

**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 25, 2015**

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

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

OTHERS

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

At 9:00 a.m., Chairman Trevino 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 §551.078 and 551.0785.

The Board reconvened at 9:37 a.m.

MINUTES: Mr. Ury moved to approve the minutes of the regular meeting held October 20, 2015. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

EDUCATIONAL

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

1. 2015 CORPaTH Summit & Crystal Globe Awards
December 15-16, 2015
2. L&B Conference
January 8, 2016
3. NEPC Public Fund Workshop
January 11-12, 2016
4. TRS Emerging Manager Conference
January 13, 2016
5. Opal Public Funds Summit
January 13-15, 2016
6. KORIED Plan Sponsor Educational Institute
January 19-22, 2016

7. Siguler Guff Investor Trip
February 21-26, 2016
8. NCPERS Legislative Conference
January 24-26, 2016
9. NAPO Pension & Benefit Seminar
January 24-26, 2016
10. IREI VIP Real Estate Conference
January 27-29, 2016
11. Annual Employee Benefits Conference
November 13-16, 2016

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

**PENSION
APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

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

Pension Applications

1. A 20 year service pension for Police Officer Jeffrey W. Wooldridge, effective October 10, 2015.
2. A 35 year, 10 month service pension for Fire Engineer Paul R. Ocampo, effective November 1, 2015.
3. A 41 year, 2 month service pension for Fire Captain James E. Powell, effective November 1, 2015.
4. A 26 year service pension for Police Officer Robert P. Ruiz, effective November 1, 2015.
5. A 31 year, 7 month service pension for Firefighter Daniel C. Zertuche, effective November 1, 2015.
6. A 32 year, 4 month service pension for Detective Investigator Jaime R. Aleman, effective November 2, 2015.
7. A 26 year, 7 month service pension for Fire Captain Jay Lane Sikes, effective November 7, 2015.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Judy M. Davis, widow of Retired Police Officer Gerald D. Davis, effective September 7, 2015.
2. A beneficiary pension for Mrs. Manuela O. Flores, widow of Retired Police Captain Edward Flores, effective October 1, 2015.

3. A beneficiary pension for Mrs. Oralia R. Bruno, widow of Retired Fire Captain Juan H. Bruno, effective October 11, 2015.
4. A beneficiary pension for Mrs. Sharon A. Mangold, widow of Retired Police Officer Godfrey T. Mangold, effective October 27, 2015.
5. A lump sum death benefit to the Estate of Active Fire Captain Norman H. Riebe, effective September 25, 2015.

Refund of Contribution

1. A 7 year, 5 month refund of contribution for Police Officer Konrad Chatys, effective October 12, 2015.
2. A 13 year, 4 month refund of contribution for Detective Investigator Michael A. Burts, effective October 23, 2015.
3. A 13 year, 4 month refund of contribution for Police Officer Jackie L. Neal, effective October 23, 2015.
4. A 6 year, 10 month refund of contribution for Police Officer Jesse Gonzalez, effective October 24, 2015.

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

Disability Pension

1. A first hearing for a disability pension for Detective Investigator Lisa A. Miranda.

Mr. Pearson reported that the Disability Committee met on November 12th to discuss a Disability Pension Application for Detective Investigator Lisa Miranda. Ms. Miranda has complied with all of the provisions necessary to file an application and the Chief's Office has signed a letter stating that there is no billet for Ms. Miranda. As such, after reviewing the medical reports for Detective Miranda, the Committee determined that there is sufficient evidence to continue the process; and therefore recommends the Board send Detective Miranda to two independent physicians for further evaluation.

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

EXECUTIVE DIRECTOR REPORT:

13th CHECK ANALYSIS

Mr. Schott provided the Board with a copy of the Final Analysis for the 13th Check. The final analysis for fiscal year 2015 is -2.0% investment return with a 5-year investment average of +6.94%. The Fund's five-year investment return would have needed to average +8.50% in order for the Board to have discretion to issue a 13th Check.

**SAN ANTONIO F & P PROPERTY HOLDING CORPORATION
SHAREHOLDER MEETING – ELECTION OF OFFICERS**

Mr. Schott noted the by-laws for the Property Holding Corporation require a meeting of shareholders at least once a year for the primary purpose of electing officers. The Pension Fund is the sole shareholder and the November Pension Fund Board Meeting shall constitute the annual meeting. He stated the current officers are: Dean Pearson, President; J. T. Trevino, Vice President; and Warren Schott, Secretary. Mr. Ury made a motion to keep the same officers in place. The motion was seconded by Mr. Griffin, and it carried unanimously.

PRE-RETIREMENT SEMINAR REPORT

Mr. Schott reported the Pre-Retirement Seminar held on November 6th was well attended. He stated there were approximately 37 members and 19 spouses who attended the seminar. Mr. Schott noted that members continue to express their preference of holding the seminars at the Pension Fund office.

**ACCEPTANCE OF POLICE CADET CLASS 2015-A GRADUATION
NOVEMBER 13, 2015**

Mr. Schott requested Board accept Police Cadet Class 2015-A into the membership. Vice Chairman Smith moved to approve. The motion was seconded by Mr. Ury, and it carried unanimously.

FIRE CADET BRIEFING – DECEMBER 1, 2015 @ 3:00 PM

Mr. Schott reminded the Board of the Fire Cadet Briefing scheduled for December 1st at 3:00 p.m. and requested Fire Trustees attend if possible.

**FINANCIAL REPORT FOR PERIOD ENDING SEPTEMBER 30, 2015
AND OCTOBER 31, 2015**

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending September 30, 2015 were \$2,595,910,683.26. Financials for period ending October 31, 2015 were unavailable.

**COMMITTEE
REPORTS:**

PERSONNEL/AUDIT COMMITTEE

Mr. Griffin reported the Personnel/Audit Committee did not have a meeting this month. He stated the auditors have been in the pension office and have completed their initial fieldwork. They will be returning at the end of November for two weeks to finish their remaining fieldwork and should have the audit completed by mid-January.

Mr. Griffin also stated that an Audit Committee Meeting has been scheduled for Tuesday, January 26th at 2:30 p.m. at the Pension Office to receive the Annual Audit and Actuarial Valuation Reports. The auditors and actuaries

will be on hand to present their reports at both the Committee Meeting and the January Board Meeting.

DISABILITY COMMITTEE

Mr. Pearson reported that at the November 12th Disability Committee Meeting Staff provided an update on the one remaining Disability Pensioner that had filed a tax extension. Staff noted that it has now received all of the tax returns. The Committee reviewed the tax return and took no action.

The Committee also received and reviewed information related to the income and job description of one of its disability pensioners. After reviewing the information, the Committee requested the individual be invited to the next committee meeting to address and answer questions.

Lastly, the Committee directed staff to develop a procedure for reducing disability pensions due to outside income where the member is performing job functions similar to those performed while in active service.

LEGISLATIVE COMMITTEE

Vice Chairman Smith reported that the Legislative Committee did not have a meeting this month. Vice Chairman Smith reported he attended the TSR Committee meeting in Austin last week and provided the Board a brief update.

INVESTMENT COMMITTEE

Mr. Ury reported that the Investment Committee held a meeting on November 18th.

Mr. Ury reported that the first item on the agenda was the Quarterly Update provided by NEPC. During the third quarter of 2015, the Fund generated a -5.0% return and a 1-yr return of -2.0%. For the 5-years ending September 30, 2015, the Fund had an annualized return of 6.84%, standard deviation of 6.29%, and a Sharpe ratio of 1.08, placing the Fund in the top 28th percentile for risk-adjusted performance. During the performance update, discussions were held regarding reallocating capital away from existing investment managers that were underperforming their benchmarks.

