

**Minutes of the
Regular Meeting of the
Board of Trustees of the
Fire and Police Pension Fund Board of Trustees
11603 W. Coker Loop, Suite 201
San Antonio, Texas
February 28, 2023**

PRESENT: Chairman Dean Pearson, Fire Representative; Amanda Viera, Police Representative; Harry Griffin, Police Retiree Representative; Larry Reed, Fire Retiree Representative; Councilwoman Melissa Cabello Havrda; Mayoral Designee Justin Rodriguez.

ABSENT: Shawn Griffin, Fire Representative; Secretary Councilwoman Dr. Adriana Rocha Garcia.

OTHERS

PRESENT: Warren Schott, Mark Gremmer, Cary Hally, Gail Jensen, Rick Matye, Nancy Ybarra, Pension Fund Staff; Frank Burney, Martin & Drought.

ROLL CALL: At 9:31 a.m., Chairman Pearson called the meeting to order. Roll was called, and a quorum was declared present.

All in attendance were asked to rise for the Pledge of Allegiance, led by Mr. H. Griffin.

RESOLUTION

PRESENTATION: Chairman Pearson then read the Resolution to be presented to Councilman Clayton H. Perry, at the March Board Meeting:

WHEREAS, CLAYTON H. PERRY, Trustee of the Fire and Police Pension Fund of San Antonio, Texas, is ending his service with this Board as of November 14, 2022, and;

WHEREAS, CLAYTON H. PERRY has served with distinction as a member of the Board since December 20, 2017, and;

WHEREAS, the market value of the Fund in December 2017, was \$3.1 billion, and in November 2022, the Fund had grown to \$3.6 billion, and;

WHEREAS, CLAYTON H. PERRY is recognized as a true fiduciary of the Fund, whose knowledge of investments has been most instrumental in guiding the Pension Fund during his term, and;

WHEREAS, CLAYTON H. PERRY has displayed exceptional leadership and unmatched dedication in the pursuit of superior Pension Fund investment returns, administrative efficiency and stability of operations, and;

WHEREAS, the Fund's success has been due, in large part, to *CLAYTON H. PERRY'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 COUNCILMAN CLAYTON H. PERRY, TRUSTEE OF THE BOARD, for his invaluable contribution to the Fund in enhancing the market value of the Fund and increasing benefits to its members, while preserving the integrity and stability of the Fund.

2. That CLAYTON H. PERRY is 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 long-term friend of the Fund.

4. That the original of this Resolution, duly subscribed by all members of the Board, be presented to CLAYTON H. PERRY as an official expression of the sentiments set forth above, and that a copy be spread in full upon the minutes of the Board as a permanent and official expression of the sincere appreciation herein expressed.

Signed this 28th day of February, 2023

Mayoral Designee Rodriguez moved to approve the resolution for Mr. Perry. The motion was seconded by Mr. Reed and it carried unanimously.

The Board then recessed to Executive Session at 9:35 a.m. pursuant to Texas Govt. Code §551.071, and reconvened at 9:51 a.m.

**OATH OF
OFFICE:**

Chairman Pearson administered the following Oath of Office to Patrolman Amanda Viera:

I, Amanda Viera, hereby elected by the Active Police members of the Fire and Police Pension Fund, San Antonio to serve as a Trustee of such Fund, do solemnly swear: that I will faithfully execute the duties of my office, recognizing the fiduciary standards that are a fundamental trust, duty and responsibility; that I will serve in this capacity exclusively for the benefit of the plan participants and their beneficiaries; that I have not directly or indirectly paid, offered, promised to pay, contributed, or promised to contribute any money or thing of value, or promised any public office or employment for the giving or withholding of a vote at the election at which I was elected; that I will, to the best of my ability, preserve, protect, and

defend the Constitution and laws of the United States and of this State, so help me God.

MINUTES: Mr. Reed moved to approve the minutes of the Regular Board Meeting of January 31, 2023. The motion was seconded by Councilwoman Cabello Havrda, and the motion carried unanimously.

**EDUCATIONAL
OPPORTUNITIES**

Mayoral Designee Rodriguez moved to authorize Board members and appropriate staff to attend the following conferences:

1. Texpers Annual Conference
April 2-5, 2023
2. IREI Real Estate Conference
April 18-20, 2023
3. Merit Energy Annual Meeting
April 20, 2023
4. Siguler Guff Annual Conference
April 26-27, 2023

The motion was seconded by Mr. Reed. The motion carried unanimously.

**APPLICATIONS
AND REFUND OF**

CONTRIBUTIONS: Councilwoman Cabello Havrda made a motion to approve the following Service Pension Applications, Beneficiary Applications and Refund of Contributions:

Service Pensions

1. A 27 year, 3 month service pension for Police Officer Roman De Leon, Jr., effective February 1, 2023.
2. A 22 year, 5 month service pension for Fire Engineer Robert S. Despain, effective February 1, 2023.
3. A 29 year, 8 month service pension for Police Sergeant Anastacio G. Hernandez, effective February 1, 2023.
4. A 27 year, 5 month service pension for Fire Captain Rene Roger Lopez, effective February 28, 2023.
5. A 27 year, 6 month service pension for Police Officer Wade N. McLeroy, Sr., effective March 1, 2023.

6. A 27 year, 7 month service pension for Police Officer Dee Wayne Smith, effective May 1, 2023.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Patricia A. Carpenter, widow of retired Police Detective Harry K. Carpenter, effective October 10, 2022.
2. A beneficiary pension for Mrs. Ana P. Gomez, widow of retired Police Detective Salvador B. Gomez, effective January 28, 2023.
3. A beneficiary pension for Mrs. Evelyn F. Kyrisch, widow of retired Fire Engineer Emery Kyrisch, Jr., effective February 11, 2023.

Refund of Contributions

1. A 17 year, 8 month refund of contributions for Fire Engineer Barry W. Uhr, effective March 22, 2020.
2. A 2 year, 4 month refund of contributions for Police Officer James W. Nicholson, effective January 28, 2021.
3. A 5 year, 6 month refund of contributions for Fire Fighter Christopher Kent, effective February 10, 2023.

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

EXECUTIVE DIRECTOR REPORT:

TRUSTEE ELECTION SCHEDULES

Mr. Schott reminded the Board that the terms for the Active Duty Police Representative position, the Active Duty Fire Representative position and the Retired Police Trustee position will expire May 31, 2023 and the election notices will be mailed out March 1, 2023. Candidate filing will be held in the Pension Fund Office March 13-17th, and ballots will be mailed out March 31st.

TEXPERS CERTIFICATION OF DELEGATES

Mr. Schott informed the Board that the Pension Fund needed to select its official delegates for the TEXPERS Members meeting. After discussion, Mr. H. Griffin made a motion to appoint the following delegates: Harry Griffin, Amanda Viera, Mike Trainer, Warren Schott, Cary Hally, and Mark

Gremmer; and the following alternate delegates: Giovanni Nunez and Wesley Levanduski. The motion was seconded by Mayoral Designee Rodriguez, and it carried unanimously.

13TH CHECK UPDATE

Mr. Schott provided the Board with an unofficial analysis of the 13th Check. Because the 5-year historical investment return performance was less than 1% above the actuarial assumption rate, the Board does not have the discretion to issue a 13th Check for 2022.

FINANCIAL DISCLOSURE STATEMENTS

Mr. Schott reminded the Board that the annual Financial Disclosure Forms for the 2022 reporting period are due March 31, 2023.

BRIEFING ON HISTORICAL DATA - RETIREMENTS AND REFUND OF CONTRIBUTIONS

Mr. Schott provided the Board a report showing the number of fire and police members who had separated from service, whether through retirement or otherwise.

MONTHLY FINANCIAL PLANNING SEMINAR – ATTENDANCE NUMBERS

Mr. Schott provided the Board a report showing the number of attendees at the Pension Fund's monthly Financial Planning Seminars.

FINANCIAL REPORTS FOR PERIOD ENDING DECEMBER 31, 2022

The Statement of Net Plan Assets for the period ending January 31, 2023, were \$3.67B.

