

**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  
June 26, 2020**

**PRESENT:** Chairman Jim Smith, Police Representative; Vice Chairman Dean Pearson, Fire Representative; Mayoral Designee Justin Rodriguez; Vance Meade, Fire Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative.

**ABSENT:** Secretary Councilman Clayton Perry; Jimmy Foster, Police Representative; Councilwoman Dr. Adriana Rocha Garcia.

**OTHERS  
PRESENT:**

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

At 9:00 a.m., Chairman Smith 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 Gov. Code §551.071, and reconvened at 10:03 a.m.

Mayoral Designee Justin Rodriguez arrived at 9:22 a.m.

**MINUTES:** Vice Chairman Pearson moved to approve the minutes of the regular board meeting of May 27, 2020. The motion was seconded by Mayoral Designee Rodriguez, and it carried unanimously.

At this time, Chairman Smith requested receipt of the Personnel/Audit Committee Report.

**PERSONNEL/AUDIT COMMITTEE**

Vice Chairman Pearson reported the Personnel/Audit Committee held a meeting on June 25<sup>th</sup> to receive the Annual Audit and the Actuarial Valuation Reports. Both the auditors and actuaries had presented their reports (telephonically) to the Committee.

Vice Chairman Pearson noted the auditors and actuaries also were available via telephone at the Board Meeting to provide their reports directly to the Board. At this time, Mr. Rocky Joyner of Segal Consulting was called and presented the Actuarial Valuation Report dated January 1, 2020. Mr. Reed made a motion on behalf of the Committee to accept the report as presented. Mr. Griffin seconded the motion, and it carried unanimously.

Next, Mr. J.R. Vogel of BDO was called to provide the report of the Annual Audit. Vice Chairman Pearson then made a motion on behalf of the Committee to accept the report as presented. The motion was seconded by Mayoral Designee Rodriguez, and it carried unanimously.

**EDUCATIONAL**

**OPPORTUNITIES:** The Chairman noted that the Texpers Annual Conference had been cancelled so no action on this item was needed.

**APPLICATIONS,  
ADJUSTMENTS  
AND REFUND OF**

**CONTRIBUTIONS:** Vice Chairman Pearson made a motion to approve the following pension applications, beneficiary pensions and refund of contributions:

Pension Applications

1. A 30 year, 1 month service pension for Fire Engineer Raul Calderon, effective June 1, 2020.
2. A 32 year, 7 month service pension for Fire Captain Kevin J. Campbell, effective June 1, 2020.
3. A 31 year, 2 month service pension for Police Lieutenant Charles Garcia, effective June 1, 2020.
4. A 26 year, 6 month service pension for Police Sergeant Donald R. Leonard Jr., effective June 1, 2020.
5. A 23 year, 1 month service pension for Firefighter William W. Kaiser Jr., effective June 1, 2020.
6. A 27 year, 1 month service pension for Police Detective Mark Anthony Pointon, effective June 1, 2020.
7. A 26 year, 1 month service pension for Police Detective James S. Burnette, effective June 4, 2020.
8. A 30 year, 5 month service pension for Police Officer Mathew Edward Nowak, effective June 10, 2020.
9. A 32 year, 2 month service pension for Fire Engineer Richard L. Baring, effective July 1, 2020.
10. A 29 year, 5 month service pension for Police Sergeant Curtis M. Coolidge, effective July 1, 2020.
11. A 30 year service pension for Police Sergeant Andrea H. Hardeman, effective July 1, 2020.
12. A 31 year service pension for Police Detective John Ray Saenz, effective July 1, 2020.
13. A 29 year, 5 month service pension for Police Officer Carlos A. Solis, effective July 1, 2020.
14. A 30 year service pension for Police Officer Walter J. Thompson, effective July 1, 2020.

15. A 39 year, 3 month service pension for Fire Engineer Paul V. Longoria, effective August 1, 2020.

#### Beneficiary Pensions

1. A beneficiary pension for Mrs. Sue J. McCombs, widow of Retired Police Officer Wayne A. McCombs, effective May 11, 2020.
2. A beneficiary pension for Mrs. Eddie Mae Porter, widow of Retired Police Officer Charlie C. Porter, effective May 18, 2020.

