

**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 19, 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.

Legal Counsel informed the Board that Councilman Shaw had resigned from the City Council and that the Mayor had accepted his resignation, rendering Mr. Shaw ineligible to serve as a Trustee on the Pension Fund Board.

**OTHERS
PRESENT:**

Warren Schott, Mark Gremmer, Gail Jensen, Rick Matye, Cary Hally, 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 9:05 a.m., pursuant to Texas Govt. Code §551.071 and 551.074, and reconvened at 9:50 a.m.

MINUTES: Mr. Reed moved to approve the minutes of the regular meeting held November 28, 2018. The motion was seconded by Mr. Pearson and it carried unanimously.

EDUCATIONAL

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

1. 2018-19 Open Government Conference
December 4-5, 2018
2. NAPO Pensions & Benefits Conference
February 3-5, 2019
3. NAPPA Legal Seminar
February 20-22, 2019
4. NIRS Policy Conference
February 25-26, 2019
5. Opal Investment Education Symposium
February 27-March 1, 2019

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

Councilman Perry and Mayoral Designee/Secretary Reed Williams requested that future agendas include additional information about each conference, and that the Board be informed of who attends each conference. They also requested that individuals who attend conferences provide the Board with a brief report of the highlights of the conference upon their return.

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

CONTRIBUTIONS: Mr. Pearson made a motion to approve the following pension applications:

Pension Applications

1. A 33 year, 9 month service pension for Police Captain John V. Saucedo, effective December 1, 2018.
2. A 29 year service pension for Detective Investigator Lawrence W. Holley, effective January 1, 2019.
3. A 32 year service pension for Police Officer Alfred R. Martinez, effective January 1, 2019.
4. A 31 year, 10 month service pension for Detective Investigator Robert Reyes, effective January 1, 2019.
5. A 28 year, 2 month service pension for Detective Investigator Peter W. Wellman, effective January 1, 2019.
6. A 30 year, 3 month service pension for Fire Captain Eric Matthew Jones, effective January 2, 2019.
7. A 30 year, 3 month service pension for Fire Captain Robert R. Slinger, effective January 3, 2019.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Suellen V. Siebert, widow of Retired Fire Captain Marvin R. Siebert, effective December 2, 2018.

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

**EXECUTIVE
DIRECTOR
REPORT:**

**POLICE CADET CLASS 2018-B – GRADUATION NOVEMBER 30,
2018**

Mr. Schott requested approval of Police Cadet Class 2018-B into membership. Vice Chairman Smith made a motion to approve. The motion was seconded by Mr. Griffin, and it carried unanimously.

FIRE CADET CLASS 2018-B – GRADUATION DECEMBER 14, 2018

Mr. Schott requested approval of Fire Cadet Class 2018-B into membership. Mr. Pearson made a motion to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

FINANCIAL REPORTS FOR PERIODS ENDING OCTOBER 31, 2018 AND NOVEMBER 30, 2018

The Statement of Net Plan Assets for the period ending October 31, 2018 were \$3,107,562,949.57.

Financials for the period ending November 30, 2018 were not yet available.

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

Mr. Griffin stated that the Personnel/Audit Committee had planned to meet last week to finalize the Annual Budget, but due to a lack of a quorum, the meeting had to be cancelled. A decision was made to discuss the Annual Budget at today's Board Meeting instead of rescheduling another Personnel Committee Meeting. He noted the Annual Budget was in their booklets and stated that the Board should have also received a copy of the Annual Budget from Mark Gremmer last week.

After much discussion, Vice Chairman Smith made a motion to approve the budget as presented, contingent upon a review of the Investment Manager Fee Report. Mr. Foster seconded the motion, and it carried unanimously.

Councilman Perry left the meeting at 10:26 a.m.

DISABILITY COMMITTEE

Mr. Pearson stated that the Disability Committee did not have a meeting this month, but did receive word that a Disability Pension Application has been filed with the Pension Fund. The Committee will be scheduling a meeting in early January to review the application to make sure it complies with the Fund's Pension Law. If it does, the Committee will then schedule the application for its first hearing at the following Board Meeting, in accordance with the Fund's process.

LEGISLATIVE COMMITTEE

Vice Chairman Smith reported that the Legislative Committee did not have a need to meet this month since the Board approved the Final Legislative Package last month. The Committee received support of its package from the San Antonio Police Officer's Association, the Retirees'

Association and the City of San Antonio. Unfortunately, the Fire Union will not be supporting the package. The Committee is trying to get clarification whether they will be opposing the package or if they will just be remaining neutral. The Committee has also asked the Fire Union for the reasons for its lack of support. The Committee has been meeting with the local delegation informing them of its intent to have legislation filed. In those meetings, the Committee has taken the opportunity to give the legislators a financial report on the strength of the Fund, which most are already of aware of. Representative Justin Rodriguez has agreed to file the Pension Fund's bill in the House and the Committee has asked Senator Donna Campbell to file in the Senate. The next month should be relatively quiet, then the Committee will begin traveling to Austin in February to make sure the Bill is moving through the process.

Mr. Reed informed the Board that TEXPERS had hired Sally Velasquez as its new Executive Director. It was also noted that TEXPERS has relocated its office from Houston to Austin.

INVESTMENT COMMITTEE

Mr. Reed stated that the Investment Committee met twice since the last Board meeting; first on Thursday, November 29th, second on Wednesday, December 12th.

The first item on the November agenda was a quarterly performance update from NEPC. During the quarter, the fund grew 2.1%, bringing the year-to-date return to 2.2%. When looking at the past three years, the fund has achieved a top-quartile Sharpe ratio, which measures return per unit of risk. Unfortunately, the stock market is down over 5% in December and our overall return is now negative for the year.

The next item on the agenda was a discussion regarding the Fund's ongoing search for an international small cap core manager. NEPC presented a selection, highlighting eight managers on their focus placement list and two managers that were recommended by the Board of Trustees. After discussions, the Investment Committee voted to continue due diligence with Global Alpha Capital Management, Strategic Global Advisors, and Victory Capital Management. The site visits will be conducted in January.

The next item on the agenda was a discussion regarding the Fund's ongoing search for an international large cap growth manager. NEPC presented their focus placement list of ten names, with an additional manager recommended by the Board. After discussions, the Investment Committee voted to continue due diligence with WCM Investment Management, William Blair Investment Management, and Hardman Johnston Global Advisors.

The final item on the November agenda was a discussion regarding news about USAA selling its asset management division to Victory Capital Management. Staff relayed a message from USAA stating that the sale had

no impact on USAA Real Estate, particularly the USAA Eagle Real Estate Fund that the Pension Fund is invested in.

Mr. Reed reported that the first item on the December agenda was presentations by the private debt search finalists. Due diligence site visits had been conducted with the four firms featured in the search for a US senior direct lending manager. Pension Fund staff participated in all four visits, and Chairman Trevino participated in three of the four. The four managers, Angelo Gordon, Golub Capital, MGG Investment Group, and Neuberger Berman, presented their capabilities. Mr. Reed reported that after discussions regarding risk/return expectations, the Committee narrowed down the list to two managers: Angelo Gordon and MGG Investment Group. The Investment Committee chose to have the full Board weigh in on the final decision and so the Committee voted to recommend the Board commit \$15 million to one of those two managers.

Mr. Hally advised the Board that while the Board planned to make one \$15 million commitment, it was anticipated that the Board would be making additional investments in this same asset class in 2019, so that it could be more efficient to select both finalists – one for the \$15 million commitment in 2018 and one for a \$15 million commitment in 2019. This would prevent the Board from having to conduct another search in this asset class in just a few months' time, and would allow the Fund to invest with both very impressive finalists. After some discussion, Mayoral Designee/Secretary Williams made a motion to commit \$15 million to Angelo Gordon and \$15 million to MGG Investment Group. The motion was seconded by Mr. Griffin, and it carried unanimously.

Mr. Reed reported that the second item on the agenda was an update on the private market consultant search. Staff held discussions with nine firms to get a sense of pricing and capabilities. After discussing the options, the Investment Committee voted to recommend expanding the NEPC contract to include private equity, private debt, and real assets. Mr. Reed then made a motion on behalf of the Committee 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 for a second review of the 2019 Annual Budgets for the three buildings. Sullivan Commercial reviewed a couple of the changes the Board had requested at the previous meeting. The Corporation agreed with the changes and approved all three Annual Budgets. The Board also received an update on the Pension Fund office expansion. Demolition is expected to begin soon. There also was a brief discussion confirming that the expansion plans provide sufficient options to accommodate visitors (like visiting managers) while they wait to present to the Board.

DISBURSEMENTS: Mr. Griffin made and Vice Chairman Smith seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated December 19, 2018.)

**MEMBERS TO
BE HEARD:**

Chairman Trevino reminded everyone of the Occupational Death Benefit Committee/Committee meeting scheduled for December 20th at 2:30 p.m. He also wished everyone a happy and safe holiday.

ADJOURNMENT: Mayoral Designated/Secretary Williams made a motion to adjourn the meeting at 11:25 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 JANUARY 30, 2019.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman