

**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
May 29, 2019**

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

ABSENT: None.

**OTHERS
PRESENT:** Warren Schott, Mark Gremmer, Gail Jensen, Rick Matye, Cary Hally, Jason Hsu, Beatrice Ahrens, 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. Codes §551.071; §551.078; §551.0785 and reconvened at 9:15 a.m.

**ELECTION OF
OFFICERS:** Chairman Trevino made a motion to appoint Jim Smith as Chairman. The motion was seconded by Mr. Reed, and it carried unanimously.

Chairman Smith then made a motion to appoint Dean Pearson as Vice Chairman. The motion was seconded by Mr. Trevino, and it carried unanimously.

Mr. Trevino then made a motion to appoint Councilman Clayton Perry as Secretary. The motion was seconded by Chairman Smith, and it carried unanimously.

At this time, the Board moved to Item G, to discuss the following beneficiary pensions:

1. A line of duty beneficiary pension for Mrs. Krishna M. Weltens, widow of Active Fire Lieutenant Max Weltens, Jr., effective July 28, 2018.
2. A line of duty beneficiary pension for Aidan K. Weltens, dependent of Active Fire Lieutenant, Max Weltens, Jr., effective July 28, 2018, guardianship pending.
3. A line of duty beneficiary pension for Anisa T. Weltens, dependent of Active Fire Lieutenant, Max Weltens, Jr., effective July 28, 2018, guardianship pending.

4. A line of duty beneficiary pension for Andre Weltens, dependent of Active Fire Lieutenant, Max Weltens, Jr., effective July 28, 2018, guardianship pending.

Mrs. Krishna Weltens was present, along with her brother Jacob Vanderzee, and Fire Captain Jennifer Chadwick both with the San Antonio Fire Department.

Councilman Perry left the meeting at 9:45 a.m.

Mayoral Designee Rodriguez left the meeting at 10:05 a.m.

After receiving information presented and much discussion, Mr. Trevino made a motion to approve a line of duty death benefit for all of the above. The motion was seconded by Vice Chairman Pearson. The following votes were then taken:

Mr. Trevino – yes
Chairman Smith – no
Mr. Foster – no
Mr. Griffin – no
Councilman Art Hall – no
Vice Chairman Pearson – yes
Mr. Reed – yes

The motion failed 3 to 4.

Councilman Hall left the meeting at 10:36 a.m.

MINUTES: Mr. Griffin moved to approve the minutes of the regular board meeting held April 24, 2019. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

PRESENTATIONS: Mr. Hally provided a report on the Merit Energy Annual Meeting that he and Mr. Hsu attended. Mr. Trevino provided a report on the Siguler Guff Meeting and Marcus Evans Real Estate Investors Summit he attended. Mr. Hsu provided a report on the Covenant Annual Meeting he attended. Mr. Foster provided a report on the SALT Hedge Fund Conference that he and Chairman Smith attended.

Copies of their reports are attached to the May 29, 2019 minutes.

EDUCATIONAL

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

1. Opal Public Funds Summit East
July 22-24, 2019
2. KORIED Global Summit
July 10-12, 2019

The motion was seconded by Vice Chairman Pearson, and the Motion passed unanimously.

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

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

Pension Applications

1. A 32 year, 7 month service pension for Fire Engineer Andrew S. Cortez, effective May 1, 2019.
2. A 31 year, 2 month service pension for Detective Investigator Jerald Keif, effective May 1, 2019.
3. A 30 year, 1 month service pension for Firefighter Brenton A. Moore, effective May 1, 2019.
4. A 20 year, 11 month service pension for Police Officer Jason J. Briseno, effective May 18, 2019.
5. A 32 year, 5 month service pension for Fire Captain Raul Chapa, effective June 1, 2019.
6. A 32 year, 5 month service pension for Fire Engineer Darryl G. Hitchings, effective June 1, 2019.
7. A 24 year, 8 month service pension for Police Sergeant Phillip Wayne Misek, effective June 1, 2019.
8. A 30 year, 8 month service pension for Police Officer John F. Sherrill, effective June 1, 2019.
9. A 31 year service pension for Detective Investigator Milton R. Wiggs, III, effective June 1, 2019.
10. A 25 year, 1 month service pension for Fire Lieutenant Michael Karl Young, Jr., effective June 1, 2019.
11. A 29 year, 5 month service pension for Police Officer Arthur F. Garro, effective June 4, 2019.

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

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

Beneficiary Pensions

1. A beneficiary pension for Mrs. Deborah Orozco, widow of Retired Firefighter Lawrence E. Orozco, effective April 3, 2019.

2. A beneficiary pension for Mrs. Zerna Patricia Donovan, widow of Retired Firefighter Ruben R. Donovan, effective May 4, 2019.
3. A lump sum death benefit for Mrs. Mary Rodriguez, widow of Retired Police Sergeant Pedro T. Rodriguez, effective May 9, 2019.

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

Mr. Foster made a motion to approve the following refund of contributions:

Refund of Contributions

1. A 7 year, 8 month refund of contributions for Police Officer Oliver Flaig, effective April 11, 2019.
2. A 10 year, 11 month refund of contributions for Police Officer Stephen Melton, effective April 12, 2019.
3. A 17 year refund of contributions for Firefighter Gary William Armstrong, effective April 20, 2019.
4. A 7 year, 10 month refund of contributions for Firefighter Jaime R. Alvarez, effective April 24, 2019.
5. A 1 year, 1 month refund of contributions for Police Officer Martin Thomas Fahey, effective May 6, 2019.

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

Disability Pension

1. A second hearing for a disability pension for Police Officer Rachelle Bradley.

Vice Chairman Pearson made a motion to approve sending Officer Bradley to a neurologist for further evaluation. The motion was seconded by Mr. Reed, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:**

POLICE CADET CLASS 2018-D – GRADUATION MAY 17, 2019

Mr. Foster made a motion to approve Police Cadet Class 2018-D into the membership. Mr. Trevino seconded the motion, and it carried unanimously.

INVESTMENT ANALYST POSITION

Mr. Schott stated that Mr. Hally has interviews scheduled next week with three applicants for the vacant position, and will keep the Board posted on the status of this position.

FINANCIAL REPORT FOR PERIOD ENDING APRIL 30, 2019

The Statement of Net Plan Assets for the period ending April 30, 2019 were \$3,239,086,952.97.

**COMMITTEE
REPORTS:****PERSONNEL/AUDIT COMMITTEE**

Mr. Griffin stated the Personnel/Audit Committee did not meet this month. He reminded the Board that a few months ago, the Board hired Cohen Milstein to review its current Standards of Conduct and ethics policies to ensure they are consistent with Best Practices. He stated Cohen Milstein has completed its review and will be presenting its recommendations at the next Personnel/Audit Committee meeting scheduled for Friday, May 31st at 9:30 a.m. The Committee will then provide the Board a summary of the Review's conclusions and any recommendations at the June Board Meeting.

Mr. Griffin stated the Committee is also having an Audit Committee Meeting on Tuesday, June 25th to receive the Annual Audit and Actuarial Valuation Report. The meeting will be at 2:30 p.m. at the Pension Fund Office. The auditors and actuary will be in attendance to present their reports. They will also attend the Board Meeting the following day to provide the Board a summary report.

LEGISLATIVE COMMITTEE

Chairman Smith stated that the Fund's proposed legislative bill is dead. He reported that the Bill made it successfully through the House, thanks to the significant efforts of Representative Gervin-Hawkins, but no Senator would carry it in the Senate because of the Fire Union's opposition.

He noted that the Fund appears to be in a Catch 22: If the Fund does not add benefits to any legislative package, the Fire Union will oppose it; and if the Fund does add benefits, the City will oppose it. The Committee will reconvene in January 2020 to review its options.

INVESTMENT COMMITTEE

Mr. Trevino stated that the Investment Committee met on Wednesday, May 22nd.

The first item on the agenda was presentations from the finalists of the core bond search. As a reminder, the Fund's asset allocation was modified in March to remove the Risk Parity Allocation and add a 5% target to core

bonds. This Search was conducted to hire the core bond manager. Representatives from the two finalists, Garcia Hamilton & Associates and Prudential Investment Management, presented their capabilities to the Committee. The Investment Committee recommended a 5% allocation to Garcia Hamilton & Associates Fixed Income Aggregate Fund. Mr. Trevino then made a motion to approve. The motion was seconded by Chairman Smith. The motion passed 6 to 1, with Mr. Griffin opposed.

The next item on the agenda was presentations from the finalists of the private equity co-investment search. Representatives from HarbourVest and Ocean Avenue presented their capabilities. The goal of this search was to hire two managers, which would bring the Fund closer to its pacing schedule targets. The Investment Committee recommended committing \$20 million to HarbourVest Partners Co-Investment Fund V and \$20 million to Ocean Avenue Fund IV. Mr. Trevino then made a motion to approve. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

The next item on the agenda was a presentation from NEPC to go over the Fund's first quarter performance. The year got off to a strong start, earning the Fund a 6.1% return quarter-to-date. That brought the Fund's 1-year return to a positive 1.7%. The Pension Fund's total assets sit at approximately \$3.15 billion, which is about \$150 million more than where it was at the end of Q4 2018.

The next item on the agenda was a discussion on rebalancing the portfolio to help fund the Pension Fund's international equity transitions as well as provide needed liquidity. As a reminder, the Fund's international portfolio underwent a transition away from its value tilt to a more balanced approach. The Investment Committee recommended redeeming \$65 million from our Russell 1000 Core index fund. Mr. Trevino then made a motion to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

Additionally, the Investment Committee recommended redeeming \$25 million from the Fund's risk parity investment with AQR to its main Cash Account for future liquidity needs. Mr. Trevino then made a motion to approve. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

The next item on the agenda was a discussion on a potential additional allocation to the Fund's reinsurance hedge fund, DaVinci. Based on the Fund's allocation size, the Fund may purchase approximately \$3.4 million worth of shares. Even with recent weather-related natural disasters, the Fund's investment with DaVinci has achieved an annualized 6.92% net return. Furthermore, the Fund's hedge fund consultant, Albourne, recommended taking the full allocation. The Investment Committee recommended adding an additional \$3.4 million to our investment with DaVinci. Mr. Trevino then made a motion to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

The final item on the agenda was a discussion regarding the three buildings owned by the Fund's property holding corporation. Following discussions from prior Property Holding Corporation meetings, staff presented a performance comparison of the buildings versus the core real estate managers the Fund is invested in. With regards to Shavano Park III and IV, both buildings trailed the Fund's core managers and the ODCE index on an unlevered basis by a meaningful amount. After discussions with the Fund's real estate property management company, Sullivan Commercial, the Committee asked Sullivan to create a report that would show the returns if leverage was added to the buildings.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

President Foster reported that the Board of Directors of the Property Holding Corporation met this month to get an update on the leasing, office expansion and tax protests. Due to the legal nature of the tax protests, that discussion was held in Executive Session.

Sullivan Commercial provided a leasing update regarding the three buildings. The 40,000 square foot Shavano IV Building is 100% leased. For the 60,000 square foot Shavano III Building, there is approximately 7500 square feet available, and Sullivan is working with several potential tenants for that space. For the Parkway Center Building, the tenant improvements for Datamark were completed and they have started moving into the space downstairs. There is still approximately 24,000 square feet available upstairs that Sullivan is actively marketing.

Regarding the Pension Fund office expansion, the Corporation discussed the finish on the new wood floors in the entryway. It was decided to have the shiny finish removed, so that the floors would be returned to the original finish. Sullivan will get this done over a weekend so that Pension Fund Office business is not disrupted. Staff also provided the Board with a cost estimate for pictures in the new space. If the same motif of City Landscapes is continued in the expansion space, it would cost approximately \$16,000. The Corporation decided to hold off for now and discuss other options at its next meeting.

AD HOC OCCUPATIONAL DEATH BENEFIT COMMITTEE

No report.

DISBURSEMENTS: Mr. Reed made and Vice Chairman Pearson seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated May 29, 2019.)

MEMBERS TO BE HEARD:

Chairman Smith thanked the Board for the opportunity to serve as Chairman of the Board.

Mr. Reed thanked Mr. Trevino for his service as Chairman stating he had done a terrific job.

ADJOURNMENT: Mr. Reed made a motion to adjourn the meeting at 11:40 a.m. The motion was seconded by Mr. Trevino, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON JUNE 26, 2019.**

Jim Smith, Chairman

ATTEST:

Dean Pearson, Vice Chairman