

MINUTES
INVESTMENT COMMITTEE MEETING
FIRE AND POLICE PENSION FUND, SAN ANTONIO
WEDNESDAY, MARCH 22, 2023
PENSION FUND OFFICE
9:30 A.M.

Roll Call Mr. Reed called the meeting to order at 9:31 A.M.

Committee Members Present Larry Reed, Fire/Retiree Representative; Harry Griffin, Police/Retiree Representative; Amanda Viera, Police Representative

Committee Members Absent Justin Rodriguez, Mayoral Designee

Others Present Dean Pearson, Fire Representative; Warren Schott, Executive Director; Cary Hally, Chief Investment Officer; Giovanni Nunez, Investment Analyst; Wes Levanduski, Investment Analyst; Gail Jensen, General Counsel; Nancy Ybarra, Executive Assistant

Approval of Minutes of February 22, 2023

- Mr. Griffin made a motion to approve the minutes of the February 22, 2023, Investment Committee meeting. The motion carried unanimously.

Investment Policy Statement Update

- The Committee reviewed a draft revision of the Pension Fund’s Investment Policy Statement. Staff noted that the revisions were needed to reflect the Board’s February modifications to the Fund’s asset allocation. After discussions, Mr. Griffin made a motion to recommend that the Board approve the updated Investment Policy Statement. The motion carried unanimously.

Core Fixed Income Allocation

- NEPC and staff presented options to increase core fixed income exposure from 5% to 7% using \$70 million of the proceeds from the recent liquidation of the emerging market debt portfolio. Discussions continued around building a buy-and-hold two-year U.S. Treasury portfolio through one of the Pension Fund’s current separate account fixed income managers. Two managers, Garcia Hamilton and MacKay Shields, agreed to manage the portfolio. NEPC noted that in light of Mr. Garcia’s recently announced candidacy for the Houston mayoral race, NEPC has temporarily placed Garcia Hamilton on “hold” with respect to new allocations. After discussions, Mr. Griffin made a motion to recommend that the Board hire MacKay Shields to manage a buy-and-hold two-year U.S. Treasury mandate. The motion carried unanimously.

Rebalancing

- The Committee discussed trimming exposure to high yield bonds and bank loans. After discussions, Mr. Griffin made a motion to recommend that the Board redeem \$20 million from the MacKay Shields high yield bond portfolio, \$20 million from the GoldenTree High Yield Value Fund, and \$40 million from the PineBridge bank loans portfolio over the next two months and add these proceeds to the two-year U.S. Treasury portfolio. The motion carried unanimously.

IDR Commitment Update

- Townsend and staff provided a brief update to the Committee regarding the funding of the Board's allocation to IDR. Specifically, they noted that in light of the near-term outlook for core real estate, they recommended continuing to delay the funding. Staff noted that IDR also was in agreement. Staff will continue to update the Committee as the next funding opportunity approaches. No action was taken.

Altum Credit Fund Update and Possible Redemption

- The Committee discussed the Pension Fund's investment with Altum Credit Fund. Staff noted that the investment is classified as a hedge fund and does not fit within the Pension Fund's asset allocation. After discussions, Mr. Griffin made a motion to recommend that the Board redeem the Pension Fund's investment with Altum Credit Fund. The motion carried unanimously.

DaVinciRe Holdings Update and Possible Redemption

- The Committee discussed the Pension Fund's investment with DaVinciRe Holdings. Staff informed the Committee that this investment was originally part of the hedge fund allocation and was re-classified as part of the real assets allocation when the Pension Fund eliminated the hedge fund program approximately 3 years ago. After discussions, Mr. Griffin made a motion to recommend that the Board redeem the Pension Fund's investment with DaVinciRe Holdings. The motion carried unanimously.

Engagement for Investment Practices & Performance Report (Texas Government Code § 802.109)

- Staff briefed the Committee on the requirements with regard to the Pension Fund's 2023 Investment Practices & Performance Report. It was noted that the Fund's first report in 2020 was done by NEPC, and the Local Government Code requires updated reports every three years. Staff informed the Committee that NEPC has offered to also conduct the 2023 report and has recommended that it be more specifically focused on the Pension Fund's private markets investments, as allowed by the Code. After discussions, Mr. Griffin made a motion to recommend that the Board retain NEPC to conduct the 2023 Investment Practices & Performance Report and that the Report focus specifically on the Pension Fund's private markets investments. The motion carried unanimously.

Adjournment: Ms. Viera made a motion to adjourn at 10:39 A.M. The motion carried unanimously.

Approved this ____ day of _____, 2023.

Larry Reed, Investment Committee Chairman