

**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 30, 2016**

PRESENT: Chairman J. T. Trevino, Fire Representative; Councilman/Secretary Ray Lopez; Councilman Joe Krier; Shawn Ury, Police Representative; Dean Pearson, Fire Representative; Larry Reed, Fire Retiree Representative; and Harry Griffin, Police Retiree Representative.

ABSENT: Mayoral Designee Art A. Hall; Vice Chairman Jim Smith, Police Representative.

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

2015 FIRE RETIREES PLAQUE PRESENTATION

Prior to calling the meeting to order, retirement plaques were presented to the following 2015 Fire Retirees: Charlie Cantu; Oscar Johnny Gutierrez; Armando O. Martinez; Reynaldo P. Martinez; Richard Flores Ozuna; David Murillo; Michael A. Rodriguez; Roger Fuentes; Richard A. Hernandez; Jay Sikes; James Powell; and David E. Martinez.

The Trustees in attendance congratulated each retiree and thanked them for their service.

At 9:21 a.m., Chairman Trevino called the meeting to order. Roll was called, and a quorum was declared present.

Pursuant to state law, the Board recessed to Executive Session at 9:23 a.m. pursuant to Texas Govt. Code §551.071.

The Board reconvened at 9:47 a.m.

MINUTES: Mr. Ury moved to approve the minutes of the regular meeting held February 17, 2016. The motion was seconded by Mr. Reed, and it carried unanimously.

Mr. Ury left the meeting at 9:49 a.m.

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

1. Siguler Guff Annual Conference
May 4-5, 2016
2. Carlson Capital Annual Meeting
May 9-10, 2016

3. NEPC Investment Conference
May 10-11, 2016
4. Exeter Annual Meeting
May 10-11, 2016
5. Skybridge SALT Conference
May 10-13, 2016
6. NCPERS Annual Conference
May 15-19, 2016
7. Kayne Anderson
May 25-26, 2016
8. L&B Annual Meeting
May 26, 2016

The motion was seconded by Councilman/Secretary Lopez, and it carried unanimously.

Mr. Griffin entered the meeting at 9:55 a.m.

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

Mr. Pearson made a motion to approve the following pension applications, with the exception of item 16 (A 25 year, 5 month service pension for Police Officer Adolph R. Garcia, effective April 1, 2016) which was pulled:

Pension Applications

1. A 29 year, 8 month service pension for Police Sergeant Patrick McNamara, effective February 17, 2016.
2. A 34 year, 9 month service pension for Fire Lieutenant George A. Casanova, effective February 27, 2016.
3. A 28 year, 4 month service pension for Fire Lieutenant Caryl L. Paulson, effective February 27, 2016.
4. A 26 year, 3 month service pension for Police Sergeant Stephen W. Herries, effective March 1, 2016.
5. A 28 year, 4 month service pension for Firefighter Clifford G. King, effective March 1, 2016.
6. A 31 year, 11 month service pension for Fire Engineer Vincent M. Mendiola, effective March 1, 2016.
7. A 20 year, 5 month service pension for Police Officer Troy C. Smoot, effective March 1, 2016.

8. A 27 year, 2 month service pension for Police Officer David A. Trevino, effective March 1, 2016.
9. A 29 year, 5 month service pension for Police Officer Jerry R. Whitson, effective March 1, 2016.
10. A 30 year, 1 month service pension for Police Lieutenant Andy Rodriguez, effective March 2, 2016.
11. A 20 year service pension for Police Officer Peters E. Laksbergs, effective March 10, 2016.
12. A 26 year, 2 month service pension for Police Sergeant Roy H. Rodriguez, effective March 12, 2016.
13. A 33 year, 7 month service pension for Fire Engineer Richard G. Casias, Jr., effective April 1, 2016.
14. A 30 year, 2 month service pension for Detective Investigator Rodney S. Denton, effective April 1, 2016.
15. A 31 year, 1 month service pension for Police Officer Gary A. Fuentes, effective April 1, 2016.
16. Pulled.
17. A 31 year, 1 month service pension for Police Officer Albert B. Gomez, effective April 1, 2016.
18. A 30 year, 2 month service pension for Police Officer Robert Hinojosa, Jr., effective April 1, 2016.
19. A 27 year, 10 month service pension for Police Officer James H. Jenness, effective April 1, 2016.
20. A 31 year, 1 month service pension for Police Officer Steven Lares, effective April 1, 2016.
21. A 29 year, 11 month service pension for Police Officer Willie Mendez, Jr., effective April 1, 2016.
22. A 27 year, 11 month service pension for Deputy Police Chief Janae C. Florance, effective May 1, 2016.
23. A 30 year service pension for Detective Investigator Peter Friello, effective May 1, 2016.
24. A 34 year service pension for Police Sergeant Steven D. Peterson, effective May 1, 2016.

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

Beneficiary Pensions

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

1. A beneficiary pension for Mrs. Joanne Smart, widow of Retired Fire Engineer Ferrell Smart, effective February 5, 2016.
2. A beneficiary pension for Mrs. Martha Rangel, widow of Retired Firefighter Jacinto P. Salazar, effective February 8, 2016.
3. A beneficiary pension for Mrs. Mary Lou Clark, widow of Retired Detective Investigator Erwyn E. Clark, effective February 12, 2016.
4. A beneficiary pension for Mrs. Margaret A. Kelley, widow of Retired Police Officer Edmond C. Kelley, Jr., effective February 16, 2016.
5. A beneficiary pension for Mrs. Judith Farris, widow of Retired Police Officer Joe W. Farris, effective March 1, 2016.
6. A beneficiary pension for Mrs. Linda J. Church, widow of Retired Fire Engineer Laverne Church, effective March 16, 2016.

Refund of Contribution

1. An 8 year, 3 month refund of contribution for Police Officer Nicole A. Quintanilla, effective March 2, 2016.

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

EXECUTIVE DIRECTOR REPORT:

ANNUAL MANAGER WORKSHOP REMINDER – APRIL 20TH

Mr. Schott reminded the Board of the Equities and Fixed Income Workshop scheduled for Wednesday, April 20th at 8:00 a.m. It will be held at the Pension Fund office.

ANNUAL REPORT UPDATE

Mr. Schott stated the Annual Report was currently at the printers and will be ready to submit within a couple of weeks.

FINANCIAL DISCLOSURE FORMS

Mr. Schott reminded the Board that Financial Disclosure Forms for reporting period 2015 are due by March 31st.

ADVISOR NEWSLETTER

Mr. Schott reported that a March Advisor Newsletter is currently at the printers and Staff is awaiting a blueline for review. He noted this should be mailed out within the next couple of weeks.

FINANCIAL REPORT FOR PERIODS ENDING JANUARY 31, 2016 AND FEBRUARY 29, 2016

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending January 31, 2016 were \$2,549,291,920.66 and for the period ending February 29, 2016 were \$2,542, 932,894.81.

COMMITTEE REPORTS:

PERSONNEL COMMITTEE

Mr. Griffin reported the Personnel Committee held two meetings this month. The first meeting was to discuss the pros and cons of changing the Pension Fund's fiscal year from September 30th to December 31st. The main reason for the change is improved efficiency. Mr. Griffin stated that the majority of the Fund's investment managers use a calendar year, so because the Fund uses a September date, staff must roll-forward the cashflows from the managers' December audits to the Fund's September 30th audit. Due to the number of investment managers the Fund has, this is a very time-consuming task. Staff informed the Committee that the Auditor, Actuary, Pension Review Board and the City of San Antonio were asked to provide any concerns they may have with the potential change. He stated none of the organizations expressed any major concerns with the switch. Mr. Griffin then made a motion on behalf of the Committee recommending the Board change from a September 30th Fiscal Year to a Calendar Year effective January 1, 2016. In conjunction with this change, the Pension Fund will conduct an abbreviated audit for the period October 1, 2015 – December 31, 2015. Mr. Reed seconded the motion, and it carried unanimously.

Mr. Griffin reported that the Personnel/Audit Committee had a meeting on March 29th to receive a presentation from a securities litigation firm. Securities Litigation firms monitor investment portfolios for possible fraudulent activity that cause a drop in the price of a stock. The Fund currently has five securities litigation firms working for the Pension Fund. All firms work on contingency, so there is no cost to the Pension Fund. He stated no action was taken by the Committee regarding this firm.

DISABILITY COMMITTEE

Mr. Pearson reported the Disability Committee held a couple meetings since the last Board Meeting to discuss procedures for reducing disability pensions due to outside income earned or medical improvement. Mr. Pearson stated the Committee has been working on these procedures for the past couple of meetings. Mr. Pearson then made a motion on behalf of the Committee to approve the three procedures presented to the Board for approval. The motion was seconded by Mr. Reed, and it carried unanimously.

Mr. Pearson reported that the Committee also discussed the Catastrophic Disability Pension of Police Officer Brandy Roell. Officer Roell is currently the Pension Fund's only Catastrophic Disability Pensioner. She was awarded the pension in 2011. Per the Pension Law, recipients of a Catastrophic Disability Pension are required to undergo a medical re-examination at least every five years. As such, the Committee recommends the Board send Officer Roell to one doctor for re-examination to confirm her disability. Mr. Pearson made a motion for approval. The motion was seconded by Mr. Reed, and it carried unanimously.

