

**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
November 24, 2021**

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

ABSENT: Mayoral Designee Justin Rodriguez.

OTHERS

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

ROLL CALL: At 9:00 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 9:32 a.m.

Councilman Secretary Clayton Perry arrived at 9:06 a.m.

MINUTES: Councilman Secretary Perry moved to approve the minutes of the regular board meeting of October 20, 2021. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

**EDUCATIONAL
OPPORTUNITIES**

PRESENTATIONS: Mr. Griffin provided a report on the USAA Real Estate Client Conference he attended.

Chairman Smith and Mr. Meade provided a report on the Public Funds Forum they attended.

Mr. Cary Hally will report on the Invesco Real Estate Client Conference he attended at the December Board Meeting.

**EDUCATIONAL
OPPORTUNITIES**

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

1. Opal Public Funds Summit
January 10-12, 2022
2. Koried Plan Sponsor Educational Institute

January 18-21, 2022

3. IREI Institutional Real Estate Conference
January 24-26, 2022
4. Context Investment Summit
January 24-26, 2022
5. NAPO Annual Pension & Benefits Seminar
January 23-25, 2022

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

APPLICATIONS AND REFUND OF

CONTRIBUTIONS: Vice Chairman Pearson made a motion, seconded by Councilman Secretary Perry, to approve the following service pension applications. The motion carried unanimously:

Service Pensions

1. A 31 year, 11 month service pension for Fire Engineer Van S. Jones III, effective November 1, 2021.
2. A 27 year, 2 month service pension for Police Officer Margarito Lopez, Jr., effective November 1, 2021.
3. A 40 year, 6 month service pension for Fire Captain Roger R. Santos, effective November 1, 2021.
4. A 28 year, 6 month service pension for Police Officer Daniel V. Trevino, effective November 1, 2021.
5. A 28 year, 8 month service pension for Police Officer Jon R. Sabo, effective November 2, 2021.
6. A 20 year service pension for Police Detective George E. Chavez, effective November 19, 2021.
7. A 25 year service pension for Fire Fighter Robert A. Cartwright, Jr., effective December 1, 2021.
8. A 28 year service pension for Police Detective Chad A. Ripley, effective December 1, 2021.
9. A 33 year, 7 month service pension for Police Detective Rodolfo Gomez, Jr., effective January 1, 2022.
10. A 32 year, 1 month service pension for Police Sergeant Dale F. Sanders II, effective January 1, 2022.

11. A 29 year, 3 month service pension for Police Detective Cynthia Ann Hovanec, effective January 3, 2022.
12. A 31 year service pension for Police Officer Jesse C. Lopez, effective January 8, 2022.

Beneficiary Pensions

Mr. Foster made a motion, seconded by Mr. Griffin, to approve the following beneficiary pension applications. The motion carried unanimously.

1. A beneficiary pension for Mrs. Karen Faunce, widow of Active Fire Engineer Joseph M. Faunce, effective September 27, 2021.
2. A beneficiary pension for Mrs. Deleen Cook, widow of Retired Fire Engineer Darren Donald Cook, effective October 1, 2021.
3. A beneficiary pension for Mrs. Janice K. Fleming, widow of Retired Police Detective Robert J. Fleming, effective October 12, 2021.
4. A beneficiary pension for Mrs. Minerva R. Leal, widow of Retired Police Sergeant John J. Leal, effective October 12, 2021.

Refund of Contributions

Mr. Griffin made a motion, seconded by Mr. Meade, to approve the following refund of contributions. The motion carried unanimously

1. A 2 year, 4 month refund of contributions for Police Officer Kevin N. Scrivanich, effective October 10, 2021.
2. A 3 year, 10 month refund of contributions for Police Officer Marco Antonio Cantu, effective October 28, 2021.

At this time, Chairman Smith expressed his condolences, on behalf of the Board and staff, to the family of Police Officer Joseph A. Cisneros.

Chairman Smith invited Mrs. Cisneros to address the Board. Mrs. Cisneros thanked the Board for the opportunity and spoke in support of her applications for line of duty beneficiary pensions. Captain Carlos Garcia, Jr., also spoke in support of the applications.

The Board then recessed to Executive Session at 9:56 a.m., pursuant to Texas Gov. Code § 551.071, and reconvened at 10:25 a.m.

Mr. Foster made a motion, seconded by Chairman Smith, to approve the following line of duty beneficiary pension applications:

1. A line of duty beneficiary pension for Mrs. Sylvia Cisneros, widow of Active Police Officer Joseph A. Cisneros, effective February 2, 2021.
2. A line of duty beneficiary pension for Joseph A. Cisneros, III, dependent of Active Police Officer Joseph A. Cisneros, effective February 2, 2021.
3. A line of duty beneficiary pension for Viviana C. Cisneros, dependent of Active Police Officer Joseph A. Cisneros, effective February 2, 2021.

Mr. Griffin stated that in making its decision, the Board is required to apply the specific provisions of the Pension Law, and that the “line of duty” provision in the Pension Law requires that a Member have been “killed in the line of duty”, which is a different standard than a Member dying as a result of an “occupational” injury or illness.

After further discussion, a vote was taken and the motion failed: 0 votes for; 6 votes against, with Chairman Smith and Mr. Foster abstaining.

Chairman Smith asked Mrs. Cisneros if she had further questions. Mrs. Cisneros asked for information on the process to appeal the Board’s decision. General Counsel Gail Jensen advised that staff would provide Mrs. Cisneros with information regarding the appeal process.

EXECUTIVE DIRECTOR REPORT:

STRATEGIC PLANNING RETREAT

Mr. Schott reported the Strategic Planning Retreat had been held November 22-23, 2021. The Retreat had given the Board the opportunity to discuss 15 different topics, and Mr. Schott advised that he will be providing a report to the Board. Several Trustees thanked staff for the strategy session, noting that they found it helpful and informative. The Board expressed support for holding such retreats every 3-5 years.

PRE-RETIREMENT SEMINAR BRIEFING

Mr. Schott reported the Pre-Retirement Seminar was held November 1, 2021. It was well attended, although there were not as many attendees as there had been for the 2020 seminars. The specific feedback from the attendees’

Seminar Evaluation forms was shared with the Board. Mr. Schott noted that overall, the feedback was very positive, although he noted that several attendees had difficulty seeing the presentation screen, so that staff will explore holding future sessions in a smaller room at the Alzafar Shrine Temple to allow attendees to be closer to the screen. The Board discussed the feedback on the specific sessions of the Seminar, with several Trustees stating that they plan to attend a future financial planning session of the Seminar to see if there are specific topics that could be included to make the session more impactful.

2022 HOLIDAY SCHEDULE

Vice Chairman Pearson made a motion, seconded by Mr. Reed, to approve the 2022 Holiday Schedule, the motion carried unanimously.

2022 MEETING SCHEDULE

Mr. Schott noted that in light of the Board's discussion at the Strategic Planning Retreat regarding moving Board Meetings to Tuesdays at 9:30 a.m., he will be presenting the 2022 Meeting Schedule at the December Board Meeting for approval.

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.

FINANCIAL REPORTS FOR PERIOD ENDING OCTOBER 31, 2021

The Statement of Net Plan Assets for the period ending October 31, 2021, were \$4.39 billion.

Councilman Secretary Perry left the meeting at 10:51 a.m.

COMMITTEE REPORTS:

PERSONNEL/AUDIT COMMITTEE

Mr. Griffin reported the Personnel/Audit Committee met last week to conduct a first review of the proposed 2022 Annual Budget. He noted that he was unable to attend the meeting and he asked Mr. Schott to brief the Board regarding any specific items that were discussed by the Committee. Mr. Schott stated that the Committee asked numerous questions and recommended several changes to the proposed Budget. Staff will be making those changes and the Committee will meet again in early December to

conduct its final review of the Annual Budget. The Committee will bring its final recommendation to the Board at the December Board Meeting.

