.
9. A 39 year, 6 month service pension for Battalion Chief Ranulfo R. Rodriguez, effective June 1, 2014.
10. A 34 year, 8 month service pension for Police Sergeant Darrell Volz, effective June 2, 2014.

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

The Board acknowledged Eusebio Perez, Jr. and Ernest Elizondo, Jr. who were both in attendance and thanked them for their service.

Disability Pension

1. A first hearing for a disability pension for Police Officer Trinidad Bullock.

At this time, the Disability Committee presented its report. Mr. Reed reported that the Disability Committee met several weeks ago to discuss a Disability Pension Application for Police Officer Trinidad Bullock. He stated Ms. Bullock has complied with all of the provisions necessary to file an application. The Chief's Office has signed a letter stating that there is no billet for Ms. Bullock. As such, after reviewing the medical reports for Officer Bullock, the Committee recommends the Board send Officer Bullock to two independent physicians for further evaluation.

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

Mr. Reed stated the Committee will be scheduling a meeting in June to review the Disability Pensioner's Income Tax Returns.

#### Beneficiary Pensions

Mr. Smith made a motion to approve the following beneficiary pension applications and refund of contribution:

1. A beneficiary pension for Mrs. Gabina Arocha, widow of Retired Police Detective Eusebio G. Arocha, effective March 31, 2014.
2. A beneficiary pension for Mrs. Dolores A. Zuniga, widow of Retired Fire Engineer Edward R. Zuniga, effective April 8, 2014.
3. A beneficiary pension for Connor Lee Turk, dependent of Active Firefighter Casey N. Turk, effective April 9, 2014, guardianship pending.
4. A beneficiary pension for Mrs. Deborah A. Carrola, widow of Retired Fire Engineer Anthony L. Carrola, effective April 26, 2014.

#### Refund of Contribution

1. A 1 year, 11 month refund of contribution for Police Officer Ernesto Juarez, effective May 4, 2014.

Councilman Saldana seconded the motion, and it carried unanimously.

### **EXECUTIVE DIRECTOR REPORT:**

#### **PRE-RETIREMENT SEMINAR REPORT**

Mr. Schott reported there were 41 participants who attended the May 2<sup>nd</sup> seminar. He stated going forward, future seminars will be held at the Pension Fund office instead of City Council Chambers. Mr. Schott stated he and Shawn Ury filled in as Masters of Ceremonies. Mr. Ury suggested the possibility of Trustees rotating as Master of Ceremonies for future seminars.

#### **UPDATE OF SHAVANO CENTER PROPERTY ACQUISITION**

Mr. Schott provided an update on the Shavano Center Property. He stated the seller has agreed to the counter-offer and the due diligence process has started. He noted the due diligence deadline is June 12<sup>th</sup>. Mr. Schott reported everything to date is going well, however, one of the buildings which was built in 2007 has a crack in the slab so further due diligence is being conducted at the cost of the seller. Mr. Schott stated there is a possibility the due diligence deadline may need to be extended and will inform the Board should that occur.

**FINANCIAL REPORT FOR PERIOD ENDING APRIL 30, 2014**

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending April 30, 2014 were \$2,636,437,215.82.

At this time, Chairman Ury presented a resolution to Councilman Cris Medina. The resolution has been previously read during the April 24<sup>th</sup> Board meeting. Councilman Medina thanked the Board for its valuable perspective and experience.

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

Mr. Griffin stated that the Personnel Committee did not meet this month. The Committee had planned to meet to review a proposed Staff Ethics Policy and a Document Retention & Destruction Policy; however, the Committee was unable to find an acceptable date to meet, so it will be targeting June for its next meeting. In addition, based on a recommendation from the Board, the Committee will also be reviewing the Petty Cash Policy. The Committee will bring a recommendation on these policies to the next Board Meeting.

**DISABILITY COMMITTEE**

(Committee report presented under Pension Applications)

**LEGISLATIVE COMMITTEE**

Mr. Pearson stated the Legislative Committee has a meeting scheduled for May 29<sup>th</sup> at 2:00 p.m. The purpose of the meeting is to review all of the legislative suggestions that were provided by the membership and the City of San Antonio. He stated the Fund's actuary will be in attendance to discuss and give his opinions on the costs of the items. He stated the ultimate goal is to formulate a Legislative Package that is supported by the Pension Fund, the three Associations and the City of San Antonio.

At this time, Mr. Smith briefed the Board on the City Council's Special Session he attended to discuss the budget.

**INVESTMENT COMMITTEE**

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

NEPC gave an update regarding the performance of the Fund in the 1<sup>st</sup> quarter of 2014. During this time period, the Fund generated a 2.1% return, which ranked in the top 20<sup>th</sup> percentile amongst its peers. The Total Equity Composite generated a 1.5% return, compared to 1.1% for the benchmark. The Total Fixed Income Composite returned 2.4%, underperforming the benchmark by 30 basis points.

Staff provided an update regarding the performance of the hedge fund portfolio in the 1<sup>st</sup> quarter of 2014. During the 1<sup>st</sup> quarter of 2014, the Direct

Portfolio produced a 0.68% return, compared to 0.50% return of the HFRI Fund of Funds Composite. On a three-year basis, the Direct Portfolio generated a 5.62% return, beating the HFRI Fund of Funds Composite by 327 basis points.

Staff provided an update regarding the performance of the real estate portfolio for the 4<sup>th</sup> quarter of 2013. During the fourth quarter of 2013, the real estate portfolio generated a return of 5.6%, compared to 2.9% of the Odyssey benchmark. On a three-year basis, the real estate portfolio produced a 14.7% return, beating the Odyssey benchmark by 220 basis points.

Mr. Smith reported discussions were also held regarding initiation of the Fund's 5-yr Asset/Liability Study. Since the contract the Fund negotiated with NEPC includes them conducting the study, there is no charge for the service. As such, the Investment Committee approved a motion to recommend the Board utilize NEPC for the Asset/Liability Study.

At this time, Mr. Smith made a motion to approve. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

Mr. Smith reported the next item on the agenda was a discussion regarding the short-term leave of absence of Matt Philo at MacKay Shields. Matt is the portfolio manager on its High Yield Strategy that the Fund is invested in. Staff and NEPC do not recommend any action at this time, but will monitor the situation and update the Investment Committee if new information is revealed.

Next, discussions were held regarding launching a Real Estate Manager Search in the non-core space. Staff recommended the Pension Fund continue to invest \$30 million each year in real estate in order to maintain its vintage year exposure. The Investment Committee concurred and approved a motion to recommend the Board begin a Real Estate Manager Search.

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

Discussions were held regarding Invesco's fundraising of its new real estate fund, Invesco U.S. Value-Add Fund IV. The Pension Fund is currently invested in Invesco Fund I & II. The Committee decided to invite representatives from Invesco to the June 18<sup>th</sup> Investment Committee meeting to present its information.

The Committee also discussed the Emerging Manager of Managers Program. Discussions were held regarding the current Emerging Manager of Managers program and future possibilities within the program. There was a lengthy discussion on the performance of the current program since its inception in 2006. The Investment Committee requested Staff provide more information in a future Investment Committee meeting.

Next, the Committee had discussions regarding Cooke & Bieler's Small Cap Value Equity Strategy Fund. After some discussion on their product, the Investment Committee approved a motion to recommend the Board conduct an on-site visit with Cooke & Bieler to collect more information.

At this time, Mr. Smith made a motion to approve. The motion was seconded by Councilman Saldana, and it carried unanimously.

The final agenda item was a presentation by Staff on the effects of utilizing debt in the purchase of real estate. Staff provided an illustrative example of the effects of leverage on real estate investment returns given the current interest rate environment. The Investment Committee is currently in negotiations to purchase two buildings in the San Antonio area, and the use of leverage is being considered. The Investment Committee concurred with Staff's recommendation to use debt, and as such, approved a motion to recommend the Board fund the pending direct real estate investment with a line of credit of up to \$18.4M from The Northern Trust Company. This motion is contingent on the actual closing of the property and is specific to these two properties only. The use of leverage on future deals will be considered based on the interest rate environment at the time.

At this time, Mr. Smith made a motion to approve. The motion was seconded by Vice Chairman Trevino. After some discussion, the motion carried unanimously.

#### **AD HOC GOVERNMENTAL & PUBLIC RELATIONS COMMITTEE**

Vice Chairman Trevino reported the Public Relations Committee held a meeting on May 12<sup>th</sup> to begin working with its new PR Firm, G3 Public Relations. Joe Jimenez brought some ideas for the Fund's new blog and website design and also gave some ideas regarding outreach programs to further inform the membership about the many benefits of the Pension Fund. Vice Chairman Trevino stated that G3 will continue to work with the Committee and Staff to improve the Fund's public relations capabilities.

**DISBURSEMENTS:** Mr. Griffin moved, and Vice Chairman Trevino seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated May 28, 2014).

**MEMBERS TO  
BE HEARD:**

None.

**ADJOURNMENT:** Being that there was no further business, Vice Chairman Trevino moved to adjourn the meeting at 10.33 a.m. Mr. Pearson seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR  
MEETING HELD ON JUNE 25, 2014.**

---

**Shawn Ury, Chairman**

**ATTEST:**

---

**J. T. Trevino, Vice Chairman**