Mr. Pearson reported the Committee received a Regular Disability Pension Application for Firefighter Timothy H. Harmon. This was the first meeting for the Committee to review the application and medical reports, so there is no action necessary at this time by the Board. The Committee will provide its recommendation to the Board at the April Board Meeting.

LEGISLATIVE COMMITTEE

Mr. Reed reported that the Legislative Committee did not have a meeting this month so there is no report to give. He did however want to make the Board aware of a letter that was sent to the Attorney General by State Representative Jim Murphy of Harris County. He is asking the Attorney General for an opinion on whether the State is responsible for the liabilities of the 13 local retirement systems that are established in state law. He wants clarification because the State Legislature has oversight responsibility and wants to know if the State is therefore responsible for any defaults by these retirement systems. Mr. Reed stated our pension fund is obviously one of the 13 he is talking about. He stated TEXPERS will not be getting involved in the issue, and wanted to confirm that our pension fund will also not be getting involved. None of the Trustees expressed a particular desire for the pension fund to weigh in on the issue, so no action was taken.

INVESTMENT COMMITTEE

Mr. Reed reported that the Investment Committee held a meeting on March 23, 2016.

The first item on the agenda was the review of the Pension Fund's hedge fund portfolio. Albourne gave an update regarding the performance of the Pension Fund's hedge fund program. Year-to-date, the Fund's direct hedge fund portfolio was down 3.02%. Since inception, the Fund's direct hedge fund portfolio had an annualized rate of return of 4.93% with a standard deviation of 4.61% and a 0.86 Sharpe ratio.

EnTrustPermal representation presented and discussed the firm, performance, and market environment.

Next hedge fund topic was regarding Luxor Capital Partners. Ultimately, the Investment Committee decided to revisit the topic at a future Investment Committee meeting because of the redemption provisions.

The second item on the agenda was discussions regarding the 2016 commitment pacing schedule within the real assets portfolio. Staff provided information on the overall landscape and firms currently fundraising in the market. Staff will continue due diligence on Apollo Natural Resources Fund II and Kayne Anderson Energy Fund VII.

The final item on the agenda was a discussion regarding the Pension Fund's real estate portfolio. The Investment Committee requested a presentation from Paladin and Townsend at its next Investment Committee meeting.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

Mr. Pearson reported the San Antonio F&P Property Holding Corporation met on March 29th to discuss several issues. The first item was a review of a proposal for Directors and Officers Liability Coverage by AXIS Commercial Management Solutions. This coverage protects the officers of the corporation from litigation stemming from decisions it makes involving the Holding Corporation. The premium for the policy was \$4,416 per year. This policy has a \$1,000,000 Limit of Liability Coverage. The Board approved the expense and also made an amendment to the Annual Budget to account for this additional unbudgeted expense.

Representatives from BDO presented the Audit for the Property Holding Corporation. This is the first audit that has been done on the Holding Corporation and the audit came back clean with an Unqualified Opinion. The Corporation has been around for years but has never had an audit done on it due to the small amount of assets that were held by it. However, now that the Fund has three buildings being managed by the Holding Corporation, the Committee felt like it was important to begin conducting annual audits.

The Holding Corporation also voted to change the fiscal year to a calendar year similar to the Pension Fund. However, due to the relatively small dollar amount of assets being held by the Corporation, the Committee decided to make this change effective January 1, 2017 instead of January 1, 2016. As such, the next audit will cover the 15 months ending December 31, 2016.

Lastly, Pete Tassos with Sullivan Commercial provided an update on the leasing activity on the three office buildings owned by the Property Holding Corporation. He noted that the Parkway Center Building is 100% leased, Shavano III is currently 88% leased, and Shavano IV is 54% leased. He reviewed the Leasing Activity Reports for the two Shavano Buildings and discussed several lease renewals and prospects. He also noted that one of the tenants in Shavano III has informed us that it will be vacating this year which will leave us at 60% leased if we are not able to fill their space.

DISBURSEMENTS: Mr. Reed moved, and Mr. Pearson seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated February 17, 2016).

**MEMBERS TO
BE HEARD:**

Mr. Bart Moczygemba, Pensioner's Association, inquired if changing to a calendar year would affect the COLA. Board stated it would not.

ADJOURNMENT: Being that there was no further business, Mr. Griffin moved to adjourn the meeting at 10:35 a.m. Mr. Reed seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON APRIL 27, 2016.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman