

**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
December 18, 2019**

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

ABSENT: Mayoral Designee Justin Rodriguez; Councilwoman Dr. Adriana Rocha Garcia.

**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 9:01 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 9:02 a.m., pursuant to Texas Gov. Code §551.071; §551.078, §551.0785, §551.074, and reconvened at 9:23 a.m.

MINUTES: Vice Chairman Pearson moved to approve the minutes of the regular board meeting held November 20, 2019. The motion was seconded by Mr. Trevino, and it carried unanimously.

**EDUCATIONAL
OPPORTUNITIES**

PRESENTATIONS: Mayoral Designee Rodriguez was not in attendance to provide the report on the NCPERS Conference.

EDUCATIONAL

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

1. NEPC Public Fund Workshop
February 4-5, 2020
2. NAPPA Legal Seminar
February 19-21, 2020
3. Opal Investment Education Symposium
February 19-21, 2020

Mr. Griffin noted that he was an invited speaker at the Opal Public Funds Summit in January and the Opal Investment Education Symposium in February, and in accordance with the Standards of Conduct, he was notifying the Board that a portion of his travel for each conference (up to \$400 towards airfare and two nights' stay in the conference hotel) was being covered by Opal.

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

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

CONTRIBUTIONS: Vice Chairman Pearson made a motion to approve the following pension applications; beneficiary pension application; and refund of contributions:

Pension Applications

1. A 29 year, 8 month service pension for Detective Investigator Kenneth Jerome Tollett, effective December 1, 2019.
2. A 27 year, 9 month service pension for Police Sergeant Marshall A. Campbell, effective December 4, 2019.
3. A 31 year, 8 month service pension for Fire Lieutenant Donald D. Bissaro, effective January 1, 2020.
4. A 30 year, 1 month service pension for Fire Engineer Todd K. Dutson, effective January 1, 2020.
5. A 32 year, 7 month service pension for Detective Investigator Reginald W. Freeman, effective January 1, 2020.
6. A 30 year service pension for Police Officer Allen Ray Johnson, effective January 1, 2020.
7. A 32 year, 2 month service pension for Fire Engineer Edward L. Martinez, effective January 1, 2020.
8. A 31 year, 3 month service pension for Detective Investigator Jannine M. Smith, effective January 1, 2020.
9. A 24 year, 3 month service pension for Police Officer Joseph W. Wilson, effective January 1, 2020.
10. A 24 year, 8 month service pension for Detective Investigator Jeffrey James Scott, effective January 2, 2020.
11. A 25 year, 1 month service pension for Detective Investigator James D. Simpson, effective January 3, 2020.
12. A 29 year, 6 month service pension for Police Officer Joe Anthony Obregon, effective January 4, 2020.
13. A 30 year service pension for Police Officer Joe R. Warren, III, effective January 10, 2020.

14. A 30 year, 7 month service pension for Police Lieutenant Robert Saenz, effective February 1, 2020.

Beneficiary Pension

1. A beneficiary pension for Mrs. Marie D. Mixon, widow of Retired Fire Lieutenant Clarence L. Shed, effective November 20, 2019.

Refund of Contributions

1. A 6 year, 6 month refund of contributions for Police Officer Justin Ayars, effective August 6, 2018.

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

EXECUTIVE DIRECTOR REPORT:

POLICE CADET CLASS 2019-B – GRADUATION NOVEMBER 22, 2019

Chairman Smith made a motion to approve Police Cadet Class 2019-B into the membership. The motion was seconded by Mr. Pearson, and it carried unanimously.

FINANCIAL REPORTS FOR PERIODS ENDING OCTOBER 31, 2019 AND NOVEMBER 30, 2019

The Statement of Net Plan Assets for the period ending October 31, 2018 were \$3,293,351,704.96.

Financials for the period ending November 30, 2019 were unavailable.

COMMITTEE REPORTS:

PERSONNEL/AUDIT COMMITTEE

Mr. Trevino reported the Personnel/Audit Committee has held two meetings since the last Board Meeting.

The first meeting was to conduct an initial review of the Proposed 2020 Annual Budget. The Committee requested some changes and met again last week to review and finalize the Annual Budget. The Committee voted unanimously to recommend the Board approve the revised Annual Budget, as presented in your materials.

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

Mr. Trevino reported that during the first meeting, the Committee heard a presentation by a securities litigation firm, Bleichmar Fonti & Auld. Upon completion of the presentation, the Committee voted to recommend that the Board hire Bleichmar Fonti & Auld as one of its securities litigation firms. The Committee noted that because the Fund can only have five

securities litigation firms on retainer, it would need to terminate one of its existing firms. The Committee voted to recommend that the Board terminate Grant & Eisenhoffer as one of the firm's securities litigation firms.

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

Mr. Trevino reported that at last week's meeting, Segal Consulting presented the 5-Yr Actuarial Experience Study. The Pension Fund conducts an Experience Study every 5 years in order to ensure its financial and demographic assumptions are reasonable. Upon completion of the presentation, Segal Consulting recommended numerous assumption changes based on the experience over the past 5 years. After a lengthy discussion, the Committee recommended the Board approve the Experience Study with the recommended assumption changes, except for the changes to the Salary Scale, Inflation and Investment Return. After the Committee Meeting, and upon further review, it was noted that if the inflation assumption is not changed, then the COLA assumption should not be changed either. As a result, the proposal is for the Board to approve the Experience Study with the recommended assumption changes, except for the changes to the Salary Scale, Inflation, COLA and Investment Return.

Mr. Trevino then made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Reed. After some discussion, the motion carried unanimously.

DISABILITY COMMITTEE

Vice Chairman Pearson reported the Disability Committee did not meet this month. The Committee had planned to conduct a final hearing on the Catastrophic Disability Pension Application for Firefighter Brad Phipps, but is still waiting for the report from the second independent physician. Once the report is received, the Committee will schedule a meeting to review both reports. At that meeting, the Committee will also be reviewing the four disability tax returns of the individuals that had filed extensions.

LEGISLATIVE COMMITTEE

Mr. Reed reported the Legislative Committee did not have meeting this month but the Committee continues to monitor two items that could have an impact on the Pension Fund.

The first item is the Interim Charge that was filed by Representative Gervin Hawkins dealing with the potential impact of presumptive cancer on Pension Funds. We recently received the Interim Charges from the Speaker of the House, and Representative Gervin Hawkins' Charge was not included. As such, this item is no longer an issue we will be tracking.

The second issue the Committee is following is the lawsuit filed by the Park and Airport Police against the City of San Antonio. 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. Since the last Board Meeting, the attorney for the Park and Airport Police has agreed with the City that the San Antonio Police Officers Association should be joined as a party to the lawsuit, and it is expected that he will be filing the necessary documentation to bring them into the case. In addition, the City has filed documents with the court asserting that the city is immune from the claims being brought by the Park and Airport Police. That issue was originally set for hearing tomorrow, but the hearing was cancelled and is expected to be rescheduled for some time in January. The Committee will continue to monitor the case to ensure no action is taken that impacts the Pension Fund.

INVESTMENT COMMITTEE

Mr. Griffin reported that during November's Investment Committee meeting, Staff and Albourne provided an update on one of the Fund's hedge fund managers, PFM. PFM notified staff it will be closing down the PFM Thematic Growth Fund, which the Pension Fund has around \$17 million invested in. The funds would be automatically liquidated unless the limited partners affirmatively rolled into another product. Given the abrupt end to the fund, Staff and Albourne recommended exiting the Fund's investment with PFM. The Investment Committee concurred and recommended the Board not roll over its investment in the PFM Thematic Growth Fund and instead let the investment liquidate. This recommendation was not made at the last Board Meeting because the item had not been listed on the agenda as an action item.

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 then reported on the Investment Committee held on Wednesday, December 11th.

The first item on the agenda was a discussion regarding the Bloomfield Capital Income Fund V. As a reminder, in September, the Board had approved a \$16 million commitment to re-up with this fund. Fund III, which the Pension Fund committed \$15 million to in 2017, has done well, achieving a net 12% IRR. However, with the new Fund, Bloomfield decided to switch away from the traditional private-equity style LP structure and instead used a series structure, and this created some issues on the legal side. The Fund's general counsel was able to negotiate a satisfactory result on most of the issues, but there were several that she was not able to reconcile. After discussing those issues with the Investment Committee at the November meeting, it was decided that Bloomfield should be invited to the Fund's December Investment Committee Meeting to help explain its side of the legal provisions. Once the discussions with Bloomfield concluded, Mr. Reed made a motion to

recommend the Board reconsider the \$16 million commitment to the Bloomfield Fund. The motion failed, with two in favor and three against.

The next item on the agenda was scheduled to be a review of the emerging manager program. This agenda item was moved to the January Investment Committee agenda.

The next item on the agenda was an update on the ongoing global macro hedge fund search. Last month, staff and Albourne suggested that the Fund continue due diligence with two firms who had been finalists in prior searches. As such, the Committee made a motion to include Alpstone and Alphadyne as the two finalists. Earlier this month, staff received word from Alphadyne that the Fund likely would not have the ability to invest with them in 2020 due to the strong demand for their product. Given this information, staff worked with Albourne to recommend two other high conviction firms. Albourne recommended broadening the search to include Brevan Howard and Graham Capital Management. The Investment committee concurred and approved a motion to conduct further due diligence on Alpstone Capital, Brevan Howard, and Graham Capital Management.

The final item on the agenda was a discussion on the Pension Fund's liquidity position. Last month, \$60 million was approved to be rebalanced from PineBridge and invested in Payden & Rygel's unconstrained fixed income fund to de-risk the fixed income portfolio. Since that time, the Pension Fund has received over \$20 million in capital calls during the month of December from existing managers. Given this large outflow of cash, the Pension Fund needed to raise some liquidity. Staff recommended that rather than invest the full \$60 million in Payden & Rygel, the Pension Fund hold some back for cash needs. The Investment Committee concurred and approved a motion to recommend the Board amend the additional investment in Payden & Rygel Absolute Return Fund from \$60 million to \$35 million with the remaining \$25 million to be held in the Fund's cash account.

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

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

Mr. Foster reported that the Property Holding Corporation met several weeks ago to review the 2020 Annual Budget for the Corporation. Sullivan Commercial provided separate Budgets for the three buildings which were reviewed in depth. There were no extraordinary or unusual items in the 2020 Budget that required special attention, and the Corporation unanimously approved all three budgets. Based on the budgeted numbers, we expect Shavano III to have a 3% investment return, Shavano IV to have a 7.5% return, and this building to have a -3% return. These returns do not take into consideration any increases from appraisals.

DISBURSEMENTS: Mr. Pearson made and Mr. Foster seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated December 18, 2019.)

**MEMBERS TO
BE HEARD:**

Michael Trainer, President of the Pensioner's Association wished everyone a Merry Christmas and Happy New Years.

Mr. Trevino stated he was resigning from the Board effective today. He thanked both the Board and Staff for their hard work.

The Board thanked Mr. Trevino for serving on the Board for many years and wished him luck in his future retirement.

ADJOURNMENT: Mr. Trevino made a motion to adjourn the meeting at 10:15 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 18, 2019.**

Jim Smith, Chairman

ATTEST:

Dean Pearson, Vice Chairman