



Evaluation of Investment Policies, Procedures and Practices

December 2023

Table of Contents

- Executive Summary.....3
- 1. Investment Policy Statement Analysis and Compliance.....4
- 2. Asset Allocation Review.....5
 - A) Process for Determining Target Allocations.....5
 - B) Expected Risk & Return Summary.....6
 - C) Appropriateness of Selection and Valuation Methodologies of Alternative/Illiquid Assets.....9
 - D) Consideration and Incorporation of Future Cash Flow and Liquidity Needs.....9
- 3. Review of the Appropriateness of Investment Fees and Commissions Paid.....12
- 4. Review of Governance Processes Related to Investment Activities.....14
- 5. Review of Investment Manager Selection and Monitoring Process.....21
- 6. Technical Summary.....24
- 7. Appendix A – SAFPPF Texas Public Fund Peers.....26

Executive Summary

Pursuant to Section 802.109 of Texas Government Code, NEPC, LLC (NEPC) has been engaged by the San Antonio Fire & Police Pension Fund (SAFPPF), to conduct an independent evaluation of the appropriateness, adequacy and effectiveness of SAFPPF's investment policies, procedures and practices.

This Report covers five Evaluation Topics, broadly defined in Section 802.109 of the controlling Government Code:

- 1) An analysis of any investment policy or strategic investment plan adopted by the retirement system;
- 2) A detailed review of the retirement system's investment asset allocation;
- 3) A review of the appropriateness of investment fees and commissions;
- 4) A review of the retirement system's governance processes related to investment activities; and
- 5) A review of the retirement system's investment manager selection and monitoring process.

For each of the five Evaluation Topics, we have noted the Activities Completed, Standards for Comparison, Findings and Enhancement Recommendations SAFPPF may wish to consider for improvement.

Overview of Findings:

There were no new recommendations for 2023. This report will provide a progress report on the enhancement recommendations from the 2020 report (as outlined below), as well as additional updates.

Overview of Enhancement Recommendations from 2020 Report:

Recommendations:

- 1) **In its next annual review of the Investment Policy Statement (IPS) SAFPPF should make revisions to improve clarity and accountability within the document.** For additional detail and related findings, see Section 1, beginning on page 4.
- 2) **SAFPPF should conduct an informal annual review of capital market assumptions at least on an annual basis.** For additional detail see Section 1, page 4.
- 3) **SAFPPF should establish a more formal process of projecting and reporting on liquidity risk** as the alternative asset programs continue to be built out. This process should be a collaboration between Staff and the Investment Consultants. Language should also be added to the IPS that clarifies the process around the valuation of alternative assets. For further details see Section 2 (C) and Section 2 (D), beginning on page 9.
- 4) **The IPS states that the Investment Committee is to monitor and control investment expenses.** This language should be expanded to clearly define what type of report or analysis should be presented to the Board on at least an annual basis. For further details, see Section 3.

Section 1. Investment Policy Statement Analysis and Compliance

Activities Completed:

Review of the most recent version of the Investment Policy Statement (IPS). NEPC also audited Board minutes and any asset class and manager specific guidelines to confirm that they comply with the IPS.

Standard of Comparison:

To document that the structure of the IPS and the Plan's compliance with its IPS are consistent with prevailing practice, NEPC used a three-step evaluation process. The first step involved comparing the IPS to the recommended investment policy statements by the Government Financial Officers Association ("GFOA"), and the CFA Institute. The second step was to compare the System's IPS to the NEPC sample IPS template. This template applies NEPC's 30 plus years of experience in working with public fund clients on both the structuring of, and compliance with, their investment policy statements. The third step was to compare the Plan's IPS to the investment policy statements of similar Texas public pension plans.

Findings:

The latest revisions to the IPS took place in March 2023, with input from NEPC, Staff and the Board. NEPC, as General Consultant, reviewed and endorsed the IPS.

The IPS is generally consistent with the following elements recommended by GFOA, the CFA Institute and the NEPC IPS template:

- Scope, purpose, investment objectives, investment philosophy/beliefs
- Governance
- Investment guidelines
- Asset allocation and rebalancing
- Internal controls
- Authorized intermediaries (custodians, depositories, broker/dealers, etc.)
- Risk management and objectives
- Performance standards and procedures
- Reporting and disclosure policy/procedures

Going back through SAFPPF Board Meeting minutes, we can see that the Plan is following the IPS in terms of pursuit of objectives, delegation of authority, decision making process, as well as the frequency and detail of monthly, quarterly, annual and other periodic reporting to the Board. As SAFPPF's General Investment Consultant, NEPC has directly observed, that the Board is adhering to the governance and compliance guidelines set forth in the IPS.

As noted, SAFPPF has a thorough and thoughtful IPS and there were no new recommendations. Below is a progress report on the **Enhancement Recommendations from 2020 report:**

- 1) The IPS states that an asset-liability study should be conducted at least every five years (industry standard) to determine the long-term targets and that annually, the targets are to be reviewed for reasonableness in relation to significant economic and market changes or to changes in the Fund's long-term goals and objectives. For clarity, this annual review

should be defined in the IPS as an asset allocation (or asset-only) study. Completed and reflected in the current IPS.

- 2) SAFPPF Investment Committee members are tasked with on-site due diligence trips and evaluations to provide review and oversight of any potential new investments for the Plan. NEPC recommends that this process be codified under the Roles and Responsibilities section of the IPS. Completed and reflected in the current IPS.
- 3) NEPC recommends adding language to the Roles and Responsibilities section of the IPS, to explicitly define the role of the Executive Director. Completed and reflected in the current IPS.
- 4) SAFPPF utilizes a General Consultant, as well as one or more Specialty Consultants across alternative asset classes and the emerging manager program. NEPC recommends language be added to the Roles and Responsibilities section of the IPS to clarify the use of Specialty Consultants. Completed and reflected in the current IPS.
- 5) SAFPPF has developed an Emerging Manager program with a dedicated level of assets and policy statement. For clarity, NEPC recommends language be added to the IPS that provides a broad definition and scope of the program. This program has been terminated and the assets moved into the broader portfolio.
- 6) As SAFPPF continues to build out its alternative asset programs, NEPC recommends that the Plan add language to the IPS that addresses liquidity risk, and that periodically (every three years) requires a comprehensive report on the liquidity of the Fund. Completed and reflected in the Risk Tolerance section of the current IPS. A liquidity study of the fund was also completed in 2023.
- 7) The Funding Policy is not directly articulated within the IPS. Instead SAFPPF has a separate Funding Policy document that is currently being revised. In our review we've found that it is not uncommon for public funds to have a separate Funding Policy and as such, recommend that this document be incorporated by reference into the IPS. Completed and reflected in the Funding Policy section of the current IPS.

