

**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 23, 2015**

PRESENT: Chairman J. T. Trevino, Fire Representative; Vice Chairman Jim Smith and Shawn Ury, Police Representatives; Councilman/Secretary Ray Lopez; Mayoral Designee Art A. Hall; Councilman Joe Krier; Dean Pearson, Fire Representative; Harry Griffin, Police Retiree Representative, and Larry Reed, Fire Retiree Representative.

ABSENT: None.

**OTHERS
PRESENT:**

Warren Schott, Executive Director; Mark Gremmer; Erik Dahler; Beatrice Ahrens; Rick Matye, Pension Fund Staff; Frank Burney, Martin & Drought.

At 1:15 p.m., Chairman Trevino called the meeting to order. Roll was called, and a quorum was declared present.

Chairman Trevino administered the Oath of Office to Councilman Krier and Mayoral Designee Art Hall.

MINUTES: Vice Chairman Smith moved to approve the minutes of the regular meeting held August 26, 2015. The motion was seconded by Mr. Pearson, and it carried unanimously.

At this time, the Board moved to the Personnel/Audit Committee.

PERSONNEL/AUDIT COMMITTEE

Mr. Griffin reported that the Personnel/Audit Committee had met twice since the last Board Meeting.

Mr. Griffin stated that meetings were scheduled for the purpose of reviewing, amending and then finalizing the 2015-2016 Annual Budget. At the first meeting, the Committee reviewed the budget and asked staff to make several changes with the intent of conducting a final review in late September. Mr. Griffin reported that Staff has made the requested changes, the Committee has reviewed them, and the Committee recommends the Board approve the 2015-2016 Annual Budget as presented.

Mr. Reed made a motion to approve the recommended 2015-2016 Annual Budget. The motion was seconded by Mr. Ury, and it carried unanimously.

Mr. Griffin stated in the first meeting, the Committee had Paul Brubaker in attendance to provide an analysis and recommendation for the Fund's computer system equipment and security. Paul is the Fund's outside I.T. Consultant. Mr. Griffin stated that at the July board meeting, the Board had approved Webmember Services. This will allow the Fund's members to access and view their specific member data. As such, the Committee wanted

to make sure the system was as secure as possible from hacking and other unauthorized access. Mr. Griffin reported that Mr. Brubaker provided the Committee three different options to upgrade the computer system but recommended the Committee choose the option that provided for immediate backup for its computer system and provided the most security. The Committee concurred with the recommendation and recommends the Board approve the computer upgrade at a cost of approximately \$19,500. This expense will be incurred in the current 2014-2015 fiscal year.

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

Lastly, The Segal Company presented the 5-Year Actuarial Experience Study for the Pension Fund. The purpose of the Experience Study was to review the Fund's demographic and economic assumptions and compare them to the Fund's actual experience to ensure they are appropriate. The Committee reviewed the report and recommends acceptance of the Report.

Mr. Ury made a motion to accept the study as presented. The motion was seconded by Secretary Lopez, and it carried unanimously.

Mr. Griffin stated that in regards to any assumption changes, a chart with the actuary's assumption recommendations and two options regarding the Mortality Table were provided for review. He stated as it relates to the assumptions, the Committee recommends approval of the following assumption changes:

- Lower the inflation from 3.5% to 3.0%
- Lower the salary scale by 0.50%
- Increase the administrative expenses by \$50,000
- Add an assumption for the 13th & 14th Check
- Adjust the termination rates
- Adjust the retirement rates
- Adjust the disability rates
- Adjust the line-of-duty death, sick leave, & dependent children rates

Regarding the Mortality Table, the Committee asked the actuary to provide two options for consideration. Those options are listed as Column D & E in the chart provided to the Board and attached to these minutes.

Mr. Ury made a motion to adopt the Alternative Generational Mortality assumptions described in Column E. Mr. Griffin seconded the motion. After much discussion, the motion passed 7 to 2, with Councilman Krier and Mayoral Designee Hall opposed.

Mr. Ury then made a motion to adopt the rest of the demographic and economic assumption changes as recommended by the actuary. The motion was seconded by Mr. Reed, and it carried unanimously.

EDUCATIONAL

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

1. Institutional Investments Executive Meeting
October 4-6, 2015
2. Rockpoint Group Partner Meeting
October 6-7, 2015
3. INVESCO Real Estate Client Conference
November 3-5, 2015
4. GoldenTree Client Conference
November 5, 2015
5. Opal Emerging Managers Summit
November 5-6, 2015
6. P&I Private Credit Investing Conference
November 10, 2015
7. National Society of Institutional Investment Summit (NSIIP)
November 16-17, 2015

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

Councilman Krier left the meeting at 2:01 p.m.

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

Vice Chairman Smith made a motion to approve the following pension applications:

Pension Applications

1. A 28 year, 11 month service pension for Police Officer Richard A. Riojas, effective September 1, 2015.
2. A 34 year, 7 month service pension for Police Officer Steve J. Christian, effective October 1, 2015.
3. A 24 year, 2 month service pension for Detective Investigator Richard A. Johnson, effective October 1, 2015.
4. A 25 year, 10 month service pension for Firefighter Jesus B. Perez, Jr., effective October 1, 2015.
5. A 20 year service pension for Fire Engineer Doris Lee Savage, effective October 1, 2015.
6. A 29 year, 5 month service pension for Police Officer Cynthia Uriegas, effective October 1, 2015.
7. A 33 year, 5 month service pension for Police Sergeant James E. Warner, effective October 1, 2015.

8. A 34 year, 6 month service pension for Police Lieutenant Carthel W. Williams, effective October 1, 2015.
9. A 31 year, 2 month service pension for Detective Investigator Kenneth S. Granato, effective October 3, 2015.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Jean Quintanilla, widow of Retired Fire Lieutenant Rene Quintanilla, effective August 7, 2015.
2. A beneficiary pension for Mrs. Darlene Gorhum, widow of Active Police Captain Michael Gorhum, effective August 21, 2015.
3. A beneficiary pension for Abigail Gorhum, dependent of Active Police Captain Michael Gorhum, effective August 21, 2015, guardianship pending.
4. A beneficiary pension for Mrs. Barbara Jean Hudgins, widow of Retired Firefighter Everett D. Hudgins, effective August 24, 2015.

Refund of Contribution

1. A 3 year, 3 month refund of contribution for Police Officer Christopher Gates, effective August 14, 2015.
2. A 5 year, 6 month refund of contribution for Police Officer Stephanie L. Plover, effective August 28, 2015.
3. A 7 year, 9 month refund of contribution for Police Officer Jeffrey G. Martin, effective September 7, 2015.

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

EXECUTIVE DIRECTOR REPORT:

PROPOSED 2016 HOLIDAY SCHEDULE

Mr. Schott provided the Board with a copy of the proposed 2015-2016 Holiday Schedule. He stated there were 12 scheduled holidays and employees will also receive one floating holiday to use as they wish.

Mr. Ury made a motion to approve the holiday schedule as presented. Mr. Pearson seconded the motion, and it carried unanimously.

PROPOSED 2016 MEETING SCHEDULE

Mr. Schott provided the Board with a copy of the proposed 2015-2016 Meeting Schedule. He noted that since the Fund had received recommendations to hold some of its Financial Planning Seminars on Monday, the Fund will also be holding one of its Pre-Retirement Seminars on Monday as well, in order to give members who cannot make the Friday seminars an opportunity to attend.

Mr. Ury made a motion to approve the meeting schedule as presented. Mayoral Designee Hall seconded the motion, and it carried unanimously.

POLICE CADET CLASS 2015-A – CADET BRIEFING NOV. 10, 2015

Mr. Schott informed the Board that a Police Cadet Briefing has been scheduled for Tuesday, November 10, 2015 at 10:30 a.m. He asked the active police trustees and retired police trustee to attend if possible.

PRIVATE EQUITY/REAL ESTATE WORKSHOP – OCT. 21, 2015

Mr. Schott informed the Board that the Private Equity Manager Workshop is scheduled for Wednesday, October 21, 2015. The workshop is scheduled to begin at 8:00 a.m. and will be held at the Pension Fund Office.

CHECK SIGNING AUTHORIZATION

Mr. Schott provided the Board a resolution removing Sonia Martinez, who retired on March 30, 2015, and adding Jessica Pelaez as an authorized signer for its Frost Bank checking account. There is a limit of \$1,000.00 and two signatures are required. Mr. Ury made a motion to approve. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

UPDATE ON INVESTMENT ANALYST POSITION

Mr. Schott reported the Investment Department has narrowed its search for a new Investment Analyst to two candidates and will likely be extending an offer to one of the two candidates sometime next week. The new candidate will be replacing Will Albright who has accepted another position.

At this time, the Board acknowledged Mr. Albright and thanked him for his work at the Pension Fund and wished him good luck in his new position. Mr. Albright thanked the Board for the opportunity to work at the Fund and stated it had been a great experience.

FINANCIAL REPORT FOR PERIOD ENDING AUGUST 31, 2015

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending August 31, 2015 were \$2,689,962,455.48.

COMMITTEE REPORTS:

DISABILITY COMMITTEE

Mr. Pearson stated the Disability Committee met on September 22nd to review the current disability pensions as it relates to their outside income. The Committee had asked staff to provide the Committee with the specific jobs of those pensioners that are earning income in spite of their disability. The Committee wanted to ensure that there are no disability pensioners that are physically able to return to work. After receiving the information from staff and reviewing the data, the Committee requested additional information be provided on one of the disability pensioners at the next meeting.

LEGISLATIVE COMMITTEE

No report.

INVESTMENT COMMITTEE

Mr. Ury reported that the Investment Committee held a meeting on September 23, 2015.

Discussions were held regarding brokerage firms and their potential role with the Fund. The Investment Committee decided to discuss with one of its managers the costs of executions.

Mr. Ury reported discussions were held regarding the private debt search. Ultimately, the Committee decided to allocate \$15 million to Pine River and \$20 million to VSS. Mr. Ury made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

Discussions were held regarding the emerging manager real asset search, however, the Committee decided to not move forward with the search at this time.

Finally, discussions were held regarding the hedge fund search. Ultimately, the committee decided to continue due diligence on BFAM, Myriad, and Alyeska and potentially visit other managers in the area.

Since it relates to investments, Mr. Ury noted the Property Holding Corp. also held a meeting yesterday, and received a status report on the occupancy and leasing of the Shavano and Parkway Center buildings. Mr. Ury stated since the Fund is not yet at the end of the fiscal year, the Board of Directors did not have the financial reports to consider, but those reports should be ready next month. The Board of Directors took action to approve retaining BDO to perform the 2014-2015 audit of the Property Holding Corp. and to direct Sullivan Commercial to secure an appraisal for the Parkway Center building. During the October Board Meeting, the Committee will have an item on the agenda for the annual shareholder's meeting. As a reminder, the Pension Fund is the sole shareholder of the Property Holding Corp.

AD HOC GOVERNMENTAL & PUBLIC RELATIONS COMMITTEE

Mr. Reed reported that the Public Relations Committee met on September 16th to discuss issues and strategies involving the Local Control Debate. Joe Gimenez of G3 was in attendance to give an update on the latest developments in this area. The Committee directed him to develop strategies to address this issue.

DISBURSEMENTS: Mr. Ury moved, and Mr. Pearson seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated September 23, 2015).

**MEMBERS TO
BE HEARD:**

Vice Chairman Smith reminded everyone that the Police Picnic was this Friday.

Mr. Griffin requested the contract for G3 be placed on the next PR Committee agenda for discussion. He would like the Committee to discuss the ongoing need for a P.R. firm and provide a recommendation to the Board.

ADJOURNMENT: Being that there was no further business, Mr. Pearson moved to adjourn the meeting at 2:25 p.m. Mr. Reed seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON OCTOBER 20, 2015.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman