

**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
July 30, 2014**

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

ABSENT: Councilman/Secretary Ray Lopez; Jim Smith, Police Representative and Councilman Rey Saldana.

OTHERS

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

At 9:03 a.m., Chairman Ury called the meeting to order. Roll was called, and a quorum was declared present.

Mr. Schott stated the Fund had received a letter dated July 23, 2014 from newly appointed Mayor Ivy Taylor, appointing Art A. Hall to the Pension Fund Board. The oath was duly administered to Mr. Hall by a staff Notary Public.

The Board then recessed to Executive Session at 9:06 a.m., pursuant to Texas Govt. Code §551.071, §551.078 and §551.0785.

The Board reconvened at 9:41 a.m.

MINUTES: Mr. Reed moved to approve the minutes of the regular meeting held June 25, 2014. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

EDUCATIONAL

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

1. Texans for Secure Retirement (TSR) 1st Annual Educational Conference
October 20, 2014
2. TLFFRA Pension Conference
September 7-9, 2014
3. Opal Investment Trends Summit
September 8-10, 2014
4. Legacy Partners Investor Conference
September 8-9, 2014
5. Northern Trust Strategic Summit
September 22-23, 2014

6. Pension Gold Teaming Conference
October 21-23, 2014

Vice Chairman Trevino seconded the motion.

Mr. Reed offered an amendment to the motion to remove the TSR Annual Educational Conference until the August Board meeting.

After some discussion, Mayoral Designee Hall withdrew his original motion and seconded Mr. Reed's amended motion. The motion carried unanimously.

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

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

Pension Application

1. A 21 year, 3 month service pension for Police Officer Travis A. Phillips, effective July 12, 2014.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Linda L. Pittman Thompson, widow of Retired Fire Engineer Ernest L. Thompson, effective June 4, 2014.
2. A beneficiary pension for Mrs. Mary T. Klein, widow of Retired Detective Investigator Alton L. Klein, effective July 8, 2014.

Refund of Contribution

1. A 3 month refund of contribution for Police Officer Joshua M. Tucker, effective August 8, 2009.

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

The Board acknowledged Mrs. Mary Klein who was present at the meeting and offered their condolences for her loss.

**EXECUTIVE
DIRECTOR
REPORT:**

MAYORAL DESIGNEE

Mr. Schott stated newly appointed Mayor Ivy Taylor appointed Mayoral Designee Art Hall to the Board. Mr. Hall was sworn in prior to entering into Executive Session.

TSR MEMBERSHIP

Mr. Schott informed the Board that the TSR organization was becoming a Member Only organization and that he felt it was important for the Pension Fund to join. He stated he was still waiting to hear back from TSR regarding the costs for membership, and stated he would keep the Board posted.

UPDATE ON SHAVANO CENTER PROPERTY ACQUISITION

Mr. Schott reported that the purchase of the Shavano Center properties is set for August 1st closing. He stated everything looks to be in place and does not anticipate any problems.

RESOLUTION AUTHORIZING PLEDGE OF SECURITIES ACCOUNT(S) AND OTHER ACTIONS

Mr. Schott presented the Board with a Resolution Authorizing Pledge of Securities Account(s) and Other Actions, and requested Board approval. He noted that the pledging of accounts allowed for a reduction in the interest rate on the loan for the purchase of Shavano III & IV.

Mr. Pearson made a motion to approve. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

BUDGET UPDATE

Mr. Schott stated Staff is currently working on the Budget and should have a copy for the Board to review in early August. Staff will coordinate with the Chairman of the Personnel/Audit Committee to schedule a meeting.

APPROVAL OF FIRE CADET CLASS 2014-A, GRADUATION 7-18-14

Mr. Schott requested approving Fire Cadet Class 2014-A into the membership. Mr. Pearson made a motion to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

MID-YEAR STATEMENTS

Mr. Schott stated statements had been mailed to all vested members with 20 years or more of service.

ADVISOR NEWSLETTER

Mr. Schott reported Staff is working on the Advisor Newsletter and should have it finalized to go out in mid-August. He asked that Board forward any articles it may want to include.

FINANCIAL REPORT FOR PERIOD ENDING JUNE 30, 2014

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending June 30, 2014 were \$2,698,449,781.63.

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

Mr. Griffin stated that the Personnel Committee held a meeting on July 1st to review a proposed Petty Cash Policy, Staff Ethics Policy and a Document Retention & Destruction Policy.

At this time, Mr. Griffin made a motion on behalf of the Committee to approve the Records Retention and Destruction Policy, the Checking Account and Petty Cash Policy, and the Employee Ethics and Standards of Conduct Policy. The motion was seconded by Mr. Reed, and it carried unanimously.

Mr. Griffin stated Staff has begun working on the Budget for next year. The Committee plans on receiving a copy of the Proposed Budget in early August and then scheduling a meeting in late August to review.

DISABILITY COMMITTEE

Mr. Reed stated that the Disability Committee met on July 1st to review the income tax returns of the disability pensioners for 2014.

The Committee reviewed 40 tax returns for irregularities that may necessitate further investigation. The only issue the Committee discussed was the amount of income that one of the disability pensioners was earning from other employment. Section 5.07 of the Pension Law allows the Board to reduce a disability pension due to income earned from other employment. A motion was made to reduce the pension based on their outside income, but the motion failed 2-1. However, due to the amount of discussion on this issue, the Chairman of the Board requested this item be placed on the Board Agenda for further discussion and possible action. Mr. Reed stated that he would finish his report and then the Board can discuss this issue.

Mr. Reed reported there were four pensioners that have filed extensions. At this time, Mr. Reed made a motion on behalf of the Committee to approve the four extensions. The motion was seconded by Mr. Griffin and it carried unanimously.

Mr. Reed stated that the Pension Fund received either the tax return or the extension from every one of our disability pensioners. As such, the Pension Fund does not need to stop any of the direct deposits.

Regarding the previously mentioned issue involving Section 5.07, Mr. Griffin stated his reasons for wanting to reduce a particular disability pensioner's pension due to outside income. Mr. Griffin then made a motion to reduce the disability pensioner's pension to the minimum allowable by law. Mr. Ury seconded the motion.

Mr. Dahler stated that Staff's recommendation would be for Board to establish some thresholds for handling these situations.

After much discussion by Board and Staff, Mr. Pearson offered an amendment to the motion to table this item until the Committee has had an opportunity to review and establish a policy to bring to the full Board. The motion was seconded by Mr. Reed. The following votes were then taken on this motion:

Chairman Ury – yes
Vice Chairman Trevino – yes
Mr. Griffin – no
Mr. Hall – yes

Mr. Pearson – yes

Mr. Reed – yes

The motion to table this item carried 5 to 1.

LEGISLATIVE COMMITTEE

Mr. Pearson stated the Legislative Committee did not have a meeting this month but has scheduled a meeting for August 18th at noon. At that meeting, the Fund's actuary will be in attendance to present his report on the cost of the various legislative items for consideration. The plan is for the Committee to finalize a Legislative Package to present to the City and Associations. In addition, the Fund's actuary will also be giving a presentation on GASB 67 & 68 and the impact they will have on the Pension Fund's and the City's financials.

Mr. Hall left the meeting at 10:15 a.m.

Mr. Pearson reported the Pension Fund provided testimony at the State House Pensions Committee on July 9th. JT provided the testimony on behalf of the Pension Fund. Vice Chairman Trevino stated there was great discussion and positive response.

Mr. Pearson stated there was also a TSR Meeting on July 16th that was attended by Jim Smith, Larry Reed and Warren Schott. At this time, Mr. Reed provided the Board with an update on that meeting.

INVESTMENT COMMITTEE

Mr. Griffin reported that the Investment Committee held a meeting on July 24, 2014.

Mr. Griffin reported 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. The Committee took no action, but directed staff to closely monitor the situation to ensure a smooth transition.

Mr. Griffin reported there were discussions 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 the maximum exposure limit for non-index countries/currencies rated A. The Committee agreed and recommends the Board approve the changes to Brandywine's investment management agreement.

Mr. Griffin made a motion to approve the changes to Brandywine's investment management agreement. The motion was seconded by Mr. Pearson, and it carried unanimously.

Discussions were held regarding the Emerging Manager of Managers search. Staff discussed the investment processes and asset class capabilities of the emerging manager of managers. Ultimately, the Committee decided to continue due diligence and conduct site visits on Attucks Asset Management, FIS Group, Northern Trust Investments and Progress Investment Management Company.

The Committee held discussions regarding the 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 move the portfolio closer to the index. The committee approved a motion to recommend the Board begin a Small Cap Value Search. The Board took no action on this recommendation.

The Committee discussed the annual rebalancing of the portfolio. The equity market has had a substantial run so the Committee discussed redeeming money from both U.S. large cap and international equity managers. The Committee ultimately decided to recommend to the Board to redeem \$25 million from C.S. McKee, \$25 million from Northern Trust Investments and \$40 million from LSV Asset Management.

Mr. Griffin made a motion to approve redeeming \$25 million from C.S. McKee, \$25 million from Northern Trust Investments and \$40 million from LSV Asset Management. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

Discussions were held regarding the Fixed Income allocation. 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 fund the new fixed income manager. The committee recommends the Board begin an Unconstrained Fixed Income search.

Mr. Griffin made a motion to approve an Unconstrained Fixed Income search. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

Mr. Griffin stated Staff provided an update on the ongoing real estate search. Staff is continuing due diligence and will have finalists attend the next Investment Committee meeting.

AD HOC GOVERNMENTAL & PUBLIC RELATIONS COMMITTEE

Vice Chairman Trevino reported the Public Relations Committee did not have a meeting this month, but will be scheduling a meeting in August to meet with Joe Gimenez to give final approval on the new website design. Mr. Gimenez helped tremendously with the PowerPoint presentation and the

testimony for the State House Pensions Committee. Mr. Gimenez is also working on getting a copy of the video so we can place it on our website.

Vice Chairman Trevino stated he will let everyone know the date of the next Committee Meeting when we get it scheduled.

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

**MEMBERS TO
BE HEARD:**

Michael Trainer, San Antonio Pensioners' Association thanked J.T. Trevino for his testimony at the State House Pensions Committee on July 9th and stated he had copies of the testimony for anyone who wanted one.

Bart Moczygemba also thanked J. T. Trevino for the testimony he provided at the State House Pensions Committee.

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 AUGUST 27, 2014.**

Shawn Ury, Chairman

ATTEST:

J. T. Trevino, Vice Chairman