Section 2. Asset Allocation Review

2(A). Process for Determining Target Allocations

Activities Completed:

Review of the asset allocation guidelines in the IPS, and the most recent asset allocation study that was completed.

Standard of Comparison:

To ensure the Plan is following prevailing practices as it relates to the asset allocation process, NEPC used a two-step evaluation process. The first step involved comparing SAFPPF policies and practices to the prevailing practice of NEPC's clients. In the second step, several peer institutions (Texas Public Pension Plans) were compared to SAFPPF's asset allocation policies.

Findings:

SAFPPF has developed a clear process that allows for routine setting, monitoring, and review of both the asset allocation of the portfolio and the assets and liabilities of the SAFPPF. This process is consistent with prevailing practice among peer public pension funds. The strategic allocations can be found in the Executive Summary and General Investment Policies and Guidelines sections of the IPS.

2(B). Expected Risk & Return Summary

Activities Completed:

NEPC reviewed the following documents.

- NEPC Asset Allocation Team process for developing expected risk and return forecasts
- SAFPPF Investment Policy Statement
- NEPC's 2023 Capital Markets Outlook and Asset Allocation Assumptions
- 2023 Actuarial Valuation Report

Standard of Comparison:

We compared the process by which SAFPPF sets and regularly assesses expected risk and return information with NEPC's experience with how similar public pension plans approach this process.

Findings:

As with most other public pension funds, SAFPPF relies on its General Consultant to provide capital market forecasts for expected returns, volatilities and correlations among the asset classes. Specialty Consultants also express their own view on market outlook in their strategic plans reported to the Board.

NEPC's capital market assumptions provided to SAFPPF are developed by NEPC's asset allocation team which consists of senior investment professionals as well as licensed actuaries. These assumptions are forward-looking and fundamentally based forecasts developed with proprietary valuation models to generate both an intermediate and long-term outlook. The long-term outlook represents a foundation on which to build a strategic allocation to meet long-term objectives. The intermediate outlook represents a planning horizon over which more dynamic asset allocation decisions can be developed.

Asset class forecasts are based on a combination of forward-looking analysis and historical data. Historical information dating back to 1926, which includes monthly index returns, cash rates, inflation rates, bond yields, and valuation metrics are utilized to both frame the current economic environment and serve as the foundation for the volatility and correlation assumptions for all asset classes. Volatility assumptions are based primarily on the long-term history of the asset class with some adjustments for the current environment, while correlation assumptions are based on a mix of both long-term history and current trend.

Expected return forecasts are based on current market prices and forward-looking estimates. The

forward-looking estimates rely on a fundamental building blocks approach that broadly includes intermediate and long-term assumptions for economic growth, supply/demand dynamics, inflation, valuation changes, currency markets, forward-looking global yield curves, and credit spreads. The building blocks are specific to each major asset class and represent the primary drivers of future returns. For example, the equity forecast model is based upon assumptions for real earnings growth with adjustments incorporated for profit margin changes, inflation, dividend yield, and current valuations trending to long-term averages. Fixed income return forecasts are based upon changes in real interest rates and forward yield curves, with credit sectors including an assumption for changes in credit spreads and credit defaults. Alternative investment strategies are similarly built from the bottom up with a building blocks approach based upon public market beta exposures while also incorporating an appropriate risk premium for illiquidity.

The asset class assumptions are formally prepared annually but may be revised during the year should significant shifts occur within the capital markets. The review process is overseen by the Asset Allocation Committee, which includes the asset allocation team and various members of the consulting practice groups. The responsibilities of the Asset Allocation Committee include highlighting current market risks. While the formal process is earmarked for an annual cycle, NEPC regularly assesses markets and opportunities. Should return and risk expectations change, or an event take place, either domestically or abroad, that will have an impact on our clients' portfolios, NEPC makes clients aware as soon as possible and recommends actions accordingly.

In setting its asset allocation the SAFPPF Board considers the risk, reward and volatility of securities markets in setting the risk tolerance for the Fund. The Board also reviews the long-term characteristics of various asset classes, focusing on balancing risk with expected return. On the basis of the Board's time horizon and risk tolerance, the following asset allocation guidelines in Illustration 2.1 have been established.

Illustration 2.1

Asset Class	Policy Target	Minimum Allocation	Maximum Allocation
Large Cap Equities	22%	17%	27%
Small/Mid Cap Equities	5%	2%	8%
Int'l Equities	10%	5%	15%
Int'l Small Cap Equities	3%	0%	6%
Emerging Market Equities	6%	3%	9%
Private Equity	8%	0%	12%
Total Equity	54%		
Core Bonds	7%	2%	12%
High Yield	5%	2%	8%
Bank Loans	5%	2%	8%
TIPS	3%	0%	6%
Unconstrained Fixed Income	3%	0%	6%
Private Debt	9%	0%	12%
Total Fixed Income	32%		
Real Estate	9%	4%	12%

Private Real Assets	5%	2%	8%
Total Real Assets	14%		
Opportunistic	0%	0%	5%
Cash	0%	0%	5%

SAFPPF 2023 capital market assumptions and expected rates of return and risk are presented for the 10- year and 30-year periods in Illustration 2.2 below. Risk is expressed as the expected standard deviation of the asset class and the total asset mix. Risk, as shown in the table is calculated using the correlation of assets and variance-covariance matrix based on the 2023 NEPC capital market expectations.

Illustration 2.2

Asset Class	Policy Target	10-year Expected Rate of Return	Expected Risk (Standard Deviation)
Large Cap Equities	22%	5.4%	16.9%
Small/Mid Cap Equities	5%	6.5%	20.8%
Int'l Equities	10%	5.6%	19.6%
Int'l Small Cap Equities	3%	6.7%	24.2%
Emerging Market Equities	6%	9.6%	28.6%
Private Equity	8%	9.2%	25.7%
Total Equity	54%		
Core Bonds	7%	4.8%	5.8%
High Yield	5%	7.1%	11.1%
Bank Loans	5%	7.8%	9.1%
TIPS	3%	4.4%	6.1%
Unconstrained Fixed Income	3%	6.1%	5.8%
Private Debt	9%	8.8%	11.8%
Total Fixed Income	32%		
Real Estate*	9%	4.7%	16.3%
Private Real Assets**	5%	7.9%	20.3%
Total Real Assets	14%		
Expected Return (10-year)	7.1%		
Expected Return (30-year)	7.8%		
Standard Deviation	13.6%		

Source: NEPC 2023 capital market expectations as of 1/1/2023.

*Blend of Core and Non-Core assumptions. ** Blend of Private Natural Resources and Infrastructure.

The mix of assets in the above table is expected to achieve the plan's actuarial rate of return which is currently 7.25% over the next 30 years. It is important to note that capital market expectations are subject to change from year to year based on prevailing market conditions and the myriad of inputs considered when setting forward-looking capital market expectations.

