

**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
October 31, 2018**

PRESENT: Chairman J. T. Trevino, Fire Representative; Vice Chairman Jim Smith, Police Representative; Mayoral Designee/Secretary 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, Gail Jensen, Rick Matye, Cary Hally, Sinclair Nagy, Jason Hsu, 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 9:03 a.m., pursuant to Texas Govt. Code §551.071, and reconvened at 9:45 a.m.

MINUTES: Councilman Perry moved to approve the minutes of the regular meeting held September 26, 2018. The motion was seconded by Vice Chairman Smith and it carried unanimously.

EDUCATIONAL

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

1. Opal Alternative Investment
December 5-7, 2018

The motion was seconded by Vice Chairman Smith, 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 35 year, 1 month service pension for Fire Engineer Steven P. Guadiano, effective October 1, 2018.
2. A 29 year, 6 month service pension for Firefighter Henry E. Leslie, effective October 1, 2018.

3. A 34 year, 6 month service pension for Fire Engineer Rodolfo Morales, III, effective October 1, 2018.
4. A 32 year, 1 month service pension for Police Sergeant David L. Torres, effective October 6, 2018.
5. A 32 year, 1 month service pension for Police Officer David Allen Turner, Jr., effective October 6, 2018.
6. A 28 year service pension for Detective Investigator Alexander Devora, Jr., effective November 1, 2018.
7. A 30 year, 8 month service pension for Detective Investigator William R. Johnson, effective November 1, 2018.
8. A 29 year, 7 month service pension for Firefighter Bennie R. Marberry, Jr., effective November 1, 2018.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Adela Cortez, widow of Retired Fire Engineer Danny E. Cortez, effective August 23, 2018.
2. A beneficiary pension for Mrs. Dorales M. Cavazos, widow of Retired Police Officer Ramiro Cavazos, effective September 3, 2018.
3. A beneficiary pension for Mrs. Gale Ann Mopps, widow of Retired Fire Engineer David A. Arredondo, effective September 11, 2018.
4. A beneficiary pension for Mrs. Irene Cantu, widow of Retired Fire District Chief Herman G. Cantu, effective September 12, 2018.
5. A beneficiary pension for Mrs. Angelita Lewis, widow of Retired Police Officer Danny W. Lewis, effective September 25, 2018

Refund of Contributions

1. A 16 year, 4 month refund of contributions for Police Officer Monico Soriano Meneses, effective March 26, 2018.

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

Vice Chairman Smith made a motion to postpone consideration of the following Beneficiary Pension Applications until the November 2018 Board Meeting:

1. A line of duty beneficiary pension for Mrs. Chrystal Woodcock, widow of Active Fire Lieutenant Todd S. Woodcock, effective June 27, 2016.

2. A line of duty beneficiary pension for Peyton Woodcock, dependent of Active Fire Lieutenant Todd S. Woodcock, effective June 27, 2016, guardianship pending.

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

**EXECUTIVE
DIRECTOR
REPORT:**

PRE-RETIREMENT SEMINAR

Mr. Schott informed the Board that the Pre-Retirement Seminar is scheduled for Friday, November 2. Mr. Schott encouraged the Board to attend in order to provide an update on the Pension Fund.

POLICE CADET CLASS 2018-B BRIEFING – NOVEMBER 27, 2018 @ 10:45 AM

Mr. Schott informed the Board that a Police Cadet Briefing has been scheduled for November 27, 2018 at 10:45 a.m. Mr. Schott noted that the Agenda incorrectly identified the class as Police Cadet Class 2018-A, and that the correct class is Police Cadet Class 2018-B.

FINANCIAL REPORT FOR PERIOD ENDING SEPTEMBER 30, 2018

The Statement of Net Plan Assets for the period ending September 30, 2018 were \$3,212,477,929.51.

**COMMITTEE
REPORTS:**

PERSONNEL/AUDIT COMMITTEE

Mr. Griffin stated that the Personnel/Audit Committee met twice this month. At the first meeting, the Committee heard presentations from two securities litigation firms regarding their capabilities. The Committee took no action regarding either firm. The Committee also heard an educational presentation from a current securities litigation firm on the general topic of securities litigation. The Committee next discussed the possibility of contracting with a firm to provide fiduciary/governance training, and the Committee directed staff to provide additional information regarding such training at the next meeting.

Mr. Griffin reported that at the second meeting of the Personnel/Audit Committee, staff provided information regarding two firms who could conduct the fiduciary/governance training. While both firms were clearly qualified, the Committee recommended that the Board hire Cohen Milstein, one of our current securities litigation firms, to provide that training. Vice Chairman Smith moved to retain Cohen Milstein to provide the fiduciary/governance training. The Motion was seconded by Mr. Foster and it passed unanimously.

Finally, Mr. Griffin reported that the Committee also received a presentation by Labaton Sucharow, a current securities litigation firm, regarding a situation involving their fee award in a recent case. In that case, a Special Master noted concerns with double-billing and with Labaton's payment of a bare referral fee to another attorney. After receiving the presentation, the Committee decided to postpone any decision until the court rules on the matter and until the Fund's attorneys could obtain some additional clarification from Labaton.

DISABILITY COMMITTEE

No report.

LEGISLATIVE COMMITTEE

Vice Chairman Smith reported that the Legislative Committee met twice last month to discuss the Administrative Service Contract with the City of San Antonio and to finalize the Legislative Package. The Committee also discussed the hiring of a lobbyist to assist in getting the Legislative Package passed.

Regarding the Administrative Services Contract, Vice Chairman Smith reported that agreement on the contract language had been reached with the City. Vice Chairman Smith noted that the Committee had not had an opportunity to review the final negotiated contract, so there was no Committee recommendation, but that he would make a motion to approve the Administrative Services Contract as proposed. The motion was seconded by Councilman Perry. After much discussion, the following votes were taken:

Chairman Trevino – yes
Vice Chairman Smith – yes
Mr. Foster – yes
Mr. Griffin – yes
Mr. Pearson – no
Councilman Perry – yes
Mr. Reed – no
Secretary Williams – yes

The motion then carried 6 to 2.

Regarding the Legislative Package, Vice Chairman Smith reported that the Committee recommends that the Board amend the Package to remove the first sentence in Section 6.03(b), which requires the Fund to consider the finding of the City as to whether a member was killed in the Line of Duty. Vice Chairman Smith explained that the City does not provide any such finding, so the pension law should be changed to remove that obligation on the Board. Vice Chairman Smith moved to delete the first sentence of Section 6.03(b). The Motion was seconded by Mr. Pearson and it carried unanimously.

Vice Chairman Smith next reported that the Committee had also recommended that the Legislative Package be amended to include language providing for administrative leave necessary for the active trustees to fulfill their fiduciary duties and for reimbursement to the City by the Fund for such leave, in proposed Section 3.01(l). At the meeting, the Committee had requested that additional language be inserted so that the provision would apply only in the event there was not a separate agreement between the City and the Fund. Because the Committee did not have an opportunity to review the new language, it did not have a recommendation to the Board on that new language. Vice Chairman Smith further noted that since the Administrative Services Contract with the City had been approved by the Board, he was not supportive of any motion to approve Section 3.01(l), either the originally proposed language which was approved by the Committee, or the new language which was recently added. Mr. Reed moved to approve the language in Section 3.01(l) that had been approved by the Committee, and Chairman Trevino seconded the Motion. After discussion, the following votes were taken:

Chairman Trevino – no
Vice Chairman Smith – no
Mr. Foster – no
Mr. Griffin – no
Mr. Pearson – yes
Councilman Perry – no
Mr. Reed – no
Secretary Williams – no

The motion failed 1 to 7.

Finally, Vice Chairman Smith reported that the Committee discussed a list of lobbyists to assist the Fund during the upcoming Legislative Session. The Committee directed staff to invite Cornerstone Government Affairs, HillCo Partners and Stalwart Strategies to attend the next Committee Meeting on November 19 to present regarding their respective capabilities.

INVESTMENT COMMITTEE

Mr. Reed stated the Investment Committee met on Wednesday, October 24th to discuss several issues.

The first item on the agenda was an update on the ongoing private debt search for a US senior direct lending manager. Staff presented an overview on the current market environment and why it is prudent to focus this search on downside protection. Staff recommended four firms to continue further due diligence on. During the discussion, the Committee requested staff provide the Board more detailed information on the four recommended firms which would give a snapshot of pertinent data on each firm, and the staff did. The Committee recommended conducting on-site visits with Neuberger Berman, Angelo Gordon, Golub and MGG

Investment Group. Mr. Reed then made a motion to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

The next item on the agenda was a discussion regarding our consultant roster. Currently, the fund does not utilize a consultant for private equity, private debt, or real assets. After discussion, it was determined that a consultant would be needed for those three asset classes. The Investment Committee recommended beginning a search for a private markets' consultant. Mr. Reed then made a motion to approve. Mr. Pearson seconded the motion, and the motion carried unanimously. Secretary Reed requested that information regarding how much the Fund is paying its consultants be presented at the next Board Meeting.

The final item on the agenda was a discussion regarding rebalancing our emerging manager portfolio. As it currently sits, the emerging manager portfolio has a sizeable allocation to a Russell 1000 index fund. Attucks, our emerging manager consultant, suggested that we redeem some of the funds and allocate it across the existing managers in the portfolio. The Committee concurred with Attucks' recommendation and recommended rebalancing from our Russell 1000 Index fund to the following:

- \$2.6 million to South Texas Money Management;
- \$3.8 million to Suffolk Capital Management;
- \$2 million to NorthPointe Capital;
- \$1.8 million to Seizert Capital Partners;
- \$2.1 million to EAM Investors;
- \$10.2 million to Strategic Global Advisors; and
- \$2.15 million to Thomas White International.

Mr. Reed then made a motion to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

President Foster reported that the Board of Directors of the Property Holding Corporation met last week to select a General Contractor for the expansion of the Pension Fund Office. The Corporation reviewed bids from three contractors and ultimately selected Drash Contracting. Demolition of the space will begin as soon as a contract with Drash is signed. The Corporation has also asked Drash for a bid on the demolition of the remainder of Connexion Point's space, and in particular, the raised floor, as the demolition of the entire space may be preferable to doing it piecemeal. Councilman Perry expressed concern regarding the need for the demolition of the entire space, as a new tenant may prefer the raised flooring. President Foster assured Councilman Perry that no decision on the additional demolition had been made.

President Foster also reported that the Board of Directors had received a leasing update from Sullivan Commercial. Shavano IV is 100% leased

and Shavano III is 93% leased. Both buildings are doing very well. Unfortunately, with the end of the leases of two large tenants in the Parkway Building, approximately 40,000 of the 70,000 total square feet in the building are empty. Sullivan is working to get tenants in the available spaces as soon as possible and will keep us updated.

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

**MEMBERS TO
BE HEARD:** None.

ADJOURNMENT: Secretary Williams made a motion to adjourn the meeting at 11:02 a.m. The motion was seconded by Mr. Pearson, and it carried unanimously.

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

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman