

**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
November 20, 2019**

PRESENT: Chairman Jim Smith, Police Representative; Vice Chairman Dean Pearson, Fire Representative; Secretary Councilman Clayton Perry; Councilwoman Dr. Adriana Rocha Garcia; J. T. Trevino, Fire Representative; Jimmy Foster, Police Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative.

ABSENT: Mayoral Designee Justin Rodriguez.

OTHERS

PRESENT: Warren Schott, Mark Gremmer, Gail Jensen, Rick Matye, Beatrice Ahrens, Cary Hally, Jason Hsu, Giovanni Nunez, 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 9:20 a.m.

Councilwoman Rocha Garcia entered the meeting at 9:15 a.m.

MINUTES: Mr. Reed moved to approve the minutes of the regular board meeting held October 30, 2019. The motion was seconded by Mr. Pearson, and it carried unanimously.

**EDUCATIONAL
OPPORTUNITIES**

PRESENTATIONS: Mr. Hally provided a report on the INVESCO Annual Meeting he attended. A copy of the report is attached to the November 20, 2019 minutes.

Mr. Nunez provided a report on the USAA Annual Meeting he, along with Mr. Schott, Chairman Smith, Vice Chairman Pearson and Mr. Foster attended. A copy of the report is attached to the November 20, 2019 minutes.

Mr. Nunez also provided a report on the EMG Annual Meeting he attended. A copy of the report is attached to the November 20, 2019 minutes.

EDUCATIONAL

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

1. Opal Public Funds Summit
January 6-8, 2020
2. KORIED Plan Sponsor Educational Institute
January 21-24, 2020
3. NCPERS Legislative Conference
January 26-28, 2020
4. NAPO Annual Pension & Benefits Seminar
January 26-28, 2020
5. IREI Institutional Real Estate Conference
January 28-30, 2020

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

Councilman Perry left the meeting at 9:47 a.m.

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

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

Pension Applications

1. A 25 year, 7 month service pension for Police Officer Monty David McCann, effective December 1, 2019.
2. A 29 year, 5 month service pension for Detective Investigator Mark A. Oosterveen, effective December 1, 2019.
3. A 31 year, 2 month service pension for Police Captain Gary M. Smith, effective December 1, 2019.
4. A 22 year, 2 month service pension for Detective Investigator Rafael Trinidad, effective December 1, 2019.

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

**EXECUTIVE
DIRECTOR
REPORT:**

POLICE CADET CLASS 2019-B BRIEFING – NOVEMBER 20TH

Mr. Schott informed the Board that a Police Cadet Briefing is scheduled for this afternoon at 1:30 p.m. He encouraged the police representatives to attend if they were available.

2020 HOLIDAY SCHEDULE

Mr. Schott requested approval of the 2020 Holiday Schedule for the Pension Fund Office. Mr. Trevino made a motion to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

2020 MEETING SCHEDULE

Mr. Schott requested approval of the 2020 Meeting Schedule. Councilwoman Rocha Garcia made a motion to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

FINANCIAL REPORT FOR PERIOD ENDING OCTOBER 31, 2019

Because the November Board Meeting was occurring earlier in the month than usual, the Financial Reports for October 31, 2019 were not yet available.

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

Mr. Trevino reported the Personnel/Audit Committee did not meet this month, but a meeting is scheduled for Tuesday, November 26, at 9:00 a.m. The purpose of the meeting is to conduct a first review of the 2020 Annual Budget.

DISABILITY COMMITTEE

Vice Chairman Pearson reported the Disability Committee did not meet this month. The Committee has one Catastrophic Disability Pension Application pending for Firefighter Brad Phipps. Mr. Phipps is scheduled for two independent medical evaluations over the next two weeks. Once the reports are received, the Committee will schedule a meeting to review them. At that meeting, the Committee also will review the four tax returns of the disability retirees that had filed extensions.

LEGISLATIVE COMMITTEE

Mr. Reed reported the Legislative Committee did not meet this month, but the Committee is still monitoring two issues that could have an impact on the Pension Fund.

The first issue is the Interim Charge that was filed by Representative Gervin Hawkins with the House Pensions Committee dealing with the potential impact of presumptive cancer cases on pension funds. There has still been no action taken by the Chairman to take up this issue. The Committee will keep the Board posted if anything changes.

The second issue is the recently filed lawsuit by the Park and Airport Police against the City of San Antonio. The Park and Airport Police are asking a court to declare that they are uniformed officers of the San

Antonio Police Department, and so are entitled to collectively bargain with the City and to receive the benefits under the current collective bargaining agreement between the San Antonio Police Officers Association and the City. There is a possibility that the lawsuit could impact the Pension Fund if a court agrees with their claims and provides them membership into the Pension Fund. The City had indicated it intended to join the Fund as a party in the lawsuit, but that has not happened. At this point, the only other party the City has tried to join into the case is the San Antonio Police Officers Association. Pension Fund staff will continue to monitor the case to ensure no action is taken that impacts the Pension Fund.

Mr. Schott reported on the PRB meeting he attended on November 15, 2019. Mr. Reed made a point of personal privilege to introduce Art Alfaro, Executive Director for TEXPERS, who was in attendance.

INVESTMENT COMMITTEE

Mr. Griffin stated the Investment Committee met on Monday, November 18th.

At that meeting, the Committee heard presentations from the four finalists in its distressed private debt search, including Beachpoint, Charlesbank, PIMCO, and Värde. The private debt portfolio still has \$40 million left to commit for 2019's pacing plan. After hearing from the finalists regarding their firms' capabilities and then discussing impressions from the on-site visits and the presentations, the Investment Committee recommended the Board commit \$40 million to Charlesbank Credit Opportunities Fund II. Mr. Griffin then made a motion to approve. The motion was seconded by Mr. Reed.

Chairman Smith then offered a friendly amendment to divide the commitment so that \$20 million was committed to Charlesbank Credit Opportunities Fund II, and \$20 million was committed to Beach Point. The friendly amendment was accepted by Mr. Griffin and Mr. Reed, and after some discussion, it carried unanimously.

Mr. Griffin next reported that the Committee also received an update on the ongoing global macro hedge fund search that was initiated in October. Albourne presented two firms in which they have high conviction: Alphadyne and Alpstone. Both firms were finalists in a prior global macro search and on-site due diligence visits were conducted with both firms at that time. The Investment Committee decided to conduct further due diligence with Alphadyne Asset Management and Alpstone Capital for consideration of a global macro hedge fund mandate.

The next item on the agenda was a discussion regarding one of the Fund's hedge funds. PFM notified staff it would be closing down its Thematic Growth Fund at the end of the year. The Pension Fund has approximately \$17 million invested in the fund. PFM advised investors their investments would automatically be liquidated at that time unless investors

affirmatively opted to transfer into another firm hedge fund product. The Investment Committee recommended the Board not transfer its current investment in PFM Thematic Growth, and instead, let the investment liquidate as proposed from PFM in early 2020. Since this item was not on this month's Board agenda, the Investment Committee's recommendation will be included for action on the December Board Agenda.

The next item on the agenda was a presentation by Black Creek Group. At the October Investment Committee meeting, Townsend had presented an opportunity to invest in an industrial real estate manager with an attractive founder fee discount. At the October Board meeting, the Board decided to make a \$20 million commitment to the Black Creek Industrial Fund, subject to a successful on-site visit and a presentation by the firm to the Committee. Staff and J.T. Trevino completed the on-site visit in mid-November and Black Creek presented their capabilities at the November Committee meeting. The on-site visit as well as the presentation went well, so the negotiation of the contract will proceed.

The next item on the agenda also dealt with Black Creek. As a result of the L&B restructuring, the Pension Fund will be receiving approximately \$40 million from their core fund. When Townsend first made the proposal regarding Black Creek, they suggested sizing the allocation similar to the closed-end, value add/opportunistic investments, and recommended a \$20 million commitment. In light of the additional funds coming in from L&B, Townsend was asked to further evaluate the Fund's real estate portfolio to determine if a larger commitment to Black Creek was warranted. After further review and analysis, Townsend and staff were comfortable with increasing the commitment by an additional \$10 million. The Investment Committee concurred and recommended the Board commit an additional \$10 million to the Black Creek Industrial Fund. Mr. Griffin then made a motion to approve. The motion was seconded by Mr. Pearson, and it carried unanimously.

The next item on the agenda was a quarterly performance review from NEPC. As of the end of September, the Pension Fund had achieved a net 9.8% return year-to-date. The strong performance has been highlighted by outperformance of several managers versus their respective benchmarks including: Cooke & Bieler large cap value, Rothschild small cap value, MacKay Shields high yield, and Payden & Rygel unconstrained fixed income.

The next item on the agenda was a discussion regarding rebalancing the Fund's assets. In 2017, NEPC recommended overweighting the Fund's exposure to bank loans. As a result, the Pension Fund redeemed \$20 million from GoldenTree and \$30 million from MacKay Shields to fund an investment in PineBridge's bank loan portfolio. Given the current late stage of the market cycle, NEPC now recommends returning to market weight in the bank loan space and adding the proceeds to more safe assets. The Investment Committee concurred and recommended redeeming \$60 million from PineBridge Investments and giving the proceeds to the existing investment with Payden & Rygel Absolute Return Bond Fund.

Mr. Griffin 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 Fund's 5-year asset/liability study. The Pension Fund's investment policy recommends that an asset-liability study be conducted every five years to see if the Fund's asset allocation is in-line with the growth of its liabilities. The last study was conducted in 2014. After discussing options on service providers, the Investment Committee recommended retaining NEPC to conduct the Fund's asset/liability study at a cost of \$40,000. Mr. Griffin then made a motion to approve. The motion was seconded by Mr. Foster and it carried unanimously.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

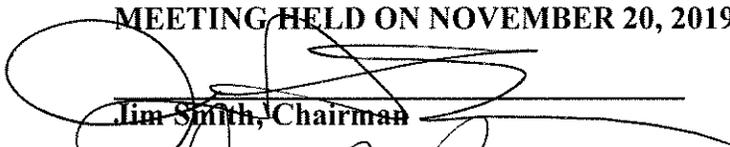
Mr. Foster reported that the Property Holding Corporation did not meet this month, but has a meeting scheduled for Tuesday, November 26, at 10:00 a.m. to review the 2020 Annual Budget for the Corporation.

DISBURSEMENTS: Mr. Pearson made and Mr. Reed seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated November 20, 2019.)

**MEMBERS TO
BE HEARD:** None.

ADJOURNMENT: Mr. Trevino made a motion to adjourn the meeting at 10:34 a.m. The motion was seconded by Mr. Foster, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON NOVEMBER 20, 2019.**


Jim Smith, Chairman

ATTEST:


Dean Pearson, Vice Chairman