#### Refund of Contributions

1. A 14 year, 2 month refund of contributions for Police Officer John Silva effective February 17, 2020.
2. A 1 year, 6 month refund of contributions for Police Officer Treston D. Marshall, effective June 4, 2020.

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

The Board acknowledged retiring police officer Mathew Nowak, who was in attendance.

### **EXECUTIVE DIRECTOR REPORT:**

#### **EXECUTIVE ASSISTANT POSITION UPDATE**

Mr. Schott informed the Board that he had hired Nancy Ybarra to fill the vacant Executive Assistant position, and that her start date is July 1, 2020.

#### **TEXPERS ANNUAL MEETING DELEGATES**

Mr. Schott reported that because the Texpers Annual Conference had been cancelled, there was no need to elect delegates.

#### **COVID-19 IMPACT**

Mr. Schott requested that outside counsel Frank Burney, Martin & Drought, update the Board regarding the financial impact of the pandemic on the annual budget of the City of San Antonio.

#### **FINANCIAL REPORT FOR PERIOD ENDING MAY 31, 2020**

The Statement of Net Plan Assets for the period ending May 31, 2020 were \$3,151,270,587.

### **COMMITTEE REPORTS:**

#### **DISABILITY COMMITTEE**

Mr. Reed reported that the Disability Committee did not meet in June. He noted that there is one pending Regular Disability Pension Application for Fire Engineer Dawn Solinski and it is moving through the process. Engineer Solinski has completed one of her medical evaluations, and the remaining evaluation is scheduled for early July. Mr. Reed reported that once the reports have been received, the Committee will review them and provide its recommendation to the Board, most likely at the July Board Meeting.

### **LEGISLATIVE COMMITTEE**

Mr. Reed reported that the Committee met on June 25 to continue its discussions regarding the Legislative Package for the 2021 Legislative Session. Mr. Reed reminded the Board that at the March Committee Meeting, the Committee had directed Staff to draft clarification language related to the 13<sup>th</sup> and 14<sup>th</sup> check and the 30-day rule regarding Disability Applications. At the June meeting, Staff presented the draft language to the Committee, and the Committee unanimously approved adding the two additional revisions to the existing Legislative Package. Staff provided copies of the two new revisions to the Board.

Mr. Reed also reported that Staff will be bringing a final version of the Legislative Package to the next Committee Meeting for consideration, and if approved, the Committee will bring its recommendation to the Board for final approval.

Finally, Mr. Reed noted that there is still plenty of time to finalize any language changes and have them reviewed by the Associations and the City, as pre-filing of bills does not begin until November.

### **INVESTMENT COMMITTEE**

Mr. Griffin reported that the Investment Committee met on Wednesday, June 17th.

At its meeting, the Committee first discussed a request by Attucks Asset Management, the emerging manager consultant, for a fee increase. Mr. Griffin reminded the Board that in 2018, the Committee had discussed Attucks' performance and the overall performance of the emerging manager program. At that time, Attucks offered to lower their fees to \$35,000 annually, with additional charges for any searches, and that reduced fee has remained in place for nearly two years. Mr. Griffin reported that Attucks recently proposed changing from a flat fee structure to an asset-based fee structure, and charging 15 basis points of the market value of the program. Mr. Griffin noted that this would result in a proposed fee of approximately \$129,000 annually at the program's May 31, 2020 valuation (without accounting for the index fund), and approximately \$187,000 annually when the program is at its target of 4%. Mr. Griffin reported that after discussion, the Committee agreed that they preferred to continue with a flat fee arrangement, and they directed Staff

to negotiate with Attucks to get a hard dollar amount and bring the revised proposal back to the Committee.

Mr. Griffin reported that the Committee next discussed the emerging markets equity search. NEPC provided the Committee a field of 24 candidates as potential finalists, including NEPC's recommendations and staff and Board requests. During the process of narrowing the list, the Committee discussed the strengths of the candidates and the amount of return volatility the committee was willing to tolerate. In the end, the Committee decided to focus on managers with relatively lower tracking error, and they voted unanimously to conduct further due diligence on the emerging markets equity products from RBC, WCM, and Axiom International Investors.

The next item on the Committee's agenda was a proposal by Staff for the first potential commitment in the new opportunistic allocation. Mr. Griffin reminded the Board that the new asset allocation adopted by the Board earlier this year included a new investment allocation, one which had a long-term target of 0% but could be activated to take advantage of significant market dislocations. Staff proposed an investment in the Varde Dislocation Fund. Varde was a finalist in the Fund's 2019 distressed debt search, and is currently raising a fund to take advantage of the COVID-induced market downturn in the credit markets. Mr. Griffin noted that while NEPC did not assign a formal rating to this fund, NEPC had given Varde's flagship fund their top rating, and had no objections to a commitment in the Dislocation Fund. The Investment Committee agreed with Staff's recommendation and recommended committing \$20 million to The Varde Dislocation Fund. Mr. Griffin then made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

Mr. Griffin reported that the Committee next discussed the TIPS asset class, a new asset class within the Fund's new asset allocation, with a target of 3%. The Committee reviewed the available sources of funding, and focused on the Brandywine investment, a global bond mandate with a 0% target and a 2.7% market value. The Investment Committee recommended terminating Brandywine and moving the proceeds into a Northern Trust TIPS index fund. Mr. Griffin made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Reed and it carried unanimously.

The Committee then considered additional shifts across asset classes to further implement the new asset allocation. Specifically, under the new asset allocation, the Fund's international equity exposure was reduced from 12% to 10%, while the target for large cap domestic equities was increased by 7%. To better align with this new allocation, the Committee recommended 1) redeeming \$18 million each from William Blair, WCM, First Eagle, and Research Affiliates; 2) keeping \$12 million of the proceeds in cash; 3) allocating \$30 million to the Northern Trust Russell 1000 Growth index fund; and 4) allocating \$15 million each to existing large cap value mandates with The London Company and Cooke & Bieler.

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

The final item the Committee discussed was the Fund's infrastructure investment in Highstar Fund IV. Staff reported that one of Highstar's investments, a company that operates an airport terminal in Austin, needs an injection of capital because of the travel industry shutdown from COVID. However, the investment was a 2010 commitment and so is well past its investment period. As a result, Highstar is selling the asset to an Oaktree Fund, and giving Highstar Limited Partners the option of rolling over their interests into the Oaktree Fund, or cashing out. The Investment Committee determined that because the current investment is less than \$500,000, it would be best to cash out, so the Committee recommended selling the Fund's interest in the Highstar Fund IV portfolio company. Mr. Griffin then made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Reed, and it passed unanimously.

Mayoral Designee Rodriguez left the meeting at 11:34 a.m.

### **PROPERTY HOLDING CORPORATION**

Mr. Meade reported that the Board of the Property Holding Corporation met last week for its quarterly update. The first item of business was the election of the Corporation's officers. Mr. Meade reported that he was elected President, Harry Griffin was elected Vice President and Warren Schott was elected Secretary.

Mr. Meade reported that the Board then received a leasing update from representatives from Sullivan Commercial. Sullivan noted that Shavano IV is 100% leased, Shavano III is 79% leased and Parkway Center is 64% leased. Sullivan reported that they were seeing solid interest in the vacant space on the second floor of the Parkway Building. Sullivan also reported that all tenants in the three buildings are paying their rent on time, despite the pandemic.

Mr. Meade reported that the final item of business was a discussion regarding having the three buildings appraised. Mr. Meade noted that it has been almost three years since the last appraisals were done. The Board directed Sullivan to get several bids for the Board to consider, with the goal of selecting an appraiser within the next couple of months and having the appraisals completed by year's end.

**DISBURSEMENTS:** Vice Chairman Pearson made, and Mr. Meade seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated June 26, 2020.)

**MEMBERS TO  
BE HEARD:**

None.

**ADJOURNMENT:** Vice Chairman Pearson made a motion to adjourn the meeting at 11:41 a.m. The motion was seconded by Mr. Griffin, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR  
MEETING HELD ON JULY 29, 2020.**

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**Jim Smith, Chairman**

**ATTEST:**

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**Dean Pearson, Vice Chairman**