COMMITTEE REPORTS:

PERSONNEL/AUDIT COMMITTEE

Mr. H. Griffin reported the Personnel/Audit Committee met last week to review the responses to the RFP for Auditing Services. The Pension Fund received four qualified responses from national auditing firms. Deputy Director Mark Gremmer briefed the Committee regarding the responses, and he noted that Staff recommended remaining with BDO as the Pension Fund's outside audit firm. General Counsel Gail Jensen informed the Committee that BDO's response appeared to have resolved the outstanding

contract issues. After discussion, the Committee concurred with staff's recommendation and voted unanimously to recommend the Board engage BDO to conduct this year's Annual Audit. Mr. H. Griffin made a motion on behalf of the Committee to approve the recommendation, the motion was seconded by Mayoral Designee Rodriguez, and it carried unanimously.

DISABILITY COMMITTEE

Mr. H. Griffin reported the Disability Committee did not meet this month and there are no disability pension applications pending.

LEGISLATIVE COMMITTEE

Mayoral Designee Rodriguez reported the Legislative Committee did not meet this month, but he did have an update on the progress of the Pension Fund Bill. He reminded the Board that Representative Allison had submitted the Bill to Legislative Council. The Bill came out of Legislative Council and was officially filed in the House last week as HB 2649. Unfortunately, Legislative Council made numerous changes to the Bill, some of which were material and will need to be fixed. We have informed Representative Allison and he will file a Committee Substitute. On the Senate side, Senator Campbell decided not to file our Bill. We reached out to Senator Menendez, and he has agreed to file it in the Senate, and in fact, has already done so. It has been given bill number SB 1207. Senator Menendez is also aware that a substitute will need to be filed. We will keep you posted as our Bill moves through the legislative process.

Mayoral Designee Rodriguez left the meeting at 10:16 a.m.

INVESTMENT COMMITTEE

Vice Chairman Reed reported the Investment Committee met on Wednesday, February 22nd. The first item on the agenda was a presentation from one of our real asset managers, Merit Energy Company. Merit was founded in 1989 and focuses on acquiring and developing high-quality, mature, producing long-life oil and gas assets. In 2014, the Pension Fund committed \$10 million in Merit Energy Partners I ("MEP I"). As of 9/30/2022, Fund I has a market value of approximately \$11.59 million with a net internal rate of return ("IRR") of 10.7%. Merit is currently raising MEP L and expects to hold its final close this summer. No action was taken.

The next agenda item was a quarterly performance update by our general and private markets consultant, NEPC. As of year-end 2022, the Pension Fund's market value is approximately \$3.5 billion, and the 1-year return is -11.6%. For the year, the Pension Fund's total equity composite returned -20.6% and the total fixed income composite returned -8.9%. During the

presentation, NEPC reviewed the broad market environment and noted the S&P 500 and BBG U.S. Aggregate Bond index returned -18.1% and -13.0% for the year, respectively. NEPC suggested looking at other international equity managers to compare them with the Pension Fund's current managers in the space given the strategies of the current managers and current market dynamics. Discussions arose regarding the liquidation processes of Altum Credit Fund, a credit hedge fund that was previously in the discontinued Emerging Manager Program, and DaVinci, a reinsurance product that was originally in the discontinued hedge fund program. No action was taken.

Next, NEPC reviewed the Pension Fund's current asset allocation mix. During the presentation, NEPC discussed their economic outlook, investment themes, and 10-year expected return assumptions for a variety of asset classes. NEPC covered their views on stagflation and recession trends, the European energy transition, China's reopening, and the U.S. dollar trajectory. Due to the rapid increase of interest rates, NEPC remains highly committed to U.S. large-cap value equities and recommends holding high quality short-term credit. NEPC's expected return assumptions and the Pension Fund's 5% policy target to emerging market debt was a key topic. After discussions, the Investment Committee voted to recommend that the Board adjust its asset allocation to eliminate the 5% policy target to emerging market debt; to increase the private equity policy target from 7% to 8%; to increase the real estate policy target from 7% to 9%; and to increase the core fixed income policy target from 5% to 7%. Mr. Reed made a motion on behalf of the Committee to approve the recommendation. The motion was seconded by Mr. H. Griffin, and it carried unanimously.

