

**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
February 28, 2018**

PRESENT: Chairman J. T. Trevino, Fire Representative; Vice Chairman Jim Smith, Police Representative; Mayoral Designee W. Reed Williams; Councilman Clayton Perry; Jimmy Foster, Police Representative; Dean Pearson, Fire Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative.

ABSENT: Councilman William “Cruz” Shaw.

OTHERS

PRESENT: Warren Schott; Mark Gremmer, Matt O’Reilly, Gail Jensen, Beatrice Ahrens, Rick Matye, Pension Fund Staff, and Frank Burney, Martin & Drought.

At 9:03 a.m., Chairman Trevino called the meeting to order. Roll was called, and a quorum was declared present.

At this time, the Board presented plaques to the following 2017 police retirees: Robert Aguirre; Raul Delgado; Michael Field; Jose Garcia; Lance Little; Diego Loeffler; Thomas McGowan; Tommy Morris; Johnny Palencia; Roger Reyes; Michael Kelly; Arthur Struxness; Terry Condon; Steve Gilbert; John Moore; Rodolfo Saenz; Mara Wilson; Thomas Froelick; Jimmy Porter; and Javier Salazar.

The Board congratulated each of the police retirees and thanked them for their dedicated service.

The Board then recessed to Executive Session at 9:38 a.m., pursuant to Texas Govt. Code §551.071, and reconvened at 10:02 a.m.

Councilman Perry left the meeting at 10:03 a.m.

At this time, Chairman Trevino read the following resolution for Councilman Art Hall:

WHEREAS, ART A. HALL, Trustee of the Fire and Police Pension Fund of San Antonio, Texas, is ending his service with the Board as of June 21, 2017;

WHEREAS, ART A. HALL has served as a member of the Board from:

- (i) June, 2003 through June, 2007 representing the San Antonio City Council;
- (ii) October, 2007 through May, 2009 representing Mayor Phil Hardberger;
- (iii) September, 2009 through June, 2011 representing Mayor Julian Castro; and
- (iv) April, 2013 through June, 2017 representing Mayor Ivy Taylor;

WHEREAS, *ART A. HALL* is recognized as a fiduciary whose advice and counsel has been instrumental in guiding the Pension Fund during his term; and

WHEREAS, the Fund's outstanding performance and operations has been due in part to *ART A. HALL's* guidance and direction.

NOW THEREFORE:

***Be it resolved by the Board of Trustees of the
Fire and Police Pension Fund of San Antonio, Texas:***

1. That the Fire and Police Pension Fund Board of Trustees of San Antonio, Texas, hereby expresses its most sincere appreciation to *ART A. HALL*, for his invaluable contribution to the Fund in enhancing the market value of the Fund and insuring benefits to its members, while preserving the stability of the Fund.
2. That *ART A. HALL* be recognized as a leader whose influence has benefited all pensioners, past, present and future.
3. That this Board go on record as expressing its desire of lasting health, good wishes and sincere thanks to a loyal friend.
4. That the original of this Resolution, duly subscribed by all members of the Board, be presented to *ART A. HALL* as an official expression of the sentiments set forth above, and that a copy hereof be spread in full upon the minutes of the Board as a permanent and official expression of the sincere appreciation herein expressed.

Vice Chairman Smith moved and Mr. Pearson seconded the motion to approve the resolution for former trustee, Art Hall. The motion passed unanimously.

MINUTES:

Mr. Pearson moved to approve the minutes of the regular meeting held January 31, 2018. The motion was seconded by Mr. Griffin, and it carried unanimously.

EDUCATIONAL

OPPORTUNITIES:

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

1. Merit Energy Annual Meeting
April 3-4, 2018
2. IREI Real Estate Conference
April 10-12, 2018
3. TEXPERS Annual Conference
April 16-18, 2018

4. Siguler Guff Annual Meeting
April 25-26, 2018
5. Institutional Investor Public Funds Roundtable
April 25-27, 2018
6. Carlson Capital Annual Meeting
April 30 – May 1, 2018

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

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

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

Pension Applications

1. A 23 year, 9 month service pension for Fire Engineer Deborah Mae Foster, effective February 1, 2018.
2. A 28 year, 1 month service pension for Police Lieutenant Brian Lamar Head, effective February 1, 2018.
3. A 21 year, 10 month service pension for Police Officer Vincent M. Sanchez, effective February 1, 2018.
4. A 27 year, 3 month service pension for Police Officer William Edward Nuernberg, effective February 3, 2018.
5. A 31 year, 7 month service pension for Fire Engineer Martin Conner, III, effective March 1, 2018.
6. A 31 year, 5 month service pension for Detective Investigator Margaret G. Gonzalez, effective March 1, 2018.