2(C). Appropriateness of Selection and Valuation Methodologies of Alternative/Illiquid Assets

Activities Completed:

NEPC reviewed the following documents.

- Investment Policy Statement
- Asset Allocation study
- Alternative Asset strategic plans
- Quarterly and annual private market LP statements for audit review

Standard of Comparison:

Alternative investments are defined in the Texas Government Code Sec. 815.3015 as “an investment in a private equity fund, private real estate fund, hedge fund, infrastructure fund, or another asset as defined by rule of the Board of Trustees.” Thus, to gain an understanding of how illiquid assets are selected, measured, and evaluated, the above listed documents were reviewed.

Findings:

Having reviewed SAFPPF’s most recent IPS, asset allocation study, and strategic plans for alternative asset classes, we find that the methodology for concluding that alternative investments were appropriate was sound given the Plan’s size and expertise of staff and specialty consultants.

The selection of alternative asset managers is a coordinated effort between investment Staff, asset class Consultants and the Investment Committee. As stated in the IPS, the Investment Committee has delegated authority for individual investment selection(s) to the investment managers. The IPS also outlines the asset classes that SAFPPF can invest in, including the benchmarks for each asset class and the role that each asset class plays in the Plan’s portfolio. This makes it clear to the reader how to measure the performance of the asset classes according to the benchmarks and according to the role that the asset classes play in the portfolio. Investment Practices and Guidelines for the asset classes also include information regarding the eligible types of investments and other attributes that should be considered when considering investments in alternative asset classes. In relation to valuation, SAFPPF relies on the financial statements prepared and provided by third-party administrators and the auditors for each respective alternative investment. At least annually, each investment will have a fully audited valuation report.

Enhancement Recommendations from 2020 Report:

The IPS does not specify a process around the valuation or confirmation of alternative assets valuations. NEPC recommends that language be added to the IPS that codifies the above process for valuing alternative assets. *Completed and reflected in the current IPS.*

2(D). Consideration and Incorporation of Future Cash Flow and Liquidity Needs

Actions Completed:

To assess the consideration and incorporation of future cash flow and liquidity, NEPC reviewed the most recent version of the IPS; the 2023 actuarial valuation report conducted by the System’s

Actuary, Segal Consulting; and the 2023 strategic plans for Private Equity, Private Debt and Real Assets.

Standard of Comparison:

SAFPPF's asset allocation is a function of a mosaic of inputs, including but not limited to, actuarial evaluations, return objectives, risk tolerance, and liquidity needs. NEPC reviewed the investment policies of SAFPPF's Texas public pension fund peers and consulted with our internal Asset Allocation team who has the perspective of seeing what all our public fund clients are doing to address these issues.

Findings:

The main focal point of the peer group policies with regards to liquidity was on structuring the investment portfolio, or asset allocation, to meet the Fund's needs. With regards to specific investments, the liquidity of the asset, vehicle, or fund was very often cited as a consideration in the selection of investments. Given the information available, it is difficult to make a fair comparison amongst Plans. While Policies around liquidity may be compared to peers and industry prevailing practice, it (liquidity) is mainly rooted within the funding needs of the individual Plan.

Revisiting Key findings from the Asset-Liability Study (ALM) done in March 2020:

- The fund had a projected funded status of 87.2%, as of January 1, 2020, and was projected to maintain this funded ratio over the next 10 years. Funded status as of January 1, 2023, was 85.5% (Segal, January 1, 2023, Actuarial Valuation Report).
- Net cash flow was expected to decline over the next 10-year period as benefit payment growth is projected to outpace contribution growth. Net cash flow can be considered the minimum required return to maintain current asset levels. The more negative net cash flow becomes, the more reliant the Plan becomes on investment returns, rather than contributions, to maintain funding levels.

As a percentage of total Plan assets, SAFPPF is expected to experience net cash flow of approximately -2.0%, per annum, over the next 10 years. Over 30 years, net cash flow is expected to maintain a similar range and rate. Net cash flow for calendar year 2023 was approximately -2.0%.

Negative cash flow, and the degree of it (i.e., 2%) is not uncommon for mature pension plans.

The 2023 Strategic Plans for the private equity, private debt and real assets programs were also reviewed. These strategic plans provide a market outlook, snapshot of the current program, as well as projections on cash flows and commitments going forward. With regards to future commitments (typically reviewed annually), analysis is done on the historical commitment pace of the respective program, the unfunded commitments by vintage year, the reported valuations by vintage year, as well as the life-cycle of the funds in the program to identify the projected cash flows of the program. The historical projections are then combined with the future projections utilizing a best estimate of cash flows to provide a basis of relating the projected value of the program(s) to the fund. As the investment pace is developed, consideration is also given to investment opportunities that are expected to be in the market during the period under review.

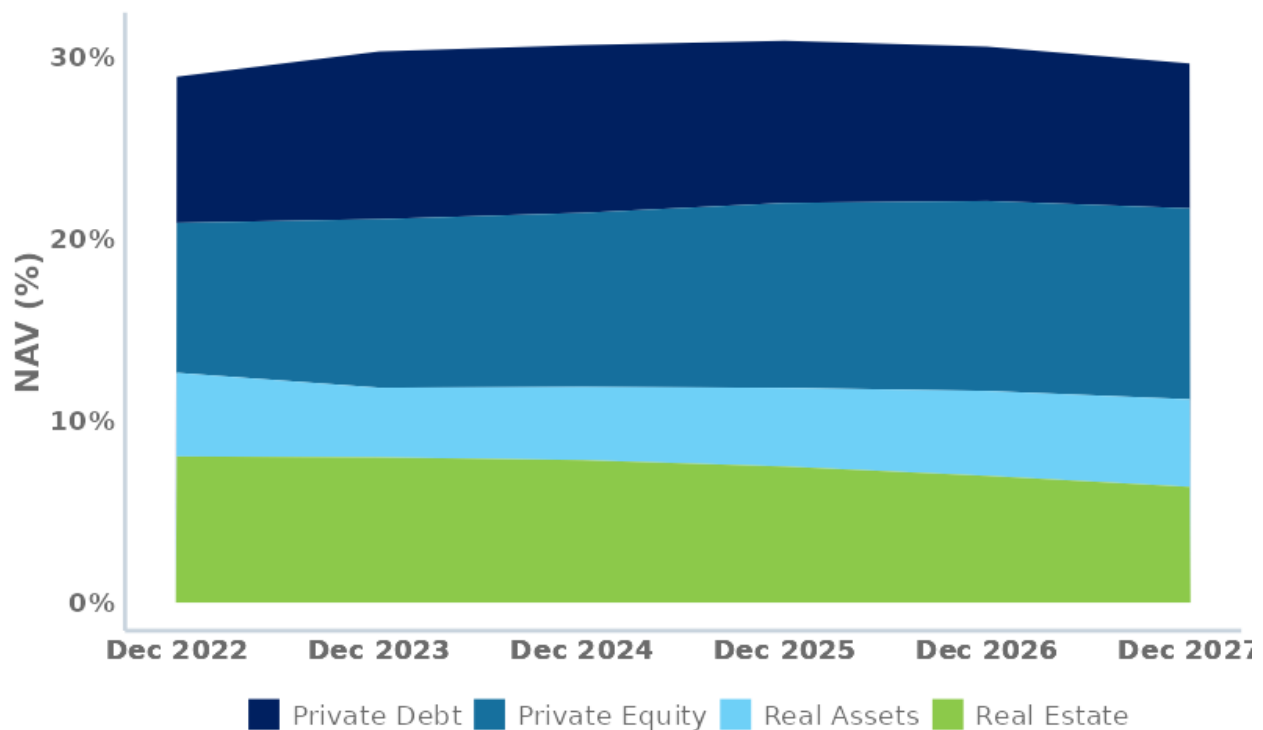
While the pacing plan provides a solid foundation for planning future commitments to private markets, like any model, it is limited by its inability to precisely forecast the future or any independent variable perfectly. However, the modeling exercise helps mitigate the risk of facing an

unforeseen liquidity challenge due to a significant market displacement and helps to continuously recalibrate the program and maintain a reasonable path towards implementing a long-term asset allocation. All three programs (private equity, private debt, real assets) were projected to be net cash flow positive in the years ahead.

A formal liquidity study for SAFPPF was completed in 2023. Scenario analysis was used to highlight the impact of shifting economic and market regimes on the Plan and its target asset allocation to the private market programs. These scenarios included base case, expansionary, overextension, recessionary, stagflation, and depression. Base case projections can be found in Illustration 2.3 below.

Illustration 2.3

Base Case



*Source: SAFPPF 2023 Liquidity Study.

Under the Base Case scenario, private markets as a percentage of total Plan assets are projected to remain near the combined target allocation of 31%. Across the scenario projections, we saw a range of 21% (expansionary) to 43% (depression). In 2022, the markets experienced a great deal of volatility in the face of forty-year high inflation and a rapid rise in interest rates, with the broader equity markets (as measured by the S&P 500) and bond markets (as measured by the Bloomberg Aggregate), down -18.1% and -13.0%, respectively. Under this live example, private markets, as a percentage of total Plan assets (as of December 31, 2022), reached 31.3%, with no liquidity issues. That said, we believe the plan has ample liquidity to meet the current funding requirements of the Fund.

Enhancement Recommendations from 2020 Report:

As stated previously in Section 1, as SAFPPF continues to build out its alternative asset programs, NEPC recommends that the Plan add language to the Risk Tolerance section of the IPS that periodically (every three years) requires a comprehensive report on liquidity risk. *Completed and reflected in the current IPS.*

Section 3. Review of the Appropriateness of Fees and Commissions Paid

Activities Completed:

NEPC reviewed and collected the following documents and data:

- Investment Policy Statement
- Externally advised manager fees and commissions data
- Service provider fees

Standard of Comparison:

NEPC compared the Fund's investment policies to the policies of peers (peers are Texas Public Pension Funds in Appendix A). Externally managed advisor fees and private market fees were compared to industry averages using ubiquitously known vendors who specialize in aggregating fee data across public and private markets. Investment fees and commissions paid were sourced directly from the investment managers, and/or the Specialty Consultants for their respective asset classes, as well as SAFPPF staff. NEPC also compared the brokerage language within SAFPPF's IPS and compared them to peers and industry prevailing practice.

Findings:

Investment Fees

The direct and indirect fees and commissions paid by the Fund include fees that are paid by the Fund and fees that are netted against returns. The Fund pays management fees, performance/carried interest, and brokerage fees. Additionally, the System pays custodian fees, security lending agent fees, investment consultant fees, and internal staff salaries.

The Board, Staff and Investment Consultants place an emphasis on fee savings in a variety of ways, including negotiations with managers during the selection process, leveraging existing relationships (e.g., fee break for certain asset levels), as well as leveraging their size and standing in the industry (both the Consultants and the Fund). Within alternative assets, fee savings can occur by investing in private funds at lower economic terms taking advantage of the size of capital invested. Another way for fee savings to occur is to invest in co-investment opportunities which can offer significant fee savings in comparison to only being invested in the standard commingled funds. The difference between the negotiated terms and the "headline" or standard fees charged over time can grow into meaningful amounts of fee savings to the Fund.

A listing, by traditional asset class, of all management fees paid by the Fund during the fiscal year is listed below in Illustration 3.1. Analysis shows that fees for Domestic equities are below the median, while non-US equity and domestic fixed income fees are above the median, for the respective broad universes being used for comparison. It should be noted that differences between SAFPPF's investment structure and that of the broad universes don't allow for an exact comparison, but in general we find SAFPPF's fees to be appropriate and within industry standards.

Illustration 3.1

Asset Class	Asset Value	Management Fee \$	Fees %	Median Universe Management Fee	Universe	Number of Observations
Domestic Equity	957,170,584	\$2,849,360	0.30%	0.51%	eVestment All US Equity	2,643
International Equity	610,611,298	\$4,505,981	0.74%	0.60%	eVestment Non-US Diversified Equity	329
Domestic Fixed Income	738,021,197	\$2,703,943	0.37%	0.20%	eVestment All US Fixed Income	2,002

Source: NEPC calculations, eVestment.

Note: Separate accounts for Domestic universes, and commingled funds for International universe.

In Illustration 3.2, we provide the median manager fee and carried interest across a broad universe for the respective alternative asset classes. Here to, it should be noted that differences between SAFPPF's investment structure and that of the broad universes don't allow for an exact comparison, but in general we find SAFPPF's fees to be appropriate and within industry standards.

Illustration 3.2

Asset Class	Median Universe Management Fee	Median Universe Carried Interest	Universe	Number of Observations
Private Equity	2.00%	20.00%	Preqin Global Private Equity	1,965
Private Fixed Income	1.50%	20.00%	Pitchbook	966
Private Real Estate	1.50%	20.00%	Preqin Global Real Estate	513
Private Infrastructure	1.50%	20.00%	Preqin Global Infrastructure	79

Source: Preqin, Pitchbook.