DISABILITY COMMITTEE

Mr. Foster reported the Disability Committee did not meet this month so there was nothing to report. He reminded the Board that currently there are no disability pension applications pending.

LEGISLATIVE COMMITTEE

Vice Chairman Pearson reported the Legislative Committee did not meet this month; however, with the strong performance of the Pension Fund investments, the Committee plans to schedule a meeting early in the New Year to start discussing a possible Legislative Package for the 2023 Legislative Session. If the Pension Fund's investment performance remains strong through the end of this year, the actuarial projections suggest that our funding level may be at a point – under our Funding Policy – where we could consider including some modest benefit improvements in the Legislative Package.

INVESTMENT COMMITTEE

Mr. Reed reported that the Investment Committee met on Wednesday, November 17, 2021. The meeting started with finalist presentations for the ongoing Private Debt Search. In October, the Committee approved three finalists for further due diligence: 400 Capital Asset Based Term Fund III, Callodine Asset Based Loan Fund II, and Entrust Blue Ocean Onshore Fund II. On-site visits were conducted by Mr. Foster, Mr. Meade, and Mr. Hally. At the Committee Meeting, all three finalists made strong presentations. 400 Capital Asset Based Term Fund III's strategy focuses on investments in illiquid asset-backed structured credit across residential and commercial real estate, consumer finance, specialty finance, and opportunistic market dislocations. Callodine Asset Based Loan Fund II will issue a variety of loan types across numerous industries, with each loan fully secured by borrower collateral. Entrust Blue Ocean Onshore Fund II's strategy will focus on direct lending and other financing opportunities to vessel owners and operators, and other maritime businesses. The Fund will primarily issue loans secured by maritime assets and opportunistically invest in second lien, mezzanine, lease and equity structures.

Following the presentations, the Investment Committee discussed each opportunity with NEPC and Staff. NEPC issued its highest investment rating to both 400 Capital Asset Based Term Fund III and Callodine Asset Based Loan Fund II. The Investment Committee was impressed with all three of the finalists, and NEPC and Staff advised that the Pension Fund's pacing plan for private debt would allow for a \$25 million commitment to

all three. Ultimately, the Committee voted to recommend to the Board to commit \$25 million each to 400 Capital Asset Based Term Fund III, Callodine Asset Based Loan Fund II, and Entrust Blue Ocean Onshore Fund II. Mr. Reed made a motion on behalf of the Committee to approve. The Motion was seconded by Mr. Meade, and it carried unanimously.

The Committee next discussed the DaVinci Holdings Ltd. Capital Raise. Mr. Reed reminded the Board that the DaVinci strategy specializes in global catastrophic property reinsurance. The Pension Fund has been invested in DaVinci since September 2012, and after the most recent Asset Liability Study, the investment was moved from our Hedge Fund allocation to the Real Assets allocation. As of June 30, 2021, the market value is approximately \$23 million, and the investment has an annualized return of 10.6% since inception, although Mr. Reed noted that this return calculation is prior to losses in excess of negative 13% in the third quarter of 2021, which were due to major weather events in 2021, including the winter storm that impacted Texas, where the Fund paid out more claims to insurance companies than expected. DaVinci is currently seeking to raise an additional \$500 million, and the Pension Fund's pro rata share would be \$5,019,046.09. After discussion, the Committee voted to recommend to the Board to increase our allocation to DaVinci Holdings Ltd. by our full pro rata share of the capital raise. Mr. Reed made a motion on behalf of the Committee to approve. The Motion was seconded by Mr. Foster, and it passed, with Mr. Griffin voting against.

The next discussion was on the Siguler Guff Distressed Opportunities Fund III potential liquidity opportunity. The Fund incepted 14 years ago and its extended term is set to expire in December of 2021. Over the past several months, Siguler Guff engaged in a competitive process to seek a potential purchaser of Limited Partner (LP) interests. The purchaser selected through this process offered to acquire up to 100% of LP interests at a discount to current valuations. For the investors who choose not to sell their interests, Fund III will be extended three additional years and management fees will continue to be collected, although at a reduced rate. Additionally, and aside from the Secondary Sale, Fund III has an investment in a publicly traded company. Limited Partners have the option of selling their portion of the stock investment for cash, receiving an in-kind distribution, or, if not electing to participate in the Secondary Sale, holding the shares through the extended term of the Fund.