The first recommendation was to redeem \$25 million from Cornerstone Investments and invest the proceeds into a Northern Trust Russell 1000 Core Index. Mr. Ury made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

The second recommendation was to redeem \$50 million from C.S. McKee and invest the proceeds into a Northern Trust Russell 1000 Value Index. Mr. Ury made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

Mr. Ury reported that the second agenda item was the Active Manager Risk Budget Analysis provided by NEPC. The analysis was for informational purposes and, as a result, no decisions were made based on the analysis. The

information was provided to show the Committee where the investment risks lie in the portfolio.

The next agenda item was the discussions of the Hedge Fund Search. Staff provided its recommendation as to the hiring of a new hedge fund investment manager. Ultimately, the Investment Committee proposed two separate motions. The first recommendation was to allocate \$15 million to BFAM Asian Opportunities Master Fund. For full disclosure, the Park Hill Group is being utilized as a third-party placement agent. Mr. Ury made a motion on behalf of the Committee to approve. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

The second recommendation was to terminate Och Ziff Master Fund and allocate the proceeds to Alyeska Fund. The allocation will be approximately \$15 million. Mr. Ury made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

Next, discussions were held regarding the existing \$135 million investment with the Fund's risk parity manager, AQR. Their performance has not been at the level that was expected by the Committee, nor did the Committee feel like the current environment was conducive for improvement. Ultimately, the Investment Committee decided to redeem \$50 million from AQR Global Risk Premium Fund and allocate \$30 million to PIMCO RAE Fundamental Global and \$20 million to First Eagle. Both are current managers. Mr. Ury made a motion on behalf of the Committee to approve. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

The next agenda item was a discussion regarding the placement agent disclosure of Silver Leaf. Silver Leaf was the placement agent for the Fund's investment in Medley Fund III. As such, the Pension Fund was asked to sign an Acknowledgement Form confirming it had been notified of this relationship. A copy of the Disclosure Statement was provided to Board for review. The Committee recommended the Board acknowledge the receipt of this form. Mr. Ury then made a motion on behalf of the Committee to approve execution of the Acknowledgement Form. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

Next, discussions were held regarding the launch of an Emerging Manager search for US Large Cap Equities. Ultimately, the Investment Committee decided against beginning this search.

Finally, discussions were held regarding the Conflict Disclosure Statement required by Chapter 176 of the Local Government Code and recently amended by H.B. 23. Staff instructed the Committee on the proper completion and filing of this form. No action was needed on this issue.

AD HOC GOVERNMENTAL & PUBLIC RELATIONS COMMITTEE

Mr. Reed reported that the Public Relations Committee held a meeting on November 12th to meet with G3 Public Relations to discuss its contract. G3 has served as the Fund's public relations firm for the past 4 years. The Committee explained to G3 the reasoning behind recommending the termination of its contract and offered Joe Gimenez the opportunity to discuss

his services. Mr. Gimenez felt there were still threats to defined benefit pensions, but understood the Committee's position. He also, however, discussed his services as it related to social media. The Committee directed G3 to develop a proposal for just social media services and be prepared to present it at the December PR Committee Meeting. However, the committee re-affirmed its recommendation to the Board to terminate the current contract with G3 Public Relations. Mr. Reed then made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Ury, and it carried unanimously.

Mr. Reed reported that Erik Dahler provided the Committee with a draft Social Media Policy for consideration. The Committee will review the policy and will provide its feedback at the next Committee Meeting, scheduled for Wednesday, December 9th at 11:00 a.m.

DISBURSEMENTS: Mr. Ury moved, and Mr. Pearson seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated November 25, 2015).

**MEMBERS TO
BE HEARD:**

Michael Trainer, Pensioners' Association President stated he was very happy with recent comments made by State Representative Justin Rodriguez regarding defined benefit plans. Rep. Rodriguez is a former board member of the Pension Fund. Mr. Trainer wished everyone a Happy Thanksgiving.

ADJOURNMENT: Being that there was no further business, Mr. Ury moved to adjourn the meeting at 10:40 a.m. Mr. Reed seconded the motion, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON DECEMBER 16, 2015.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman