

**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
July 31, 2019**

PRESENT: Chairman Jim Smith, Police Representative; Vice Chairman Dean Pearson, Fire Representative; Councilman Clayton Perry; Jimmy Foster, Police Representative; Larry Reed, Fire Retiree Representative; Harry Griffin, Police Retiree Representative.

ABSENT: Mayoral Designee Justin Rodriguez; J. T. Trevino, Fire Representative.

OTHERS

PRESENT: Warren Schott, Mark Gremmer, Gail Jensen, Rick Matye, Jessica Pelaez, Cary Hally, Jason Hsu, Giovanni Nunez, Beatrice Ahrens, Pension Fund Staff; Jon Lowe, Martin & Drought.

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

Chairman Smith requested approval of a Resolution of Appreciation for Councilman Art Hall. Mr. Reed made a motion to approve. The motion was seconded by Mr. Foster, and it carried unanimously.

The Board then recessed to Executive Session at 9:05 a.m., pursuant to Texas Govt. Codes §551.071, §551.078, §551.0785 and reconvened at 10:08 a.m.

Mr. Griffin entered the meeting at 9:32 a.m.

MINUTES: Vice Chairman Pearson moved to approve the minutes of the regular board meeting held June 26, 2019. The motion was seconded by Mr. Foster, and it carried unanimously.

**EDUCATIONAL
OPPORTUNITIES**

PRESENTATIONS: Mr. Griffin provided a report on the Opal Public Funds Summit that he, Chairman Smith, and Mr. Foster attended. A copy of the report is attached to the July 31, 2019 minutes.

EDUCATIONAL

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

1. Public Funds Forum
September 3-5, 2019
2. IREI Advisory Board Meeting
September 10-12, 2019

3. NCPERS Public Pension Funding Forum
September 11-13, 2019
4. TLFFRA Pension Conference
September 29 – October 1, 2019

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

**APPLICATIONS,
ADJUSTMENTS
AND REFUND OF**

CONTRIBUTIONS: Vice Chairman Pearson made a motion to approve the following pension and beneficiary pension applications:

Pension Applications

1. A 28 year, 5 month service pension for Police Captain Francisco Martinez, effective July 1, 2019.
2. A 31 year, 3 month service pension for Firefighter Frank G. Gutierrez, effective July 3, 2019.
3. A 24 year, 10 month service pension for Police Officer Eddie Williams, Jr., effective July 12, 2019.
4. A 25 year, 8 month service pension for Police Officer Kenneth W. Thompson, effective August 1, 2019.
5. A 33 year, 2 month service pension for Fire Captain Jay Bentley Daigle, effective September 1, 2019.
6. A 32 year, 8 month service pension for Fire Lieutenant David L. Peters, effective September 1, 2019.

Beneficiary Pension

1. A beneficiary pension for Mrs. Michelle R. Garza, widow of Retired Police Officer Valentin Garza, effective July 5, 2019.

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

Disability Pension

1. A final hearing for a disability pension for Police Officer Rachelle Bradley.

At this time, the Disability Committee provided its report.

The Disability Committee met on July 19th to conduct its final review of the Regular Disability Pension Application for Police Officer Rachelle Bradley. Ms. Bradley underwent independent medical evaluations in accordance with the Fund's policy. After reviewing the doctors' evaluation reports and the other materials that had been submitted, the

Committee recommended the Board approve the Regular Disability Pension Application for Police Officer Rachelle Bradley. Vice Chairman Pearson made a motion on behalf of the Committee to approve the regular disability pension for Officer Bradley. The motion was seconded by Mr. Foster, and it carried unanimously.

The Committee also conducted the annual review of the disability pensioners' tax returns. The Committee reviewed the tax return information regarding several of the disability pensioners but took no action. There were four disability pensioners that filed extensions and the Committee recommends approval of those four extensions. Vice Chairman Pearson made a motion on behalf of the Committee to approve the four extensions. The motion was seconded by Mr. Reed, and it carried unanimously.

**EXECUTIVE
DIRECTOR
REPORT:**

ADVISOR NEWSLETTER

Mr. Schott reported that the Advisor Newsletter was at the printers and would likely be sent out next week.

POLICE CADET CLASS 2019-A BRIEFING – AUGUST 27TH

Mr. Schott informed the Board that a police cadet briefing is scheduled for Tuesday, August 27th at 10:45 a.m.

FINANCIAL REPORT FOR PERIOD ENDING JUNE 30, 2019

The Statement of Net Plan Assets for the period ending June 30, 2019 were \$3,261,055,954.50.

**COMMITTEE
REPORTS:**

PERSONNEL/AUDIT COMMITTEE

Vice Chairman Pearson reported the Personnel/Audit Committee met this month to finalize the Pension Fund's Standards of Conduct Policy and to discuss the initiation of a 5-year Actuarial Experience Study.

The first item discussed was the updates to the Standards of Conduct Policy. The Committee has been working on updating and amending the Standards for the past few months. The Committee made several changes to the Standards and the Committee unanimously approved recommending the changes to the Board. Vice Chairman Pearson made a motion to approve the Standards of Conduct as presented. The motion was seconded by Mr. Reed, and it carried unanimously.

Vice Chairman Pearson reported the Committee also discussed the requirement by the State Pension Review Board to conduct an Actuarial Experience Study at least once every 5 years. The last Experience Study

was conducted in 2014, so the Pension Fund is due for its next Study. As such, the Committee reviewed a proposal from Segal Consulting to conduct this Study for the Fund. Vice Chairman Pearson made a motion to approve Segal Consulting conduct the Actuarial Experience Study. The motion was seconded by Mr. Foster, and it carried unanimously.

LEGISLATIVE COMMITTEE

No report.

INVESTMENT COMMITTEE

Mr. Griffin stated the Investment Committee met on Friday, July 19th.

The first item on the agenda was a discussion regarding an opportunity to re-up with an existing private equity manager. ZMC, whose second fund the Pension Fund committed \$15 million to, is raising their third fund. ZMC focuses on making control-oriented investments across the media and communications industry. ZMC II has generated a net IRR of 26% and a net multiple of 1.6x for the Pension Fund, putting it well above the median. A commitment to this fund will complete the Pension Fund's 2019 private equity pacing schedule. NEPC, the Fund's private markets consultant, has stated that they have no objections to the Fund making a commitment to Fund III. The Investment Committee recommends making a \$20 million commitment to ZMC III, LP. Mr. Griffin made a motion on behalf of the Committee to approve the re-up to ZMC. The motion was seconded by Vice Chairman Pearson, and it carried unanimously.

The next item on the agenda was a discussion regarding extending the Fund's investment in the Hancock Australia fund, Hancock Victorian Plantations. As a reminder, the Pension Fund committed \$10 million to that fund in 1998. The investment now holds a market value of approximately \$28 million, has generated a 12% net IRR, and has distributed back \$20 million since inception. The Fund's investment in HVP was structured as part of a group annuity. As such, the term of the contract needs to be extended for the investment to continue. The Investment Committee recommends extending its investment in Hancock Victorian Plantations, contingent on the other LPs doing the same. Mr. Griffin made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

The next item on the agenda was a discussion regarding one of the Fund's hedge fund managers, H2O Asset Management. H2O Asset Management was recently the subject of a Financial Times story which exposed that H2O made illiquid investments in some of its funds that offered daily liquidity. The specific hedge fund that the Fund invested in, H2O Global Alpha, did not make any investments in the private debt that was the subject of the article. Nor did any of H2O's other hedge fund products. Nevertheless, H2O has seen outflows both at the firm level and in the products related to the Fund's investment. Additionally, the Fund's hedge fund consultant, Albourne, has recommended that the Fund redeem its

investment. The Investment Committee recommends terminating its investment in H2O Global Alpha and moving the proceeds to our Garcia Hamilton fixed income account. Mr. Griffin 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 a discussion regarding Placement Agent Fee Acknowledgement Forms. The SEC requires third-party marketing firms to notify potential clients about their relationship with firms they are representing. The clients must then sign an Acknowledgement Form that they have been made aware of the relationship. The Committee directed Staff to ensure the Investment Committee is informed during the interview process of any third-party marketing firms involved with potential managers.

The final item on the agenda was an update to the Fund's Investment Policy Statement. Mr. Griffin reminded the Board of the recent allocation changes that were made on the recommendation of NEPC. Specifically, NEPC recommended removing the target to risk parity, adding a target to core fixed income, and adding a target to international small-cap equities. Mr. Griffin stated the language of the investment policy has been updated to reflect these modifications. The Investment Committee recommends adopting the amended Investment Policy Statement. Mr. Griffin made a motion on behalf of the Committee to approve. The motion was seconded by Mr. Reed, and it carried unanimously.

SAN ANTONIO F&P PROPERTY HOLDING CORPORATION

No report.

DISBURSEMENTS: Vice Chairman Pearson made and Mr. Foster seconded a motion to approve paying the bills, which was unanimously approved. (See attached disbursements dated July 31, 2019.)

**MEMBERS TO
BE HEARD:** None.


ADJOURNMENT: Mr. Griffin made a motion to adjourn the meeting at 10:45 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 AUGUST 28, 2019.**



Jim Smith, Chairman

ATTEST:



Dean Pearson, Vice Chairman