

MINUTES
INVESTMENT COMMITTEE MEETING
FIRE AND POLICE PENSION FUND, SAN ANTONIO
WEDNESDAY, SEPTEMBER 19, 2018
PENSION OFFICE – 9:00 A.M.

Roll Call	Mr. Reed called the meeting to order at 9:02 A.M.
Committee Members Present	J.T. Trevino, Fire Representative; Dean Pearson, Fire Representative; Larry Reed, Fire/Retiree Representative; Jim Smith, Police Representative;
Committee Members Absent	Harry Griffin, Police/Retiree Representative;
Others Present	Jimmy Foster, Police Representative; Warren Schott, Executive Director; Cary Hally, Chief Investment Officer; Mark Gremmer, Deputy Director; Sinclair Nagy, Investment Analyst; Jason Hsu, Investment Analyst; Keith Stronkowsky, NEPC; Shayan Hussain, Blackrock; Tom Rose, Blackrock; Darren Marco, Payden & Rygel; Madyson Cassidy, Payden & Rygel; Brad Boyd, Payden & Rygel; Lee Cohen, Wellington; Brian Garvey, Wellington; Brian Doherty, Wellington; Greg Williams, Wellington;

Approval of Minutes on August 22, 2018

- Mr. Pearson made a motion to approve the minutes of the August 22, 2018 Investment Committee meeting. The motion carried unanimously.

Unconstrained Fixed Income Finalists

- Representatives from Blackrock, Payden & Rygel, and Wellington presented their firms' capabilities. After the presentations, the pros and cons of each organization were discussed, including the risk and return expectations of each strategy. In addition, it was discussed how each firm would fit into the broader fixed income portfolio. Given that the current fixed income managers invest in relatively higher volatility securities such as emerging market debt and high yield corporate debt, the Committee was looking for a manager that would balance this current risk. Mr. Pearson made a motion to terminate Goldman Sachs Strategic Income Fund and use the capital to fund Payden & Rygel Absolute Return Investing fund. The motion carried unanimously.

Attucks Emerging Manager Program Update

- Attucks Asset Management, SAFP's emerging manager consultant, reviewed the history of the emerging manager program and discussed the current structure of the overall portfolio. Attucks then presented current policy guidelines for the program and recommend modest changes to the allowable ranges for some asset categories. When the program was initiated in 2005, it was funded with \$50 million, which was about 3% of the total fund. Today, the emerging manager program has grown to over \$150 million and is just under 5% of the Fund. Discussions were held

regarding developing a target allocation and range for the program, similar to the structure of our other asset classes.

- Mr. Trevino made a motion to add guidelines on the overall emerging manager policy to incorporate a 4% target with respect to the overall portfolio, as well as a range of 3-5%. The motion carried unanimously.
- Mr. Smith made a motion to change the guidelines on the underlying strategies as follows:
 - US Small Cap: from 0-15% to 0-20%
 - Emerging Markets: from 0-15% to 0-20%
 - Hedge Funds: from 0-10% to 0-15%
 - The motion carried unanimously.

HayFin Direct Lending Fund III Re-Up

- Discussions were held regarding a re-up opportunity with a European direct lending manager. HayFin, who SAFF has invested with in two previous funds, has communicated that they are launching HayFin Direct Lending Fund III. The fund will continue their strategy of directly lending to European companies in the form of senior debt. Mr. Smith made a motion to commit \$20 million to HayFin Direct Lending Fund III. The motion carried unanimously.

Update of Investment Policy Regarding Private Debt Benchmark

- Discussions were held regarding SAFF's private debt benchmark. Historically, the private debt portfolio has been compared against a private equity benchmark, as private debt is still a relatively new asset class. Discussions were held with NEPC about developing a more appropriate comparison. Ultimately, it was decided that it would be more appropriate to use a high yield fixed income benchmark with an annual premium added to it. Mr. Smith made a motion to change our private debt benchmark from the Cambridge Associates US All Private Equity benchmark to the Merrill Lynch High Yield Index + 1%. The motion carried unanimously.

Possible Rebalancing of Portfolio

- Discussions were held regarding the need to rebalance investments to raise cash for operational needs and funding of expected capital calls from existing commitments. Due to strong performance, the US small cap portfolio is near the upper end of the allowable range of 5%. Given this, the committee concluded it was appropriate to raise the cash from the US small cap allocation to stay within the policy range, while at the same time balancing the allocation of small cap growth and value styles. Mr. Pearson made a motion to pull \$10 million from Rothschild US Small Cap Value fund and \$20 million from William Blair Small Cap Growth. The motion carried unanimously.

VSS Update

- Discussions were held regarding VSS, one of SAFF's private debt managers. VSS recently announced a settlement with the SEC over the pricing of assets in one of their private debt funds which the pension fund is not invested in. The settlement has no impact on the investment in VSS Structured Capital III, so there was no action taken.

ADJOURNMENT: Mr. Smith made a motion to adjourn at 1:06 p.m., which carried unanimously.

Approved this ____ day of _____, 2018.

Larry Reed, Investment Committee Chairman