

**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
May 27, 2020**

PRESENT: Chairman Jim Smith, Police Representative; Vice Chairman Dean Pearson, Fire Representative; Secretary Councilman Clayton Perry; Mayoral Designee Justin Rodriguez; Jimmy Foster, Police Representative; Vance Meade, Fire Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative.

ABSENT: Councilwoman Dr. Adriana Rocha Garcia.

**OTHERS
PRESENT:**

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

At 9:00 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, and reconvened at 9:10 a.m.

MINUTES: Vice Chairman Pearson moved to approve the minutes of the regular board meetings of April 29, 2020 and March 25, 2020 (held concurrently April 29, 2020). The motion was seconded by Mr. Meade, and it carried unanimously.

Mayoral Designee Justin Rodriguez arrived at 9:21 a.m.

**EDUCATIONAL
OPPORTUNITIES:** None.

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

CONTRIBUTIONS: Mr. Reed made a motion to approve the following pension applications, beneficiary pensions and refund of contributions:

Pension Applications

1. A 26 year, 4 month service pension for Police Sergeant Tonja Marie Brandt, effective March 28, 2020.
2. A 29 year, 1 month service pension for Fire Engineer Boyd Gean Callis, effective May 1, 2020.
3. A 27 year service pension for Police Officer Richard G. Dominguez, III, effective May 1, 2020.

4. A 23 year service pension for Fire Lieutenant Rodolfo R. Fernandez, effective May 1, 2020.
5. A 31 year, 1 month service pension for Fire Engineer Manuel Trevino, Jr., effective May 1, 2020.
6. A 22 year, 8 month service pension for Police Officer Mark S. Bishop, effective June 1, 2020.
7. A 32 year, 1 month service pension for Firefighter Paul A. Cardenas, effective June 1, 2020.
8. A 20 year service pension for Police Officer Daniel Connell, effective June 1, 2020.
9. A 29 year, 7 month service pension for Police Sergeant Kenneth P. Davis, effective June 1, 2020.
10. A 32 year service pension for Police Officer Charles Schreckenbach, effective June 1, 2020.

Beneficiary Pensions

1. A beneficiary pension for Mrs. Catherine I. Rose, widow of Retired Detective Investigator Maurice R. Rose, effective April 12, 2020.
2. A beneficiary pension for Mrs. Sandra F. Millikin, widow of Retired Detective Investigator John C. Millikin, Jr., effective May 5, 2020.

Refund of Contributions

1. A 15 year, 4 month refund of contributions for Police Officer John D. Lee, effective February 13, 2020.
2. A 12 year, 1 month refund of contributions for Fire Engineer David Nathan Ellis, effective May 1, 2020.

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

The Board acknowledged retiring fire engineer J.T. Trevino for his great work while serving on the Pension Fund Board.

EXECUTIVE DIRECTOR REPORT:

EXECUTIVE ASSISTANT POSITION UPDATE

Mr. Schott informed the Board that Executive Assistant, Beatrice Ahrens, was retiring at the end of the month after 23 years with the Pension Fund. He, along with several of the Board members, thanked Beatrice for her work over the years and wished her a happy retirement. Mr. Schott reported that the Executive Assistant position has been posted and he has already received numerous applications.

POLICE CADET CLASS 2019-D – GRADUATION MAY 13, 2020

Mr. Schott requested Board approval to accept Police Cadet Class 2019-D into the membership. Mr. Foster made a motion to approve. The motion was seconded by Mayoral Designee Rodriguez, and it carried unanimously.

FINANCIAL REPORT FOR PERIOD ENDING APRIL 30, 2020

The Statement of Net Plan Assets for the period ending April 30, 2020 were \$3,261,564,681.80.

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

No Report.

DISABILITY COMMITTEE

Mr. Foster reported that the Disability Committee did not meet this month. However, the Committee has one pending Regular Disability Pension Application for Fire Engineer Dawn Solinski that is moving through the process. Engineer Solinski has been scheduled for two independent medical evaluations in June. Upon receipt of both reports, the Committee will provide a recommendation to the Board.

LEGISLATIVE COMMITTEE

Mr. Reed reported that the Legislative Committee did not meet this month and has not met since March 23rd due to the Coronavirus. However, the Committee intends to schedule a meeting in June to continue the process of developing a Legislative Package for the 2021 Legislative Session. At the March meeting, the Committee had directed Staff to draft clarification language related to the 13th Check and the 30-day rule regarding Disability Applications. The Committee will review that language at the next meeting and possibly finalize the Legislative Package.

Mr. Reed also noted that pre-Filing of bills does not begin until November, so the Committee has plenty of time to get the language changes reviewed, approved, and in bill-format.

INVESTMENT COMMITTEE

Mr. Griffin reported that the Investment Committee met on Wednesday, May 20th.

The first item on the agenda was the finalist presentations for the two venture capital searches. Mr. Griffin reminded the Board that the venture capital search has been separated into two strategies: fund-of-funds and

secondaries. He reported that given travel and safety restrictions due to COVID-19, the presentations were done over Zoom video calls. Representatives from Abbot Capital, Greenspring Associates, and Adams Street Partners presented their capabilities on the fund-of-funds strategies. The Investment Committee recommends committing \$20 million to Greenspring Global Partners X. 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 reported that two firms presented their capabilities on the venture secondary focused strategies: Industry Ventures and Top Tier Capital Partners. The Investment Committee recommends committing \$20 million to Top Tier Venture Velocity Fund III. Mr. Griffin then made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Meade, and it carried unanimously.

The next item on the agenda was the first quarter performance review from NEPC. In the first quarter of 2020, markets across credit and equities experienced a large selloff due to COVID-induced economic shutdowns. The S&P 500 saw a 19.6% drawdown, with domestic small cap stocks declining closer to 30%. The Barclays high yield index had a negative 12.7% return. As would be expected, the pension fund saw a material decline in assets. In Q1, the Fund was down 12.6%, largely due to the public equity exposure. However, given the risk construction of the pension fund's prior asset allocation, the Fund's 5-year risk, as measured by standard deviation, ranked in the top quartile compared to its peers.

During the discussion, the performance of Cornerstone Investments, who manages a domestic large cap core equity portfolio, was highlighted. Cornerstone, who the Pension Fund has approximately \$45 million invested with, has continued its multi-year performance struggle versus its S&P 500 benchmark. In the first quarter, Cornerstone lagged the S&P by almost 700 basis points, bringing its inception to date underperformance to 260 basis points annualized since July 2009. Based upon that, the Investment Committee recommends terminating the investment with Cornerstone and moving the proceeds to the existing Northern Trust Russell 1000 core index fund. Mr. Griffin then made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Foster, and it carried unanimously.

The next item on the agenda was NEPC's presentation of its report regarding the state-mandated SB322 evaluation. NEPC was retained to conduct the evaluation of the Fund's investment policies and practices, as required by the new state law. The study reviewed a number of aspects of the Fund's investment practices including asset allocation, manager fees, and governance processes. NEPC found the Pension Fund's policies to be "appropriate, adequate, and effective when compared to industry prevailing practice." The Investment Committee recommends approving the full Evaluation of the Investment Policies, Procedures, and Practices report from NEPC.

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

The final item on the agenda was a discussion of the implementation of the asset allocation mix chosen at the last Investment Committee meeting. As a reminder, the largest point of discussion was the future of the hedge fund program. For a variety of reasons, the decision was made to recommend the termination of the program, with the exception of one manager, DaVinci ReInsurance. DaVinci ReInsurance provides catastrophic property reinsurance and targets an uncorrelated 15% return. Due to its underlying investment assets, this strategy can fit within the Fund's Real Assets Allocation. The Investment Committee recommends moving DaVinci into the Fund's Real Assets Allocation, and terminating the hedge fund program, including the hedge fund consultant (Albourne) and all remaining hedge fund managers. Mr. Griffin then made a motion on behalf of the Committee to approve. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

Councilman Perry left the meeting at 9:58 a.m.

PROPERTY HOLDING CORPORATION

Mr. Meade reported that the Property Holding Corporation did not meet this month, but it will be scheduling its quarterly meeting in June. Once that meeting has been scheduled, the Corporation will inform the Board. Mr. Meade also reported that in addition to collecting all rents for April, the Corporation has been informed that all rents for May also were collected, so the buildings continue to perform well despite the current environment.

DISBURSEMENTS: Mr. Reed made, and Mayoral Designee Rodriguez seconded, a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated April 30, 2020.)

MEMBERS TO BE HEARD:

Chairman Smith thanked Executive Assistant Beatrice Ahrens for her hard work and assistance, primarily to the Board members over the years, and stated she would be greatly missed.

ADJOURNMENT: Mr. Griffin made a motion to adjourn the meeting at 10:06 a.m. The motion was seconded by Mr. Foster, and it carried unanimously.

**APPROVED BY THE BOARD OF TRUSTEES AT THE REGULAR
MEETING HELD ON MAY 27, 2020.**

Jim Smith, Chairman

ATTEST:

Dean Pearson, Vice Chairman