Lastly, a listing, by asset class, of all direct and indirect commissions and fees paid by the Fund during the fiscal year are listed below in Illustration 3.3

Illustration 3.3

Asset Class	Management Fees Paid From Trust	Management Fees Netted From Returns	Total Investment Management Fees	Brokerage Fees/Commissions	Profit Share/Carried Interest	Other Fee	Total Direct and Indirect Fees and Commissions
Public Equity	\$44,470	\$7,310,870	\$7,355,341	\$156,463	\$0	\$0	\$7,511,803
Fixed Income		\$3,682,781	\$3,682,781	\$109,358	\$0	\$0	\$3,792,139
Hedge Funds		\$308,348	\$308,348	\$0	\$0	\$0	\$308,348
Real Assets		\$1,583,783	\$1,583,783	\$0	\$2,384,834	\$0	\$3,968,617
Private Equity		\$5,283,065	\$5,283,065	\$0	\$6,280,577	\$355,350	\$11,918,992
Private Debt		\$3,569,819	\$3,569,819	\$0	\$5,038,404	\$468,440	\$9,076,662
Real Estate		\$2,816,432	\$2,816,432	\$0	\$3,018,003	\$0	\$5,834,435
Opportunistic Credit		\$147,686	\$147,686	\$0	\$0	\$0	\$147,686
TOTAL	\$44,470	\$24,702,784	\$24,747,254	\$265,820	\$16,721,817	\$823,790	\$42,558,682

Total Investment Expenses	
Total Direct and Indirect Fees and Commissions	\$42,558,682
Investment Services	
Custodial	\$235,891
Investment Consulting	\$761,547
Total	\$997,439
Total Investment Expenses (Total Direct and Indirect Fees and Commissions + Investment Services)	\$43,556,121

Source: NEPC calculations, Specialty Consultants, SAFPPF staff.

Enhancement Recommendations from 2020 Report:

- The IPS states that the Investment Committee is to monitor and control investment expenses. This language should be expanded to clearly define what type of report or analysis should be presented to the Board on at least an annual basis. *Completed.*
- The annual review of investment fees should include a fee analysis based on peer group or industry averages for the relevant asset classes in aggregate as well as by investment strategy type. *Review for 2023 completed.*

Section 4. Review of Governance Processes Related to Investment Activities

Activities Completed:

To gain a complete overview of the Fund’s Governance Processes Related to Investment Activities, NEPC reviewed the following documents listed below.

- SAFPPF Investment Policy Statement
- SAFPPF Board Minutes
- SAFPPF Standards of Conduct
- Texas Pension Review Board MET website
- https://www.ncpers.org/Files/2012_ncpers_best_governance_practices.pdf
- Texas Public Pension Fund peers

Standard of Comparison:

NEPC compared the governance structure of SAFPPF against governance information publicly available on the websites of the Texas Public Fund Pension peers (Appendix A). We also asked our NEPC colleagues for feedback on whether SAFPPF Board governance is consistent with leading and prevailing practice among the dozens of other U.S. public pension funds to whom our consultants advise with an eye towards some key elements of governance such as:

- Roles – clearly defined, separation of duties, authority and responsibility

- Policy – investment policy statement, funding policy, standards of conduct, etc.
- Education – experience, expertise, continuing education
- Operations – Board operations, committee structures, meeting frequency
- Reporting – frequency of reports (e.g., monthly/quarterly), monitoring of investments, etc.

Findings:

The Board of Trustees of the Fund is obligated to administer its pension fund for the exclusive benefit of fire fighters and police officers of the City of San Antonio, Texas, their qualified survivors and dependents. In performance of this obligation, the Board of Trustees is required to administer the Fund in accordance with Article 6243o, Vernon’s Texas Civil Statutes, and other applicable state and federal laws and regulations.

According to the SAFPPF IPS, the purpose of the IPS is to assist the Board in effectively supervising, monitoring and evaluating the investment of Fund assets. Accordingly, the Investment Policy Statement:

1. Makes a clear distinction between the responsibilities of the Board and the service providers hired to help implement the Fund’s Investment Policy – the investment consultant, the investment managers, and the custodian bank/trustee.
2. Describes the Fund’s risk tolerance, as defined by the asset classes that are considered allowable investments and the percentage allocations to each asset class.
3. Sets forth the criteria to be placed on diversification of portfolio investments.
4. Describes the investment practices that apply to the individual portfolios managed by each of the investment managers.
5. Provides rate-of-return objectives and criteria to monitor and evaluate the performance results achieved by investment managers.
6. Establishes effective communication procedures between the Board and the investment managers, investment consultant, and bank custodian/trustee.
7. Creates a formal review process for reviewing the Investment Policy Statement.

To execute the Investment Policy Statement, SAFPPF has established a governance structure that includes a Board of Trustees, which delegates authority to the Committees (investment, legislative, personnel, financial disclosures, etc.), Investment Staff (executive director, chief investment officer, analysts), and to external vendors hired by the Board including Investment Consultants (general and specialty), a Retirement Actuary and a Custodian. Illustration 4.1 below breaks out the roles of each contributor to the governance process. Authority is characterized by Approval, Recommendation and Oversight.

Illustration 4.1

<u>Investment Responsibility</u>	<u>Board of Trustees</u>	<u>Investment Committee</u>	<u>Investment Staff</u>	<u>Consultant</u>
Investment Policy Statement	A	R	R	R
Asset Allocation & Risk Tolerance	A	R	R	R
Investment Structure	A	R	R	R
Investment Guidelines	A	R	O	R
Performance Benchmarks	A	O	O	R
Search, Selection, Termination of Investment Managers	A	R	R	R
Performance evaluation & Monitoring	O	O	O	O

Establish communication procedures between the IC, Investment Staff and Service Providers	O	A	N/A	N/A
--	---	---	-----	-----

A = approval authority, R = provides recommendation, O = provides oversight

The Board of Trustees

The Pension Fund is administered by a nine-member Board of Trustees (the Board), which includes two City Council members, the mayor or his appointee, two police officers, two firefighters, and two retirees. Terms, elections, qualifications of the Trustees are in accordance with Article 6243o, Vernon’s Texas Civil Statutes, and other applicable state and federal laws and regulations.

As stated in the IPS, the Board of Trustees shall be responsible for the overall management of the assets of the Fund. The Trustees shall approve the IPS and provide overall direction in the execution of the IPS. The Trustees shall review and approve or disapprove investment recommendations governed by the Board prior to their execution. The Trustees may also review and recommend investment policy changes, deletions, or additions. The Trustees shall review, on an annual basis, investment results in relationship to investment expectations and actuarial assumptions and experience to determine if future changes are needed to either the IPS or the implementation of the IPS.

Qualifications of Board:

Justin Rodriguez (Chairman)
Mayoral Designee

Born and raised in San Antonio, Justin is a proud lifelong resident of San Antonio’s west side. He earned his bachelor’s degree from the University of the Incarnate Word and his law degree from the University of Wisconsin-Madison. Justin began his career in public service as a juvenile prosecutor for the Bexar County District Attorney’s Office where he worked diligently to assist young offenders in their rehabilitative efforts. Elected to the Board of Trustees of the San Antonio Independent School District in 2004, Justin served in that role for three years before being elected to the San Antonio City Council and representing District 7 for two terms from 2007-2011. Improving the quality of life for residents by enhancing educational outcomes and creating economic opportunities for hardworking families has always been his focus. In 2012, Justin was elected to the Texas House of Representatives. Serving three full terms as State Representative for House District 125, he was re-elected for a fourth term in 2018. During his time in the Legislature, Justin advocated for increased access to and affordability of higher education, voting rights, and accessible and affordable healthcare for all Texans. A strong advocate for San Antonio and Bexar County on the House Appropriations Committee, he sought and secured several leadership roles during his tenure including Deputy Whip for the House Democratic Caucus and was part of the leadership team of the Mexican American Legislative Caucus. On January 4, 2019, Justin was appointed to serve as Bexar County Commissioner for Precinct 2. For his service, Justin has been recognized as a “40 Under 40” Rising Star by the San Antonio Business Journal and was named one of the “20 Latino Democrats to Watch Over the Next 20 Years” by the Houston Chronicle. Justin and his wife Victoria are raising their three children near the campus of St. Mary’s University in the heart of San Antonio’s west side.

Larry A. Reed (Vice Chairman)

Retired Fire Trustee

Larry Reed is a Retired Fire Department Captain and represents the Retired Firefighters as Trustee on the Fire and Police Pension Fund. He previously served as the Active Firefighter Trustee from 1985-1999 and the Fund's Executive Director from 1999-2003. In addition, Larry was elected by Firefighter Pension Funds across Texas as a Director of the Texas Association of Public Employee Retirement Systems (TEXPERS) from 1998-2005. In 2010, he was again elected to the TEXPERS Board of Directors. He has also served on the Board of Directors of the Generations Community Federal Credit Union for over 35 years and is currently the Board Chairman. Larry is a 1976 graduate of the University of Texas-San Antonio with a BBA in Finance. Larry has previously served as Board Chairman and currently serves on the Disability Committee, Investment Committee, and is Chairman of the Legislative Committee.

Adrian Rocha Garcia (Secretary)

Councilwoman

A life-long resident of San Antonio, Adriana Rocha Garcia, Ph.D. was raised in and continues to call Southwest San Antonio home. Dr. Garcia has a passion for working with organizations that help San Antonio's most underrepresented demographics. Raised in a Spanish-speaking household to parents with a first and second grade Mexican education, she became the first in her family with a college degree. Dr. Garcia received her Bachelor of Arts degree from the University of the Incarnate Word in San Antonio, Texas, to stay in town to care for her parents. Upon graduation from Incarnate Word, she was offered a job in the university's Office of Public Relations and completed her Master's degree from the same university one year later. In 2004, she was in a cohort of 12 students accepted into the University of Texas at Austin's Doctoral Advertising program, where ten years and many miles later, she became one of the first Hispanics to earn a Ph.D. in Advertising from UT's prestigious Moody College of Communication. Dr. Garcia has held various administrative and consulting communications and marketing positions throughout her life, in organizations like SAMministries Furniture for A Cause, the San Antonio Hispanic Chamber of Commerce, the City of San Antonio, Southwest ISD, and Project QUEST. Today, Dr. Garcia is molding tomorrow's leaders as an Assistant Marketing Professor at Our Lady of the Lake University, where she teaches marketing in the School of Business and Leadership.

Harry Griffin

Retired Police Trustee

Assistant Chief of Police Harry Griffin retired in 2010 after 34 years of service with the San Antonio Police Department. Harry has served on the Board of Trustees of the Fire and Police Pension Fund, San Antonio for 32 years, 19 while active and the past 13 as the retired police trustee. Harry graduated from Texas State University in 1974 and the FBI National Academy in 1999. He served as a council member for the City of Selma Texas from 1990-2000, a suburb of San Antonio. Harry was recently elected to his 9th four-year term on the Pension Board.

Harry and his wife Katherine (Kay) have been married for 47 years and have two children, Patrick and Karry, and four grandchildren.

Jim Smith

Active Police Trustee

Jim enlisted in the Ohio Army National Guard in 1983 and is a graduate of Kent State University where he graduated in 1987. After graduation he was commissioned into the U.S. Army as a Second Lieutenant, Medical Service Corps officer. Jim remained on active duty until 1992, as a Captain, when

he joined the San Antonio Police Department. He currently holds the rank of Sergeant where he supervises the Asset Forfeiture unit. Jim has over 31 years of active service. He had also served as an Executive board member of the Hispanic Police Officers Organization for nearly 10 years and served 6 years as an Executive Board member of the San Antonio Police Officers Association until he was elected as a trustee to the San Antonio Fire and Police Pension Fund (SAFPPF) in 2010. Jim had recently served three and a half years as Chairman of the SAFPPF and is currently the Chairman of the Investment committee. Jim continues to serve on the board of directors for the Texas Association of Public Employee Retirement Systems (TEXPERS), where he had served as President. Jim also serves as a board member of the Generations Federal Credit Union.

Dean R. Pearson

Active Fire Trustee

Dean was first elected in April 2012 to serve as Active Fire Trustee of the Fire and Police Pension Fund and was re-elected in May 2013. He is currently a Fire Engineer in the San Antonio Fire Department. Dean currently serves on the Fund's Investment Committee, Personnel/Audit Committee, and is Chairman of the Disability Committee.

Shawn Griffin

Active Fire Trustee

Shawn Griffin is a San Antonio native who has a passion for service. He graduated from St. Mary's University in the spring of 1997 with a BA in Public Justice. He then joined the San Antonio Fire Department in 1998. Shawn has served in the SAFD in numerous roles. He has served as a paramedic in both the EMS and Fire Divisions and is currently the Battalion Chief of Battalion 5B. He has served the members of the SAFD as a member of the Peer Support Team, Chaplain, and has served on the boards of the San Antonio Fire Fighters Benevolent Fund as well as being a founding member of The Responders First Foundation. Shawn was elected to the San Antonio Fire and Police Pension Fund Board in September of 2022, and serves on the Disability and Legislative Committees, as well as the SA F&P Holding Corp.

Amanda Viera

Active Police Trustee

Amanda Viera is the first woman elected to serve on the Pension Fund's Board of Trustees as a representative for active police officers. A San Antonio native, Amanda joined the San Antonio Police Department in 2003 where she is currently assigned to the Traffic Unit. Amanda is a dedicated servant to her peers and has volunteered her time to the members of the San Antonio Police Officer's Association for over a decade and a half. She currently serves as Secretary of the SAPOA Executive Board and as a Trustee to the Group Legal Board. Amanda was elected to the SAFPPF Board in February 2023 and serves as its Chairwoman to the Personnel/Audit Committee, Second Vice President to the Property Holding Corporation and sits on the Investment Committee. Amanda is also a former business owner, closing her security company during Covid-19.

Marc Whyte

Councilman

Marc Whyte was elected to San Antonio's City Council for District 10 in May 2023. He was involved in the grassroots of City Council District 10 as a member of his own neighborhood association (Marymont) as well as serving on the board of the Northeast Neighborhood Alliance. Additionally, Marc has served on the City of San Antonio's Ethics Review Board, the City's Bond Committee (Parks) and on the Board at the Port of San Antonio. Most recently, from 2019 to 2023 he served as District 10's Zoning Commissioner, while at that same time serving on the State of Texas's Public Transportation Advisory Committee (Abbott

appointee). Marc has also been active in other community endeavors, including serving on the Board of the Faith Family Clinic, as President of the Defense Counsel of San Antonio, and as a member of the Valero Alamo Bowl Committee. He is also an alumnus of Leadership San Antonio (Class 40), and a member of the San Antonio Rotary Club.

Structure of Board:

NEPC finds the structural composition of the SAFPPF Board similar to Texas Public Pension Fund peers and fairly consistent with Public Fund Trustee Boards.

Information and Training Available to Board:

Adequate information is available to the Board via readily accessible Board Meeting Agendas and Minutes. The Board is supported by education and training regarding the members' fiduciary responsibility. The 83rd Texas Legislature required the Pension Review Board (PRB) to establish a Minimum Educational Training (MET) Program for trustees and system administrators of Texas public retirement systems. The Core training is available to trustees on-line and is designed to cover the fundamental competencies of public pensions necessary for trustees and system administrators to successfully discharge their duties.

All trustees must complete 7 credit hours of Core training in their first year and 4 credit hours of continuing education for each following two-year period. Compliance to the above requirements is tracked by the Executive Director.

Delegation of Authority

The Board delegates some responsibility to the Investment Committee, Investment Staff (executive director, chief investment officer, analysts) and external vendors hired by the Board including Consultants, an Actuary and a Custodian.

Investment Committee

The primary role of the Investment Committee is to develop and administer the investment policy. Other responsibilities of the Investment Committee are as follows:

1. To determine the appropriate levels of risk and return for the Fund.
2. To determine, with the assistance of its Investment Consultant, an investment manager structure (including the number and types of investment managers) and to recommend to the full Board the hiring and discharging of investment managers.
3. To determine the investment limitations (if any) that apply to the portfolios managed by investment managers. Although it is the intent of the Investment Committee to afford the investment managers full investment discretion regarding the individual securities they buy and sell, the Investment Committee may establish guidelines and limitations that address the risk levels to be maintained by the investment managers.
4. To monitor and evaluate the performance results achieved by the investment managers.
5. To establish effective communication procedures between the administrative staff, the investment managers, the investment consultant, the bank custodian/trustee, and the Investment Committee.
6. To monitor and control investment expenses.

Executive Director

The Executive Director acts on behalf of the Board to monitor, coordinate, and control the day-to-day activities of the Fund in accordance with the Fund documents and policies.

Chief Investment Officer

The primary role of the Chief Investment Officer (CIO) is to assist the Board in the overall management of the assets of the Fund. Other responsibilities of the CIO are as follows:

1. Assisting the Board in developing and modifying policy objectives and guidelines, including the development of and recommendations on long-term asset allocation and the appropriate mix of investment manager styles and strategies.
2. To provide assistance in manager searches and selection, investment performance calculation and evaluation, and any other analysis associated with the proper execution of the Board's directives.
3. The CIO shall also communicate the decisions of the Board and Investment Committee to the investment managers, bank custodian, actuary, and consultant(s).
4. To provide oversight of the investment consultant(s), investment service providers, and personnel of the administrative staff.

Investment Consultants

SAFPPF retains several professional Investment Consultants (including NEPC, LLC as General Consultant) to assist and advise the Board and Staff in connection with the investment of Fund assets. The primary role of the Investment Consultant, pursuant to its contract with the Fund, is to provide objective, third-party advice, including, but not limited to:

1. Assisting the Board in making well-informed and well-educated decisions regarding the investment of Fund assets.
2. Assisting the Board in the development of investment policy guidelines that reflect the Board's tolerance for risk and rate-of-return objectives.
3. Assisting the Board in the development of an investment manager structure that provides adequate diversification with respect to the number and types of investment managers.
4. Assisting the Board in the identification of appropriate market benchmarks and manager "style groups" against which each investment manager shall be evaluated.
5. Assisting the Board in manager searches and selection of investment managers to implement the Fund's investment policy.
6. Assisting the Board in monitoring each investment manager. This includes the ongoing monitoring of (i) total fund and individual investment manager performance on a quarterly basis; (ii) each investment manager's adherence to its stated investment style, and (iii) organizational developments at each investment manager.
7. To provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board, the Investment Committee, or the CIO.
8. Act as a fiduciary to the Fund.

Retirement Actuary

The Board selects and retains an actuary for forecasting asset and liability growth and the many complex factors included in estimating future pension costs. These factors include, but are not limited to, interest rates, inflation, investment earnings, mortality rates, and employee turnover. The actuary will also assist the Board in setting the discount rate. These actuarial assumptions are reviewed approximately every five years during the actuarial experience study, and they are used as inputs for the asset allocation study.

Custodian

The Board selects the Fund's custodian with the primary function to hold custody of all the assets of the Fund, except for those investments which may be held elsewhere in accordance with applicable

law and the investment's requirements. The custodian will also calculate investment performance and benchmark comparisons.

Enhancement Recommendations from 2020 Report:

As previously stated in section 1, Analysis of Investment Policy, NEPC recommends adding language to the Roles and Responsibilities section of the IPS, to explicitly define the role of the Executive Director. *Completed and reflected above under Executive Director, and in the current IPS.*

Section 5. Review of Investment Manager Selection and Monitoring Process

Activities Completed:

To gain a complete overview of the Fund's Investment Manager Selection and Monitoring Process, NEPC reviewed the following documents.

- Investment Policy Statement
- SAFPPF Standards of Conduct, Financial Disclosure and Conflicts Disclosures
- Government Finance Officers' Association – Selecting Third-Party Investment Professionals for Pension Fund Assets
- Custody and external investment manager statements
- Performance reports from Consultants

Standard of Comparison:

When reviewing SAFPPF's investment manager selection and monitoring process, NEPC was looking for processes that exhibited the following:

- A consistent and comprehensive process which describes the steps for investment selection and monitoring
- Addresses ethics and conflicts of interest that may present themselves
- And a monitoring process that strives to hold investment managers accountable to the agreements they made with the Fund

NEPC also reviewed the recommended resource provided by the Government Finance Officers' Association regarding "Selecting Third-Party Investment Professionals for Pension Fund Assets". While this resource was useful and comprehensive, NEPC recognizes that there is some understandable variability in investment manager selection and monitoring process between asset classes.