Regarding the Secondary Sale, NEPC has recommended that its clients participate in the Secondary Sale. However, the Pension Fund's General Counsel noted that there are some problematic provisions in the draft transaction documents. The Committee voted to recommend selling the Pension Fund's interests to the Secondary Purchaser, contingent upon successful negotiation of the legal documents. Mr. Reed made a motion on

behalf of the Committee to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

Regarding the sale of the publicly traded stock, after discussions with NEPC and Staff, the Committee voted to recommend to the Board to sell the Pension Fund's portion of the stock investment for cash. Mr. Reed made a motion on behalf of the Committee to approve. The Motion was seconded by Mr. Meade, and it carried unanimously.

The last item was the quarterly performance review by NEPC. The Pension Fund's return for the third quarter of 2021 is 0.8%, and year-to-date performance is 8.4%. The market value of the Pension Fund as of September 30th is approximately \$3.97 billion. The portfolio is close to its policy allocation targets, and within approved ranges. However, Private Debt is furthest from its target allocation given its increase from 7% to 9% during the most recent Asset Allocation Study. U.S. Equities returned -0.5% for the quarter and 13.4% year-to-date, and Non-U.S. Equities returned -1.9% for the quarter and 6.9% year-to-date. Total Fixed Income returned 0.1% for the quarter and 1.2% year-to-date. Private market investments were positive for the second quarter. NEPC expects the 5%+ inflation prints are transitory, but they have increased conviction that roughly 3% inflation could persist over the next three years. The Pension Fund's allocation to Treasury Inflation-Protected Securities (TIPS) returned 1.7% in the third quarter and 3.4% year-to-date. Overall, the Pension Fund's performance remains strong both on an absolute and risk-adjusted basis.

SAN ANTONIO F & P PROPERTY HOLDING CORPORATION

Mr. Meade reported the Property Holding Corporation met last week to receive the leasing update and to review the 2022 Annual Budgets for the three buildings.

Sullivan Commercial reported that the news with respect to leasing activity, the news continues to be positive. Shavano Center IV remains 100% leased and continues to receive interest from potential tenants in the event spaces become available. Shavano Center III is 86% leased and there are numerous potential tenants looking at the available spaces. Parkway Center still has the 25,000 foot space available on the second floor. Sullivan conducted a walk-through with an interested tenant last week, and Sullivan was optimistic about the prospect. Mr. Meade noted that if the space is still vacant in the first part of next year, the Corporation will re-evaluate whether to divide the space into smaller offices.

The Corporation also reviewed the proposed 2022 Annual Budgets for the three buildings, as presented by Sullivan Commercial. Shavano III is projecting a net income of \$350,000; Shavano IV is projecting a net income

of \$505,000; and Parkway Center is projecting a net loss for the year of \$400,000 due largely to the anticipated cost of finishing out the 25,000 foot space. After a lengthy discussion on each of the budgets, the Corporation approved all three budgets.

DISBURSEMENTS: Vice Chairman Pearson made a motion to approve paying the bills. The motion was seconded by Mr. Meade, and it was approved unanimously. (See attached disbursements dated October 31, 2021).

**MEMBERS TO
BE HEARD:**

Chairman Smith recognized Bart Moczygemba to speak. Mr. Moczygemba addressed issues regarding the upcoming legislative session. He noted that any Legislative Package proposed by the Pension Fund will require the cooperation of all interested parties, and he expressed his hope that the Fire Union members would attend the meetings of the Legislative Committee so that their questions or concerns could be addressed early on in the process.

ADJOURNMENT: Mr. Griffin moved to adjourn the meeting at 11:18 a.m. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON DECEMBER 22, 2021.**

Jim Smith, Chairman

ATTEST:

Dean Pearson, Vice Chairman