

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

Roll Call	Mr. Reed called the meeting to order at 9:35 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 January 25, 2023

- Ms. Viera made a motion to approve the minutes of the January 25, 2023, Investment Committee meeting. The motion carried unanimously.

Merit Energy Presentation

- Representatives from Merit Energy Company provided an update on the Pension Fund's investment and current market dynamics. In 2014, the Pension Fund committed \$10 million to Merit Energy Partners I ("MEP I"). As of 9/30/2022, MEP I has a market value of approximately \$11.59 million with a net internal rate of return ("IRR") of 10.7%. Merit is currently raising MEP L and expects to hold its final close this summer. No action was taken.

NEPC Quarterly Performance Update and Appropriate Follow-up Action Including Possible Reallocations, Rebalancing and/or Terminations

- NEPC presented a quarterly performance review of the portfolio. As of year-end 2022, the Pension Fund's market value is approximately \$3.5 billion, and 1-year return is -11.6%. The Pension Fund's total equity composite returned -20.6% and the total fixed income composite returned -8.9%.
- NEPC suggested looking at other international equity managers to compare them with the Pension Fund's current managers in the space given the strategies of the current managers and current market dynamics.
- Discussions arose regarding the liquidation processes of Altum Credit Fund, a credit hedge fund that was previously in the discontinued Emerging Manager Program, and DaVinciRe Holdings, a reinsurance product that was originally in the discontinued hedge fund program. No action was taken.

Asset Allocation Review and Possible Adjustments

- NEPC reviewed the Pension Fund's current asset allocation mix and discussed their economic outlook, investment themes, and 10-year expected return assumptions. NEPC's expected return assumptions and the Pension Fund's 5% policy target to emerging market debt was a key topic.
- After discussions, Mr. Griffin made a motion to recommend that the Board adjust its asset allocation to eliminate the 5% policy target to emerging market debt; to increase the private equity policy target from 7% to 8%; to increase the real estate policy target from 7% to 9%; and to increase the core bonds policy target from 5% to 7%. The motion carried unanimously.

- As a result of the recommended asset allocation target changes, Mr. Griffin made a motion to recommend that the Board terminate the Wellington Opportunistic Emerging Market Debt strategy. The motion carried unanimously.
- Staff and NEPC will present updated private market pacing plans and options to increase core bonds exposure at a future Investment Committee meeting. No further action was taken.

Update on Potential Re-Ups

- Staff presented the re-up opportunities expected throughout 2023. As the year progresses, staff will provide periodic updates regarding re-up opportunities. No action was taken.

BPC Opportunities Fund V Re-Up Commitment

- The Committee discussed the BPC Opportunities Fund V (“Fund V”) re-up opportunity. Fund V is an all-weather, multi-strategy credit fund that will invest primarily in middle-market credit opportunities, special situations investments, private debt, and distressed debt. Investments will target companies that lack access to capital, companies in dislocation or under stress, and companies close to or experiencing financial distress, bankruptcy, or restructuring pressure. As of September 30, 2022, the Pension Fund’s investment in Fund IV has net IRR and total value to paid-in capital of 15.0% and 1.19x, respectively.
- After discussions, Mr. Griffin made a motion to recommend that the Board commit \$25 million to BPC Opportunities Fund V. The motion carried unanimously.

Bloomfield Capital Income Fund V – Series C Re-Up Commitment

- The Committee discussed the Bloomfield Capital Income Fund V – Series C re-up opportunity. The Pension Fund has committed to Bloomfield Capital Income Fund III (“Fund III”) and Fund V – Series A. Fund III is in its wind-down phase and Fund V utilizes a Series LLC legal structure, with funds automatically rolling over from one series to the next. In addition to the automatic rollover, the Series LLC structure also poses several unique legal challenges. As a result, before the formation of Fund V – Series B, the Board elected to withdraw from Fund V – Series A, although some funds had already been rolled over into Fund V – Series B and are currently in the “lock-up” phase of that series.
- The Pension Fund’s Chief Investment Officer, Cary Hally, provided the Committee an overview of the business and investment provisions of Fund V, and performance results for Bloomfield. General Counsel, Gail Jensen, also briefed the Committee regarding Bloomfield’s changes to the legal documents. She noted while the changes exempted the Pension Fund from the rollover provision, there were still a number of legal concerns because of the Fund’s Series LLC structure.
- The Investment Committee took no action on the matter.

Adjournment: Ms. Viera made a motion to adjourn at 1:04 P.M. The motion carried unanimously.

Approved this ____ day of _____, 2023.

Larry Reed, Investment Committee Chairman