Beneficiary Pensions

1. A lump sum death benefit to the Estate of Retired Fire Lieutenant Caryl L. Paulson, effective December 4, 2017.

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

At this time, Chairman Trevino moved to the Disability Committee Report.

DISABILITY COMMITTEE

1. A disability pension that was previously reduced for Retired Police Officer John C. Huizar, to be reinstated, effective February 1, 2018.

Mr. Pearson reported that the Disability Committee met on February 13th to review a request from disability pensioner, John Huizar, to have his original pension reinstated. Mr. Pearson reported that Mr. Huizar had his pension reduced in 2016 due to the outside income he was earning. The Committee reviewed his request and confirmed that he is retiring from his current job.

As such, he will no longer be receiving outside income and, therefore, the Pension Fund has no cause to continue to reduce his original disability pension. Therefore, the Committee recommends the Board re-instate Mr. Huizar's disability pension plus any COLAs he would have received effective February 1, 2018. Mr. Pearson then made a motion on behalf of the Committee to approve reinstating Mr. Huizar's original pension. The motion was seconded by Vice Chairman Smith. After some discussion, the motion carried, with Mr. Griffin opposed.

**EXECUTIVE
DIRECTOR
REPORT:**

TEXPERS DELEGATE FORM

Mr. Schott provided the Board with a copy of the TEXPERS Delegate Form and requested Board provide staff with the names of those to be placed on both the delegate and alternate list. He stated the deadline to submit the list is March 16, 2018.

Mr. Reed made a motion that Official Delegates be Larry Reed, Dean Pearson, J. T. Trevino, Jimmy Foster, Warren Schott, and Michael Trainer; and that Alternate Delegates be Bart Moczygemba, Mark Gremmer, Gail Jensen, Clayton Perry, and Cruz Shaw. The motion was seconded by Mr. Pearson, and it carried unanimously.

2017 FIRE PLAQUE PRESENTATION – MARCH BOARD MEETING

Mr. Schott informed the Board that the 2017 Fire Retiree plaque presentation will be held during the March 28th Board meeting. There are approximately 31 retirees who have been invited to the presentation.

13TH CHECK UPDATE

Mr. Schott informed the Board that the updated investment return for 2017 is 14.0%. He noted that there are still numerous investment strategies that have not yet reported their audited investment returns for December, so no decision can be made on the 13th Check. He will provide updated information to the Board at the March Board Meeting.

ADVISOR NEWSLETTER

Mr. Schott reported that Staff is currently working on its next Advisor Newsletter. He requested that any Board Members wishing to submit articles for inclusion in the Newsletter do so by March 9th.

FINANCIAL DISCLOSURE FORMS

Mr. Schott reminded the Board that Financial Disclosure Forms for reporting period 2017, are due March 31, 2018.

POLICE CADET CLASS 2017-C BRIEFING – MARCH 8, 2018 @ 12:30 PM

Mr. Schott informed the Board that a Police Cadet Briefing has been scheduled for March 8th at 12:30 p.m.

He also stated he had just received notice of a Fire Cadet Briefing, scheduled for March 6 at 2:00 p.m.

Mr. Griffin left the meeting at 10:22 a.m.

FINANCIAL REPORT FOR PERIOD ENDING DECEMBER 31, 2017

Mr. Gremmer reported that the Statement of Net Plan Assets for the period ending December 31, 2017 were \$3,178,008,935.84.

**COMMITTEE
REPORTS:**

PERSONNEL/AUDIT COMMITTEE

Vice Chairman Smith reported the Personnel/Audit Committee did not have a meeting this month. The Committee still plans to receive the Annual Audit and Actuarial Valuation Report at the Committee Meeting on June 26th and then approve them at the Board Meeting on June 27th.

LEGISLATIVE COMMITTEE

Vice Chairman Smith reported that the Legislative Committee met a couple of weeks ago to begin discussions on the 2019 Legislative Session. Mr. Schott began the meeting by giving the Committee the projected Funding Level as of December 2017. He is expecting that Funding Level to be 89% with a 12-year amortization period. The Committee will get the official number from the actuary at the June Board Meeting.

Next, the Committee reviewed the current Funding Policy that was approved by the Board in 2015. The Funding Policy states the Fund cannot make any benefit improvements if those improvements cause the Funding Level to drop below 90%. Because the Funding Level is currently expected to be 89%, we would not meet the criteria to make benefit improvements this Legislative Session. However, since it has been almost 10 years since the current Pension Fund Law was passed, there are numerous language changes that are needed for clarification purposes or to comply with IRS Code. As such, the majority of the meeting was spent reviewing these language changes. There were approximately 20 sections of the Law that needed changes or clarification. None of these changes has a cost associated with them, so they are not in conflict with our Funding Policy.

The Committee has scheduled another meeting for March 19th at 9:00 a.m. to review the changes that were recommended at the previous meeting.

Vice Chairman Smith stated pre-filing of bills does not begin until November, so the Committee has plenty of time to get the language changes reviewed, approved, and in bill-format.

INVESTMENT COMMITTEE

Mr. Reed stated the Investment Committee held a meeting on Wednesday, February 21, 2018.

The first item on the agenda was the finalists' presentations for the ongoing domestic equity large cap value search. Representatives from Barrow, Hanley, Mewhinney, & Strauss; Bridgeway Capital Management; Cooke & Bieler; and The London Company of Virginia presented their firms' capabilities. The Investment Committee recommends the following:

- Allocating \$75 million to Cooke & Bieler Large Cap Value
- Allocating \$75 million to The London Company of Virginia Income Equity

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

To fund the previously mentioned allocations, the Investment Committee recommends the following:

- Terminating the NTAM Russell 1000 Value index
- Terminating C.S. McKee Large Cap Value Equity

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

Mr. Reed reported the Committee also discussed the Fund's consulting contracts with Attucks and NEPC. Mr. Reed made a motion to table any action on these contracts until the next meeting. Vice Chairman Smith seconded the motion, and it carried unanimously. Therefore, no action was taken.

The next item on the agenda was a discussion on a re-up opportunity with GoldenTree Asset Management. GoldenTree is raising its third distressed debt fund, GoldenTree Distressed Fund III. The manager is targeting a \$1.75-2 billion fund size to invest in distressed debt in US and Europe based companies. The Investment Committee recommends committing \$20 million to GoldenTree Distressed Fund III.

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

The next item on the agenda was a discussion with Staff about a potential co-investment policy. Staff presented the pros and cons of a co-investment program. Ultimately, the Investment Committee decided to not implement a co-investment policy.

The final item on the agenda was a discussion on the bi-annual Investment Committee workshops. Due to the growth of the Pension Fund and the large number of managers, Staff felt that the workshops are no longer as informative for the Committee. As such, the Staff recommended the

Committee discontinue the workshops. The Committee concurred and directed Staff instead to invite individual investment managers to future Investment Committee meetings as necessary.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

President Foster reported the Board of Directors of the Property Holding Corporation did not meet this month but has scheduled a meeting for Monday, March 19th immediately after the Legislative Committee Meeting to discuss several items.

The Corporation needs to review and approve the appraisals that were performed on the Fund's three buildings, as well as receive an update on our leasing progress. The Corporation will also be discussing a real estate development project as a possible investment. The Corporation will discuss the pros and cons of this investment.

Staff continues to work with the Fund's space planner to determine how much space will be needed for expansion into the adjacent space. They will be providing the Corporation with options regarding the layout of the offices.

DISBURSEMENTS: Mr. Reed made and Mr. Pearson seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated January 31, 2018).

**MEMBERS TO
BE HEARD:**

Mr. Michael Trainer, Pensioner's Association President informed the Board that the Association is supporting both Representative Flynn and Alonzo in the upcoming Primary Elections.

ADJOURNMENT: Secretary Williams made a motion to adjourn the meeting at 10:53 a.m. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON MARCH 28, 2018.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman