

**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
November 26, 2014**

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

ABSENT: 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 9:02 a.m., Chairman Ury called the meeting to order. Roll was called, and a quorum was declared present.

Chairman Ury stated, due to a Trustee needing to leave the meeting early, he requested that Item F be moved and discussed at this time.

13TH CHECK

Mr. Schott reported that Pension Law, Sections 5.11, 5.12 and 6.12, give the Board the discretion to issue a 13th check, if over the proceeding five years, the Fund's average investment return has outperformed the assumed rate of return. Mr. Schott reported that as of year-end, the Fund's five year average is 9.1%, which is currently above the 7.65% needed to allow the Board discretion to issue a 13th check.

Secretary Griffin made a motion to approve a 13th Check to retired members that are receiving an annuity as of September 30, 2014. The motion was seconded by Mr. Reed.

Chairman Ury read the following letter from Mayoral Designee Art Hall supporting approval of the 13th Check:

Dear Colleagues,

I am writing to express my support for the approval and distribution of the "13th check" that is on this week's Board agenda. I apologize that I am not there in person to make these comments and to personally vote in favor of the agenda item, as I am out of town for the Thanksgiving holidays.

While the current environment between the Police and Fire Union and the City is unlike any in the recent past and unfortunately is at present one of accusation, inaccurate and incomplete information, and distrust, the Pension

Fund should stand firmly behind the distribution of the 13th check and have no hesitation in approving it.

I support the distribution of the 13th check for the following four reasons:

- 1. Several years ago, we set a high and conservative standard for the approval and distribution of a 13th check – trust the criteria! The distribution of a 13th check requires a 5-year average return of at minimum 8.65%. In other words, over the previous five years, the Fund has to be successful. At 9.1%, we have exceeded our 5-year average return standard!*
- 2. The 13th check reflects the reality, although not always recognized or stated by the media and/or the City, that the Pension Fund is well-run and well-managed. In fact, of the 95 or so pension funds in the State of Texas, State records indicate that the San Antonio Fire and Police Pension Fund has the 6th best funding level in the State. In fact, we are so well-managed that we were able to offer the City a \$4.2 mi/year reduction in its contribution, totaling \$45 mi in net present value over time, which the City turned down. We need to be proud of how well we are running and managing the Fund. And, the 13th check criteria and our exceeding that criteria are a testament to that fact. Distribution deserves your approval.*
- 3. A 13th check distribution this year is a once per year consideration and does not encumber future budgets unless future year returns meet the same high standard. So, if the conservative criteria are not met next year, there is no 13th check next year.*
- 4. Finally, approval of the distribution is good for our Fund members – after all, it is their money. Our members have empowered us to set high standards and to manage the Fund well. When our targets and objectives are accomplished, they deserve to benefit. We have made \$900mi on behalf of our members over the last five years – we are merely giving them back \$9mi of what they have earned through us and that is rightfully theirs.*

I hope you all support and approve the 13th check. Sincerely, Art Hall.

After some discussion and comments by Board, the motion carried unanimously.

The Board then recessed to Executive Session at 9:17 a.m., pursuant to Texas Govt. Code §551.071.

The Board reconvened at 10:18 a.m.

MINUTES:

Mr. Griffin moved to approve the minutes of the regular meeting held October 29, 2014. The motion was seconded by Mr. Smith, and it carried unanimously.

EDUCATIONAL

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

1. Koried Plan Sponsor Educational Institute
January 20-23, 2015
2. NEPC Public Fund Workshop
January 12-13, 2015
3. IREI VIP Real Estate Conference
January 28-30, 2015
4. NCPERS Legislative Conference
January 25-27, 2015
5. NAPO Employee Pension & Benefits Seminar
January 25-27, 2015

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

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

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

Pension Applications

1. A 34 year, 9 month service pension for Police Officer Fred Cisneros, effective December 1, 2014.
2. A 20 year service pension for Fire Captain James G. Duncan, effective December 1, 2014.
3. A 33 year, 7 month service pension for Fire Captain Michael R. Handowski, effective December 1, 2014.
4. A 32 year, 7 month service pension for Detective Investigator Reyes M. Lozano, III, effective December 1, 2014.
5. A 34 year, 7 month service pension for Fire Engineer Toddy D. Rudewick, effective December 1, 2014.
6. A 34 year, 5 month service pension for Fire Engineer Cruz Solis, Jr., effective December 1, 2014.
7. A 33 year, 7 month service pension for Fire Captain Paul Weber, effective December 1, 2014.
8. A 33 year service pension for Detective Investigator Raymond R. Perez, effective December 2, 2014.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Frances M. Rabe, widow of Retired Police Sergeant Allen Rabe, effective October 20, 2014.

