

**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
September 24, 2014**

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

ABSENT: Councilman/Secretary Ray Lopez; Mayoral Designee Art A. Hall.

OTHERS

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

At 9:00 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 9:01 a.m., pursuant to Texas Govt. Code §551.071, §551.078 and §551.0785.

Councilman Saldana entered the meeting at 9:13 a.m.

The Board reconvened at 9:38 a.m.

MINUTES: Mr. Smith moved to approve the minutes of the regular meeting held August 27, 2014. The motion was seconded by Mr. Pearson, and it carried unanimously.

EDUCATIONAL

OPPORTUNITIES: Vice Chairman Trevino moved to authorize Board members and appropriate staff to attend the following conferences:

1. Albourne Client Conference
November 3-5, 2014
2. AEW Partners Advisory Board Meeting
November 5-6, 2014
3. Goldentree Annual Meeting
November 6, 2014
4. Koried Institutional Investor's Roundtable
November 16-18, 2014
5. Pinebridge Investment Conference
November 10-12, 2014

The motion and seconded by Mr. Reed, and it carried unanimously.

**PENSION
APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

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

Pension Applications

1. A 20 year, 4 month service pension for Fire Engineer John C. Duennenberg, effective September 1, 2014.
2. A 20 year service pension for Police Officer David L. Williams, effective September 20, 2014.
3. A 30 year, 6 month service pension for Police Sergeant Sylvia M. Cameron, effective September 27, 2014.
4. A 28 year, 8 month service pension for Fire Lieutenant Matthew A. Alanis, effective October 1, 2014.
5. A 28 year, 7 month service pension for Police Officer Gary R. Mound, effective October 2, 2014.

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

Disability Pension

1. A second hearing for a disability pension for Police Officer Trinidad Bullock, effective September 24, 2014.

Chairman Ury asked if there was objection to hearing the Disability Committee report at this time. There was no objection.

DISABILITY COMMITTEE

Mr. Reed reported that the Disability Committee held a meeting on August 27th to discuss the Disability Pension Application for Officer Trinidad R. Bullock. He stated the Committee recessed into Executive Session for review of the medical records and related information, including the independent medical evaluations for Officer Bullock. Upon reconvening into Regular Session and after hearing comments from Officer Bullock, the Committee made a motion to recommend to the full Board denial of the Regular Disability Pension application of Police Officer Trinidad Bullock. The motion carried unanimously.

Mr. Reed reported that the full Board, while in Executive Session, reviewed the medical records and related information, including the independent medical evaluations for Officer Bullock. The full Board also heard comments and considered documents submitted by Officer Bullock and her husband.

Mr. Reed then made a motion to deny the disability application of Officer Bullock, as recommended by the Committee. The motion was seconded by Vice Chairman Trevino, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:****PROPOSED 2015 HOLIDAY SCHEDULE**

Mr. Schott presented the Proposed 2015 Holiday Schedule for the Pension Fund. Mr. Schott noted there would be 13 scheduled holidays and no floating holiday for staff members. Mr. Schott requested Board's approval of the Proposed Holiday Schedule.

Mr. Griffin made a motion to approve the holiday schedule. The motion was seconded by Vice Chairman Trevino and carried unanimously.

PROPOSED 2015 MEETING SCHEDULE

Mr. Schott presented the Proposed 2015 Meeting Schedule to the Board and requested approval.

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

POLICE CADET CLASS 2014-A – GRADUATION SEPT. 12, 2014

Mr. Schott requested Board's approval to allow Police Cadet Class 2014-A into the membership.

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

PRIVATE EQUITY/REAL ESTATE WORKSHOP – OCT. 22, 2014

Mr. Schott reminded the Board of the Private Equity and Real Estate Workshop scheduled for Wednesday, October 22nd. He stated the workshop will be held at the Pension Fund Office beginning at 8:00 a.m.

FINANCIAL REPORT FOR PERIOD ENDING AUGUST 31, 2014

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending August 31, 2014 were \$2,733,929,577.24.

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

Mr. Griffin stated that the Personnel Committee held two meetings since the last Board Meeting. The Committee met on August 27th to conduct an initial review of the proposed 2014-2015 Annual Budget. The Committee reviewed the Budget and asked Staff to make several adjustments. The Committee scheduled another meeting for September 23rd to conduct a final review of the Budget. The Committee reviewed the budget, and made a motion to recommend Board approval of the proposed 2014-2015 Annual Budget.

Mr. Griffin then made a motion to accept the proposed 2014-15 Annual Budget as recommended by the Committee. The motion was seconded by Mr. Smith, and it carried unanimously.

Mr. Griffin stated that the Personnel Committee also received and reviewed the proposed Audit Engagement Letter from BDO. BDO has been the Fund's Auditor for the past several years. The Committee approved a recommendation to the Board to approve the Audit Engagement Letter at a fee ranging between \$40,000 and \$44,000.

Mr. Griffin then made a motion to accept the Audit Engagement Letter recommended by the Committee. The motion was seconded by Mr. Smith, and it carried unanimously.

DISABILITY COMMITTEE

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LEGISLATIVE COMMITTEE

Mr. Pearson reported that the Legislative Committee held a meeting last week to discuss numerous non-cost legislative language changes.

He reported Staff discussed approximately 40 items that either needed to be changed in the Fund's Pension Law or that Staff needed clarification on. None of the items had costs associated with them, but they were either unclear in the Law or currently required interpretation by the Board. The Committee gave direction to Staff on these items and directed Staff to draft and present corrective language once the package is at a point to move forward.

Mr. Pearson reported at the August Board Meeting, the Board approved a Final Legislative Package to be costed by the Fund's Actuary, The Segal Company. At last week's Legislative Committee meeting, Staff provided the final costs of the Board-Approved package to the Committee for review. The cost of this package was 6.82 years. As such, the Legislative Committee had further discussions on possible changes to the package for the Board to consider. After some discussion, the Legislative Committee approved a motion to recommend the Board amend the previously approved package to change the COLA years from 2005 to 2003, and reduce the City's contribution to 23.25%.

Mr. Pearson then made a motion to approve the package with the Committee's amended changes. The motion was seconded by Mr. Smith.

Mr. Pearson stated it was also requested that the Committee consider the option of lowering the City's contribution in 50 basis point increments over several years. The request was to lower the City's contribution from 24.64% to 24% in 2015 & 2016, then lower it to 23.5% in 2017 & 2018, and then 23% for 2019 and beyond. The Committee agreed to have this option costed out by the Actuary. The report was provided to the Board for review.

Mr. Reed offered an amendment to the motion to include the phased-in contribution rates. Mr. Griffin seconded the motion.

After much discussion, the amendment to the motion failed 4 to 2. Councilman Saldana abstained.

After some additional comments by Board, the original motion passed unanimously. Councilman Saldana abstained.

INVESTMENT COMMITTEE

Mr. Smith reported that the Investment Committee held a meeting on September 23, 2014.

The Committee received an update on the CA Core Fund by Kirby McInerney LLP. They provided an update and also proposed to monitor the portfolio to participate in smaller securities class action lawsuits or pursue common law claims in the U.S. courts relating to foreign investments.

Mr. Smith stated the Committee received Unconstrained Fixed Income Finalist Presentations from Blackrock, GAM, Goldman Sachs, Loomis Sayles and Standish. Each presented their capabilities. The committee approved a motion to recommend to the Board to approve a \$100 million commitment to Goldman Sachs for the Unconstrained Fixed Income mandate.

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

NEPC provided the Committee an update regarding the performance of the Fund in the 2nd quarter of 2014. During this time period, the Fund generated a 3.3% return. For the 3 years ending June 30, 2014, the Fund has an annualized return of 9.04%, standard deviation of 6.73% and a sharpe ratio of 1.34, placing the Fund in the top 15th percentile for risk-adjusted performance.

Mr. Smith reported NEPC also provided an update regarding the 5-yr Asset/Liability study. NEPC voiced concerns over the shrinking equity risk premium due to outperformance as well as the shifting High Yield and Bank Loan markets. NEPC recommended that the Fund make a slight change to its asset allocation. In particular, the High Yield and Bank Loans allocations would be reduced by 2% and 1%, respectively. An Unconstrained Fixed Income allocation of 3% would be added. The Committee approved the allocation asset / liability study and the new asset allocation mix but wants to allow Board to review the changes for approval at next month's Board meeting.

The Committee also held a discussion on the Emerging Manager of Manager process. Staff discussed the different stages of due diligence and how Board and Staff will work together with Attucks to implement a successful emerging manager of manager program. Ideas that were discussed include Board approval rights, on-site visits and finals presentations in front of the Investment Committee. Staff and Board will reach out to Attucks and set up a meeting to discuss the implementation process.

Mr. Smith stated the Committee also held discussions regarding the termination of Capital Prospects. A decision was made to keep the underlying emerging managers while terminating Capital Prospects as manager of the overall emerging manager program.

It was noted that the purpose for terminating Capital Prospects is due to the fact that they only deal with US Markets and the Board wants to expand into International Emerging Markets.

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

The Committee also discussed the Private Debt Search. Staff screened numerous private debt managers in the U.S., Europe, and Asia and provided the initial level of due diligence on six private debt managers for potential investment opportunities. Ultimately, the Investment Committee decided to continue due diligence on Orchard Landmark Limited, Shoreline China Value III, and Babson Capital Global Private Credit Gateway Mezzanine Partners II, LP and invite the respective representatives from each firm in for final presentations.

AD HOC GOVERNMENTAL & PUBLIC RELATIONS COMMITTEE

Vice Chairman Trevino reported the Public Relations Committee held a meeting on September 23rd to meet with Joe Gimenez to get an update on several public relations topics. Joe began by recommending the Pension Fund create a Social Media Policy. This policy would establish clear standards and responsibilities for staff and the Board as it relates to social media.

Mr. Gimenez provided an update on the ongoing development of the website. He recommended the Pension Fund consider hiring an outside expert to create the face of the website. The Committee considered several different options and made a motion to recommend the Board hire Public Alliance for its website development. The motion passed unanimously, however it was too late to get this item on the Board Agenda, so it will be added to next month's Board Agenda.

Mr. Gimenez also discussed the benefits of conducting surveys of the membership on the website. He provided examples for the Committee of different surveys that can be used. He stated they are very useful tools to use to get an idea of what members' interests are. The Committee agreed in their usefulness, and directed Joe to bring ideas to the Committee.

The Committee also discussed the upcoming decision on the 13th Check as it relates to the messaging. The Committee informed Mr. Gimenez that a decision will probably not be made for a couple of months, but he should begin working on messaging whether the Check is issued or not.

Mr. Gimenez reviewed the completed Facebook Page with the Committee. He encouraged the Staff and Board to provide information on the Pension

Fund to him and he will get the information on the Page. He encouraged the Committee to consider creating and adding videos to its Facebook Page.

At this time, Mr. Gimenez encouraged everyone to visit the Fund's Facebook page.

DISBURSEMENTS: Mr. Pearson moved, and Vice Chairman Trevino seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated September 24, 2014).

**MEMBERS TO
BE HEARD:**

At this time, numerous members who were present at the meeting commented that collective bargaining and Pension Fund should be kept separate, and requested that Board consider approving a 13th Check.

ADJOURNMENT: Being that there was no further business, Mr. Smith moved to adjourn the meeting at 11.23 a.m. Vice Chairman Trevino seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON OCTOBER 29, 2014.**

Shawn Ury, Chairman

ATTEST:

J. T. Trevino, Vice Chairman