

**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
March 27, 2019**

PRESENT: Chairman J. T. Trevino, Fire Representative; Vice Chairman Jim Smith, Police Representative; Councilman Clayton Perry; Councilman Art Hall; Jimmy Foster, Police Representative; Dean Pearson, Fire Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative; Mayoral Designee Justin Rodriguez.

ABSENT: None.

**OTHERS
PRESENT:**

Warren Schott, Mark Gremmer, Gail Jensen, Rick Matye, Cary Hally, Jason Hsu, Beatrice Ahrens, Pension Fund Staff; Frank Burney, Martin & Drought.

At 9:04 a.m., Chairman Trevino called the meeting to order. Roll was called, and a quorum was declared present.

At this time, the Board recognized Mr. James O. Gaffney, as the oldest living Police Retiree, and Mr. Manuel Vela as the oldest living fire retiree.

Mayoral Designee Rodriguez entered the meeting at 9:15 a.m.

The Board then presented plaques to the following 2018 fire retirees: Bennie Marberry, Jr.; Edward Casias; Mario Cortes; Rodolfo Morales, III; Raymond Perez; Ronald White; and Jonathan Doran.

The Board congratulated each of the fire retirees and thanked them for their service to the City of San Antonio.

The Board then recessed to Executive Session at 9:50 a.m., pursuant to Texas Govt. Code §551.071, §551.078 and §551.0785, and reconvened at 10:15 a.m.

Chairman Trevino read the following resolution for Reed Williams:

WHEREAS, *W. REED WILLIAMS*, Trustee of the Fire and Police Pension Fund of San Antonio, Texas, is ending his service with this Board as of January 31, 2019;

WHEREAS, *W. REED WILLIAMS* has served continuously as a member of the Board since November 29, 2017;

WHEREAS, *W. REED WILLIAMS* is recognized as a man whose advice and counsel has been most instrumental in guiding the Pension Fund during his term;

WHEREAS, the Fund's outstanding operations and performance have been due in part to *W. REED WILLIAMS*' leadership and direction, and;

NOW THEREFORE:***Be it resolved by the Board of Trustees of the Fire and Police Pension Fund, San Antonio:***

1. That the Fire and Police Pension Fund hereby expresses its sincere appreciation to *W. REED WILLIAMS* for his invaluable contribution to the Fund in enhancing the market value of the Fund.
2. That *W. REED WILLIAMS* is recognized for his contributions to all retirees and their beneficiaries, past, present and future.
3. That this Board goes on record as expressing its good wishes and sincere thanks to a loyal friend.
4. That the original of this Resolution, duly subscribed by all members of the Board, be presented to *W. REED WILLIAMS* as an official expression of the Fund's appreciation and that a copy be spread in full upon the minutes of the Board.

Signed this 27th day of March, 2019

MINUTES:

Vice Chairman Smith moved to approve the minutes of the regular board meeting held February 27, 2019. The motion was seconded by Mr. Foster, and it carried unanimously.

EDUCATIONAL OPPORTUNITIES

PRESENTATIONS: Mr. Griffin provided a report on the Opal Investment Education Symposium he attended. Mrs. Jensen provided a report on the TAPPA meeting she and Jon Lowe attended. Mr. Griffin provided a report on the ENTRUST Annual Meeting he attended, and Mr. Foster and Mr. Trevino provided a report on the RSK Investor's Forum they attended.

Copies of their reports are attached to the March 27, 2019 minutes.

Councilman Art Hall entered the meeting at 10:25 a.m. Chairman Trevino administered the following Oath of Office to Councilman Art Hall:

I, Art Hall, hereby appointed by the City Council of the City of San Antonio to serve as a Trustee of the Fire and Police Pension Fund, San Antonio, do solemnly swear: that I will faithfully execute the duties of my office; that I recognize the fiduciary standards that are a fundamental trust, duty and responsibility; that I will serve in this capacity exclusively for the benefit of the plan participants and their beneficiaries; and that I will, to the best of my ability, preserve, protect, and defend the Constitution and laws of the United States and of this State, so help me God.

EDUCATIONAL

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

1. Marcus Evans Real Estate Investors Summit
May 1-3 2019
2. NCPERS Annual Conference
May 18-22, 2019
3. NEPC Annual Investment Conference
May 7-8, 2019
4. GFOA Annual Conference
May 19-22, 2019
5. Exeter Annual Meeting
May 2-3, 2019
6. Covenant Annual Meeting
May 8-9, 2019
7. Paladin Annual Meeting
May 8-9, 2019
8. Westech Annual Meeting
May 2-3, 2019

The motion was seconded by Vice Chairman Smith, and the Motion passed unanimously.

Councilman Perry inquired as to why the listing for educational conferences was no longer as detailed as it had been in the previous month's agenda. Chairman Trevino stated that since the conference materials are provided to the Board in their Board packets, he had instructed staff to resume the previous practice of simply listing the conferences on the agendas. After some discussion, Councilman Perry made a motion to include more detailed information regarding the conferences in the agendas, and the motion was seconded by Mr. Griffin. The following votes were taken:

J. T. Trevino – no
Jim Smith – no
Jimmy Foster – no
Harry Griffin – yes
Art Hall – yes
Dean Pearson – no
Councilman Perry – yes
Larry Reed – no
Mayoral Designee Justin Rodriguez – yes

The motion failed 4 to 5.

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

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

Pension Applications

1. A 31 year, 4 month service pension for Detective Investigator Robert W. Wilson, effective March 23, 2019.
2. A 32 year, 6 month service pension for Police Officer Albert M. Castillo, effective April 1, 2019.
3. A 33 year, 2 month service pension for Police Sergeant James R. Conn, effective April 1, 2019.
4. A 29 year, 5 month service pension for Detective Investigator William P. Franck, effective April 1, 2019.
5. A 32 year, 6 month service pension for Fire Engineer Mario L. Guillen, effective April 1, 2019.
6. A 32 year, 6 month service pension for Detective Investigator Gerard A. Lopez, effective April 1, 2019.
7. A 30 year service pension for Detective Investigator Terry Linn Lowe, effective April 1, 2019.
8. A 33 year, 2 month service pension for Fire Captain John E. Lowry, effective April 1, 2019.
9. A 32 year, 3 month service pension for Fire Engineer Barbara O'Neal Mitchell, effective April 1, 2019.
10. A 31 year, 5 month service pension for Police Officer Kathleen S. O'Connor, effective April 1, 2019.
11. A 28 year, 7 month service pension for Police Officer Robert G. Rodriguez, effective April 1, 2019.
12. A 33 year, 6 month service pension for Police Sergeant Lena Jean Ortiz-Smith, effective April 1, 2019.
13. A 30 year, 6 month service pension for Fire Engineer Christopher L. Sutherland, effective April 1, 2019.
14. A 35 year service pension for District Fire Chief Arthur J. Villarreal, effective April 1, 2019.
15. A 34 year, 1 month service pension for Police Lieutenant Genaro Villarreal, Jr., effective April 1, 2019.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Rebecca E. Campacos, widow of Retired Detective Investigator Juan Campacos, effective January 27, 2019.

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

**EXECUTIVE
DIRECTOR
REPORT:****13TH CHECK**

Mr. Schott informed the Board that the Pension Fund will not meet the required criteria for the Board to have discretion to issue a 13th check this year. As such, there will be no 13th Check this year.

TRUSTEE ELECTIONS UPDATE

Mr. Schott reported that Harry Griffin, J. T. Trevino, and Jim Smith were all unopposed in their elections and were eligible for election. Mr. Reed moved to certify the three candidates as elected to the Board for terms beginning June 1, 2019, ending May 31, 2023. Mayoral Designee Rodriguez seconded the motion, and it carried unanimously.

FINANCIAL DISCLOSURE FORMS

Mr. Schott reminded the Board that financial disclosures forms are due by March 31st.

INVESTMENT ANALYST POSITION

Mr. Schott stated that response to the recently vacated Investment Analyst position has been slow but that candidates have until mid-April to apply.

FINANCIAL REPORTS FOR PERIODS ENDING JANUARY 31, 2019 AND FEBRUARY 28, 2019

The Statement of Net Plan Assets for the period ending January 31, 2019 were \$3,157,187,117.04.

Financials for the period ending February 28, 2019 were unavailable.

Councilman Perry left the meeting at 11:03 a.m.

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

Mr. Griffin stated the Personnel/Audit Committee held two meetings this month. The first meeting was to provide fiduciary training to the Board. The training was conducted by two representatives from Cohen Milstein. At the conclusion of the training, the Committee unanimously approved a motion to recommend the Board engage Cohen Milstein to review the Fund's current Standards of Conduct and ethics policies to ensure they are consistent with best practices. Mr. Griffin then made a motion on behalf of the Committee to approve. Vice Chairman Smith seconded the motion and it carried unanimously.

The Committee also met last week to receive a report from The Segal Company regarding the actuarial audit that was conducted by the City of

San Antonio. Mr. Griffin reported that State law requires the City to conduct an actuarial audit of the Pension Fund at least once every 5 years. The audit was completed by Gabriel, Roeder, Smith, and The Segal Company presented the Committee with its response to the report. The Committee approved a motion to recommend the Board approve Segal's response as the Pension Fund's response to GRS' report. Mr. Griffin then made a motion on behalf of the Committee to approve. Vice Chairman Smith seconded the motion and it carried unanimously.

DISABILITY COMMITTEE

Mr. Pearson reported that the Disability Committee did not meet this month. He stated there is one regular disability pension application that has been pending. The two independent medical evaluations have been scheduled to occur on March 22nd and March 23rd. Once the Committee receives those reports, it will meet to review them and provide a recommendation to the Board.

LEGISLATIVE COMMITTEE

Vice Chairman Smith reported that the Legislative Committee met a couple of weeks ago to review numerous bills of interest and to determine whether the Pension Fund should take a position on them. Gail Jensen gave a summary of each bill and the Committee discussed their potential impact on the Pension Fund. Vice Chairman Smith then made a motion on behalf of the Committee to approve the recommended positions of support/opposition as reflected on the list of bills presented, with the exception of SB 322 / HB1886, on which the Fund would remain neutral. Mr. Reed seconded the motion and it carried unanimously.

INVESTMENT COMMITTEE

Mr. Reed stated that the Investment Committee met on Wednesday, March 20th.

The first item on the agenda was a presentation from Townsend regarding the Fund's real estate portfolio. The Fund's real estate managers have generated net returns of 9.9%, 10.1%, and 11.7% on a 1, 3, and 5-year basis, respectively. Regarding plans for 2019, Townsend recommends the Fund commit \$25 million to non-core investments. A strategy Townsend focused on was investing more in US industrial. SAFF's industrial-focused manager, Exeter, is projected to be back in the market later this year. Staff will keep the Committee up to date on the re-up opportunity and any real estate searches that are needed.

The next item on the agenda was a presentation from Albourne regarding the Fund's hedge fund portfolio's performance. There are 15 individual hedge funds in the Fund's portfolio. In 2018, the portfolio remained positive, generating a nearly 1% net return versus the MSCI All Country World Index's -9.4% return. When comparing the portfolio against the HFRI FoF composite, SAFF's managers outperformed the index by almost

500 basis points on a net basis. Albourne also noted that there are no current managers that they have concerns with. The hedge fund portfolio is performing very well.

The next item on the agenda was a presentation from NEPC regarding the Fund's overall asset allocation. With the recent lag in performance by the Fund's risk parity manager and being conscious of where the Fund is in the market cycle, NEPC suggested that the Fund move money out of risk parity and into core bonds. The Investment Committee recommends changing the asset allocation to remove the 5% allocation to risk parity and to add a new 5% allocation to core bonds within the overall bond portfolio. Mr. Reed then made a motion on behalf of the Committee to approve. Mr. Pearson seconded the motion, and it carried unanimously.

Mr. Reed stated that the Investment Committee recommends terminating its risk parity investment with AQR Capital Management. Mr. Reed then made a motion on behalf of the Committee to approve. Vice Chairman Smith seconded the motion, and it carried unanimously.

Mr. Reed stated the Investment Committee recommends beginning a search for a core bond manager. Mr. Reed then made a motion on behalf of the Committee to approve. Mr. Griffin seconded the motion, and it carried unanimously.

Mr. Reed reported that NEPC also discussed the size of the allocations to the managers selected during the recent international equity search. The Fund's international equity portfolio was historically tilted towards large cap value style investing. The recent searches resulted in the selection of two international large cap growth and two international small cap core managers but the dollar amounts had not yet been specified. During the discussions, the Committee motioned to make the following recommendations regarding the International Equity Allocation:

The Investment Committee recommends terminating the LSV International Large Cap Value Account. Mr. Reed then made a motion on behalf of the Committee to approve. Vice Chairman Smith seconded the motion, and it carried unanimously.

The Investment Committee recommends rebalancing each of its four international large cap managers to individually equal 3% of the total fund. Mr. Reed then made a motion on behalf of the Committee to approve. Mr. Griffin seconded the motion, and it carried unanimously.

The Investment Committee recommends rebalancing the 3% allocation to our international small cap core managers whereby Global Alpha receives 65% of the 3% and Victory Trivalent Investments receives the remaining 35% of the 3%. Mr. Reed then made a motion on behalf of the Committee to approve. Mr. Foster seconded the motion, and it carried unanimously.

The next item on the agenda was a presentation from NEPC regarding the Fund's private markets pacing for 2019. NEPC emphasized the need to

keep a steady commitment pace every year in order to remain close to the Fund's private markets targets. Upon completion of the presentation, the Committee motioned to make the following recommendations to the Board:

The Investment Committee recommends committing \$60 million to private equity in 2019. Mr. Reed then made a motion on behalf of the Committee to approve. Vice Chairman Smith seconded the motion, and it carried unanimously.

The Investment Committee recommends committing a further \$45 million to private debt in 2019. Mr. Reed then made a motion on behalf of the Committee to approve. Mr. Griffin seconded the motion, and it carried unanimously.

The Investment Committee recommends committing \$25 million to real assets in 2019. Mr. Reed then made a motion on behalf of the Committee to approve. Vice Chairman Smith seconded the motion, and it carried unanimously.

The Investment Committee recommends beginning a search for a private equity co-investment fund. Mr. Reed then made a motion on behalf of the Committee to approve. Mr. Griffin seconded the motion, and it carried unanimously.

The next item on the agenda was a presentation from NEPC regarding the emergence of China A-shares. With recent changes to MSCI's ACWI index, China A-shares will likely make up a large portion of the index. NEPC's presentation showed projections that in 20 years, China A-shares are likely to make up 20% of the index versus the current 3.4%. There was no action taken.

The final item on the agenda was a discussion regarding the Fund's recently completed private markets consultant search which resulted in the hiring of NEPC. The decision to hire a general consultant versus one that specializes in private markets was discussed. The Committee noted it will be monitoring the performance and abilities of NEPC to ensure that they are capable of handling both the general consulting and private markets consulting for the Pension Fund. No further action was taken.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

President Foster reported that the Board of Directors of the Property Holding Corporation met last week to discuss several issues.

The first item was a review by Sullivan Commercial on the leasing of the three buildings. Shavano IV remains 100% leased. Shavano III is approximately 75% leased and has approximately 15,000 square feet of available space. Sullivan reported there is a good amount of interest in the

space and they feel confident it will get back to 90% leased in the near future. For Parkway Center, all of the space downstairs is fully leased. The tenant improvements on the Datamark space were completed on time and the new tenant should be moving in shortly. Of the upstairs space, there is still 20,000 square feet of space available. Sullivan has shown the space to several potential tenants with the hopes of finding one large company to lease all of it.

The next item was a brief update on the Pension Fund office expansion. Most of the renovations have been completed. The Corporation is still waiting on furniture for some of the offices and the expanded break area, but everything is on schedule and the work is expected to be completed by mid-April.

Staff also updated the Corporation on the potential purchase of the parking easement at the north end of the Parkway Center Building. When Northside Ford purchased the land north of the building, it was subject to parking easements held by the Corporation and by its neighbors to the east. The Corporation was exploring purchasing the easement from Northside Ford, but for that to make sense, it also would need to acquire its neighbor's easement, and they are unwilling to sell. Since the Corporation will not be able to acquire the other easement, there is no need to continue discussions with Northside Ford. Staff will keep the Corporation posted if something changes.

The Corporation next discussed the outstanding note on the Shavano Buildings. President Foster reminded the Board that when the Pension Fund purchased the two Shavano Buildings, it utilized mostly debt to do so. At that time, the interest rate was approximately 60 basis points, but it has since increased to over 3%. As such, Staff recommended the Corporation pay off the \$17,850,000 of debt on both of the Shavano buildings. The Corporation agreed and approved a motion to pay off the debt. Because the Pension Fund was involved in the original loan transaction, the Corporation recommends that the Pension Fund Board also approve a motion to pay off the debt. Mr. Foster then made a motion on behalf of the Corporation to approve. Mr. Pearson seconded the motion, and it carried unanimously.

Finally, Staff updated the Corporation on the performance of the two Shavano Buildings. Staff reported that for the 4 ½ years since the buildings were purchased, their performance has been 4.87% and 3.13%. Staff noted the primary reason for the underperformance has been the lack of appreciation in the property values. The Corporation decided to take no action at this time. Mr. Griffin suggested the Investment Committee of the Pension Fund review the buildings' performance in light of the Pension Fund's other investments. He requested this issue be added to the next Investment Committee agenda for discussion and possible action.

AD HOC OCCUPATIONAL DEATH BENEFIT COMMITTEE

Mr. Pearson stated that the Occupational Death Benefit Committee did not meet this month. The Committee plans on scheduling a meeting in April to review the latest information from the City on how they handle Workers Compensation Claims with respect to occupational death benefits.

DISBURSEMENTS: Vice Chairman Smith made and Mr. Foster seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated March 27, 2019.)

**MEMBERS TO
BE HEARD:**

Mr. Schott reminded the Board that after the Trustees are sworn in for their new terms beginning June 1, 2019 through May 31, 2023, the Board will need to discuss officer elections.

ADJOURNMENT: Mr. Griffin made a motion to adjourn the meeting at 12:01 p.m. The motion was seconded by Vice Chairman Smith, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON APRIL 24, 2019.**

J. T. Trevino, Chairman

ATTEST:

Jim Smith, Vice Chairman