As a result of the recommended asset allocation target changes, the Investment Committee recommended to the Board to terminate the Wellington Opportunistic Emerging Market Debt strategy. Mr. Reed made a motion on behalf of the Committee to approve the recommendation, the motion was seconded by Councilwoman Cabello Havrda, and it carried unanimously.

Staff and NEPC will present updated private market pacing plans and options to increase core fixed income exposure at a future Investment Committee meeting. No further action was taken.

The fourth item on the agenda was an update regarding potential re-up opportunities. Staff closely monitors the performance of private market managers in the portfolio and regularly tracks the expected launch of subsequent funds. Staff presented the re-up opportunities expected throughout 2023. As the year progresses, staff will provide periodic updates regarding re-up opportunities. No action was taken.

Next, the Investment Committee discussed the Beach Point Capital Opportunities Fund V (“BPC V”) re-up commitment opportunity. Fund V is an all-weather, multi-strategy credit fund which will invest primarily in middle-market credit opportunities, special situations investments, private debt, and distressed debt. Investments will target companies that lack access to capital, companies in dislocation or under stress, and companies close to or experiencing financial distress, bankruptcy, or restructuring pressure. The Pension Fund previously invested in Fund IV. As of September 30th, 2022, the net IRR and net total value to paid-in capital are 15.0% and 1.19x, respectively. Historically, the Beach Point funds have met their return targets and rank in the second and first quartile in terms of distribution to paid-in capital. After discussions, the Investment Committee voted to recommend to the Board to commit \$25 million to the Beach Point Capital Opportunities Fund V. Mr. Reed made a motion on behalf of the Committee to approve the recommendation, the motion was seconded by Ms. Viera, and it carried unanimously.

Finally, the Investment Committee discussed the Bloomfield Capital Income Fund V – Series C re-up commitment opportunity. Bloomfield provides mostly senior, fully secured, short-term bridge loans to real estate partners in multiple sectors and states. The Pension Fund has committed to Bloomfield Capital Income Fund III and Fund V – Series A. Fund III is in its wind-down phase and has a net IRR of 11.2%, as of September 30th, 2022. Fund V utilizes a Series LLC legal structure, with funds automatically rolling over from one series to the next. In addition to the automatic rollover, the Series LLC structure also poses several unique legal challenges. As a result, before the formation of Series B in the Fund, the Board elected to withdraw from Fund V, although some funds had already been rolled over into Series B and are currently in the “lock-up” phase of that series. As you will recall, during the August 2022 Investment Committee meeting, representatives from Bloomfield discussed the upcoming launch of Fund V – Series C and referenced pending changes to the legal documents intended to make the Fund structure more favorable for the Pension Fund. During the Committee meeting, the Pension Fund’s Chief Investment Officer, Cary Hally, provided an overview of the business and investment provisions of Fund V that are unusually “GP-friendly”. General Counsel, Gail Jensen, also briefed the Committee regarding Bloomfield’s changes to the legal documents. She noted that while the changes exempted the Pension Fund from the automatic rollover provision, there were still several legal concerns because of the Fund’s Series LLC structure. While historical Bloomfield returns have met expectations, the Investment Committee took no action.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

Chairman Pearson reported the Property Holding Corporation did not meet this month; however, a meeting will be scheduled in March to get an update

on the sale of the two Shavano Buildings and make a decision on how to proceed. CBRE has informed staff that they are still waiting on a couple of interested buyers. While they do not expect the offering prices to be in our target range, they do not want to make any decisions until they have received the offers. As mentioned last month, CBRE has advised that if these buyers fall through, the best course of action would be to pull the buildings from the market until the lending environment is more favorable.

DISBURSEMENTS: Mr. H. Griffin made a motion to approve the disbursements for January 2023. Councilwoman Cabello Havrda seconded the motion, and it was approved unanimously.

**MEMBERS TO
BE HEARD:** None.

ADJOURNMENT: Mr. Reed made a motion to adjourn the meeting at 10:28 a.m. The motion was seconded by Councilwoman Cabello Havrda, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON March 28, 2023.**

Dean Pearson, Chairman

ATTEST:

Councilwoman Dr. Adriana Rocha-Garcia, Secretary