2. A beneficiary pension for Mrs. Stephanie De Lorenzo, widow of Retired Fire Captain Ernest De Lorenzo, effective October 30, 2014.
3. A beneficiary pension for Mrs. Mary Kondoff, widow of Retired Firefighter Freddie Kondoff, effective November 8, 2014.

Refund of Contribution

1. A 6 year, 3 month refund of contribution for Firefighter Wiley R. D'Spain, effective October 31, 2014.

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

The Board acknowledged Mr. Reyes Lozano who was in attendance and thanked him for his many years of service.

NEW BUSINESS: 13TH CHECK

This item had been moved up at the beginning of the meeting and action had been taken to approve issuance of the 13th check; however, Mr. Schott requested additional action under this agenda item at this time, to approve a draft of a 13th Check letter to be mailed to retirees. He stated that checks will be issued on December 5, 2014. Mr. Griffin made a motion to approve the letter to be sent to retirees receiving a 13th Check. The motion was seconded by Mr. Reed, and it carried unanimously.

EXECUTIVE DIRECTOR REPORT:

PRE-RETIREMENT SEMINAR REPORT

Mr. Schott reported there were 57 total, 35 members and 22 spouses that attended the November 7th seminar. He stated that the Fund continues to receive positive feedback from members attending the seminars.

SAF&P PROPERTY HOLDING CORP. ELECTION OF OFFICERS

Mr. Schott stated it was time to hold election of officers for the San Antonio Fire and Police Property Holding Corporation. He stated those who were previously on the Board were as follows: Chairman Dean Pearson, Vice Chairman J. T. Trevino, and Secretary Warren Schott.

Chairman Ury made a motion to re-elect those currently serving. The motion was seconded by Mr. Smith, and it carried unanimously.

PROPERTY HOLDING CORP. MEETING – DECEMBER 17, 2014

Mr. Schott stated that a meeting will be held at the Pension Office on December 17, 2014, directly after the Board meeting.

FINANCIAL REPORTS FOR PERIODS ENDING SEPTEMBER 30, 2014 AND OCTOBER 31, 2014

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending September 30, 2014 were \$2,676,857,002.58, and for period ending October 31, 2014 were \$2,715,766,906.15.

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

Mr. Griffin stated that the Personnel Committee did not have a meeting this month. The Committee planned to have a meeting in November, but decided to wait until Larry Reed was back since he is on the Committee.

Mr. Griffin stated that Auditors are scheduled to arrive at the Pension Office on December 1st to begin the annual audit, and will stay for approximately 2 weeks to conduct their fieldwork.

Mr. Griffin stated that an Audit Committee meeting has been scheduled for Tuesday, January 27th at 2:30 p.m. to receive the Annual Audit and Actuarial Valuation Report. The meeting will be held at the Pension Office. Mr. Griffin stated the auditors and actuaries will be on hand to present the reports.

DISABILITY COMMITTEE

Mr. Griffin reported that the Disability Committee did not meet this month. Last month it was mentioned there were two applications that had been filed, but were lacking the necessary doctor reports. The Fund is still awaiting the necessary doctor reports. Once received, the applications will be complete and a meeting will be scheduled to review the applications.

LEGISLATIVE COMMITTEE

Mr. Pearson reported that the Legislative Committee did not have a meeting this month, but provided the latest news as it relates to the Pension Fund's Legislative Package.

Mr. Pearson reported since the last Board Meeting, the City's IGR Committee met again to re-visit the Fund's Package. He provided a brief recap of the November 12th meeting. He reported the City's IGR Committee met to discuss, among other things, the Pension Fund's Legislative Package. He stated at last month's IGR meeting, the IGR Committee postponed a decision on the package until it had more time to review. He reported Jeff Coyle began the meeting by stating that the Committee seemed concerned with the tone of the previously proposed language dealing with the Pension Fund. As such, they proposed new language that they deemed less strong. The new language stated, "The City does not support legislation that increases benefits and/or increases the unfunded liability of the San Antonio Fire and Police Pension Fund". He said they had removed the word "opposes" and inserted "does not support". Councilman Gallagher said he would have liked the language to have said "cannot support" instead of "does not support". However, he did not want to argue about the language and motioned to approve the statement. Councilwoman Viagran questioned the possibility of removing the language altogether. Jeff Coyle stated that Staff preferred to have a specific statement dealing with the Pension Fund's Package. Councilman Lopez voiced his support for the Pension Fund's Package; however, if the majority of the Committee did not agree, then he requested the language be dropped and the Council just remain silent on the issue. Councilwoman Viagran expressed her interest in the COLA portion of the Package; however, she also questioned why the Pension Fund was proposing

a Benefits Package after the Legacy Committee had recommended no benefit improvements. Mr. Pearson stated Shawn Ury responded to this question. Mr. Pearson stated the Committee ultimately voted in favor of City Staff's language proposal. Councilman Nirenberg, Viagran and Gallagher voted for while Councilman Lopez voted against. Mr. Pearson stated this recommendation will now be forwarded to the full Council at a meeting in early December.

Mr. Pearson stated this was not the outcome the Fund was hoping for but regardless of the outcome of the vote, the intent was to get a vote on the Fund's specific Package, not a vote on policy language. He stated as such, the Fund has sent a letter to the Mayor asking her to place the Fund's specific Package on the City Council Agenda and are still awaiting her response on this request. Mr. Pearson stated if the Council ultimately votes to approve the IGR's language, then the Legislative Committee will schedule a meeting in early December to discuss whether the Committee wants to continue with the process of filing legislation.

INVESTMENT COMMITTEE

Mr. Smith reported that the Investment Committee held a meeting on November 20, 2014.

Mr. Smith reported the first item on the agenda was a quarterly update from NEPC regarding the performance of the Fund in the 3rd quarter of 2014. The Fund generated a -1.0% return for the quarter and 9.2% for the fiscal year ending September 30, 2014. For the 5 years ending September 30, 2014, the Fund had an annualized return of 9.04%, standard deviation of 6.99% and a Sharpe ratio of 1.28, placing the Fund in the top 15th percentile for risk-adjusted performance.

Mr. Smith reported the next item on the agenda was a discussion on the Emerging Manager process. Staff, Investment Committee and Attucks discussed the different stages of due diligence and how Attucks will work with the Investment Committee.

Mr. Smith stated the Committee made the decision to terminate Monarch Partners and High Pointe Capital and commit the proceeds to Cooke & Bieler. At this time, Mr. Smith made a motion to approve. The motion was seconded by Mr. Pearson. After some discussion by Board to also explore opportunities locally, the motion carried unanimously.

Mr. Smith reported the committee also made the decision to terminate Palisades Investment Partners and temporarily hold the redemption proceeds in an appropriate index fund. Mr. Smith then made a motion to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

Mr. Smith reported the Committee approved a motion to approve an Emerging Manager International Equity search. Mr. Smith then made a motion to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

Mr. Smith reported the last item on the agenda was the Educational Topic discussion on convertible bonds. He stated the committee made a motion to postpone the discussion.

AD HOC GOVERNMENTAL & PUBLIC RELATIONS COMMITTEE

Vice Chairman Trevino reported the Public Relations Committee held a meeting on November 13th to discuss the Performance Distribution. The purpose of the meeting was not to discuss whether or not we were going to issue a Performance Distribution, but rather how we would be notifying the membership about the issuance, if it was approved. Joe Gimenez was in attendance to give his advice. It was decided that, if the Board approved the Performance Distribution at the November 26th Board Meeting, a letter would be sent to the membership on December 1st and the check would be paid on December 5th. In addition, Joe Gimenez discussed issuing a Press Release regarding the Performance Distribution. The Committee agreed that this was a good idea and directed Joe to create a Release.

Vice Chairman Trevino stated at today's meeting, the Board approved the issuance of the 13th Check. As such, a letter will be mailed to the membership on Monday and the Performance Distribution will be paid on December 5th. The Fund will also be sending a Press Release to the newspaper immediately following the meeting.

DISBURSEMENTS: Vice Chairman Trevino moved, and Mr. Griffin seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated November 26, 2014).

MEMBERS TO BE HEARD:

Mr. Rogers, Retired Firefighter thanked the Board and Staff for their hard work and effort.

ADJOURNMENT: Being that there was no further business, Vice Chairman Trevino moved to adjourn the meeting at 10:54 a.m. Mr. Smith seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON DECEMBER 17, 2014.**

Shawn Ury, Chairman

ATTEST:

J. T. Trevino, Vice Chairman