Findings:

In general, SAFPPF has thorough policies and processes in place with regards to investment manager selection and monitoring.

SAFPPF's IPS states that the Board shall be responsible for the overall management of the assets of the Fund, approve the IPS, and provide overall direction in the execution of the IPS. The Trustees shall also review and approve or disapprove investment recommendations governed by the Board prior to their execution. The Investment Committee, with the assistance of its Investment Consultants, determines the investment manager structure including the types and number of investment managers and recommends to the full Board the hiring and discharging of investment

managers. The Chief Investment Officer (and Staff) assists the Board in developing and modifying policy objectives and guidelines, including the development of long-term asset allocation and the appropriate mix of investment manager styles and strategies, and with manager searches and selection.

The IPS describes the Board's investment philosophy (risk/return objectives, time horizon, etc.) which guides the Board's asset allocation and investment decisions. These philosophy statements place emphasis on making long-term asset allocation and investment decisions that are geared towards meeting the Fund's liabilities by achieving its long-term return goals and diversifying across asset classes and investment managers to maintain an appropriate level of risk to meet these objectives, as well as the management of costs.

Manager Selection Procedures

SAFPPF's IPS states that in selecting investment managers the Board will:

1. Retain "prudent experts" (a bank, insurance company, or investment advisor as defined by the Registered Investment Advisors Act of 1940).
2. Follow a due-diligence process so as to avoid selecting managers on an ad-hoc basis.
3. The due diligence process, at a minimum, will involve analyzing investment manager candidates in terms of certain:
 - a. **Qualitative Characteristics**, such as key personnel, investment philosophy, investment strategy, research orientation, decision-making process, and risk controls.
 - b. **Quantitative Characteristics**, such as CFA Institute-compliant composite return data, risk-adjusted rates of return (e.g., Sharpe Ratios), and certain portfolio characteristics, such as R2 in relation to an appropriate market index.
 - c. **Organizational Factors**, such as type and size of firm, ownership structure, client-servicing capabilities, record of gaining and keeping clients, and fees.
4. Use industry recognized databases for screening purposes and to ensure an unbiased and objective search process.

Public Asset Classes Manager Selection

All publicly traded asset classes (equity and fixed income) are managed through external advisors. Sourcing, or identifying investment managers is a process undertaken by the Investment Committee, CIO and Investment Consultant. In addition to the "Manager Selection Procedures" outlined above, the General Consultant's research process identifies a "Focused Placement List", or "short list", of strategies (managers) that are expected to provide superior investment performance over time.

The four-step process for identifying these strategies include:

1. Universe Screening – Minimum inclusion criteria and screening are used to focus the analysis;
2. Quantitative Scoring – Proprietary quantitative analysis measuring the consistency and quality of alpha-only, net of fees returns;
3. Qualitative Research – Rigorous qualitative analysis of a strategy's key characteristics, focusing on identification of a clear and differentiating investment thesis to develop forward-looking conviction in future performance; and
4. Peer Review – Confirmation through careful peer review of each strategy by senior investment professionals to challenge each investment thesis and raise critical business issues.

The Board and Staff (Executive Director, CIO, investment analysts) also have the authority to include managers, in addition to this “short list” provided by the Consultant. These additions are similarly screened, compared for competitiveness and undergo further due diligence (by the Investment Consultant, CIO and investment analysts) and are ultimately included or excluded from the search based on this analysis. This consolidated list of candidates is presented to the Investment Committee where a group of finalists is selected for further consideration and due diligence, including on-site trips and evaluations by Investment Committee members and Staff, and presentations to the Investment Committee, Staff, and Consultant(s) in San Antonio. Recommendations are then brought to the full Board for approval or disapproval.

Alternative Asset Classes & Specialty Consultants

The SAFPPF retains Specialty Consultants for Private Equity, Private Debt, Real Assets and Real Estate. In addition to the above, analysis in this category will also focus on different aspects and characteristics of the strategies given the nature of Alternative Assets. Review of documents and prior searches reveal that the selection process is consistent with what is described above.

Investment Manager Monitoring Process

The IPS states that the Investment Committee, CIO and Investment Consultant are responsible for monitoring and evaluating the performance results achieved by the investment managers on a quarterly basis. Within the “Performance Measurement Guidelines” section of the IPS the Board has included a list of “objective standards” as part of the information that may be required to make future decisions to terminate contractual relationships.

Objective Standards

1. Extraordinary Events (Organizational Issues)

Extraordinary events which may be evaluated prior to a termination decision include such things as--

- a) Ownership changes
- b) Key personnel departures
- c) Significant changes in the investment philosophy or the investment process
- d) Litigation or other regulatory matters
- e) Failure to comply with stated investment guidelines
- f) A change in the Fund’s asset allocation

2. Long-Term Performance in Relation to Appropriate Market Index

Long-term performance standards measure a manager’s since-inception performance and a minimum of rolling five-year returns in relation to the market index that the manager is measured against. If a manager fails to generate a return premium in excess of the Performance Objective, then the Board may consider whether to terminate the contract with the manager.

3. Shorter-Term Performance in Relation to Appropriate Style Group and/or Style Benchmark

Shorter-term performance standards incorporate a time period of at least three years. Each manager usually will be measured against the median return of a peer group of managers with similar investment styles. If a manager fails to generate a return in excess of the median return of the appropriate style group and/or the style benchmark (if applicable), then the Board customarily will consider whether to terminate the contract with the manager.

Performance is measured on an ongoing basis (monthly and quarterly) at the individual manager, asset class, and Fund level by the General Consultant. The Custodian and Specialty Consultants also calculate performance for their respective asset classes. Quarterly results are reviewed through regularly scheduled meetings with the Investment Committee and Staff.

As stated in the IPS under the “Investment Consulting Reporting Requirements” section, the investment consultant is required to provide the Board with periodic investment information for portfolio monitoring purposes. Generally, these are as follows:

Quarterly Requirements

1. A review of the current investment market environment.
2. The Fund’s actual asset allocation relative to its target allocation.
3. The Fund’s return relative to its Policy portfolio return and other public pension funds.
4. The Fund’s risk adjusted returns relative to the Policy portfolio and other public pension funds.
5. Individual asset class performance relative to the benchmark.
6. Individual investment manager returns relative to their stated benchmark.
7. Any reportable events affecting any of the Fund’s investment managers.

In addition to the above, at the investment manager level (public market assets), the reports provide returns of a universe of comparable investment strategies which allows for peer group comparisons. For alternative assets such as Private equity, Private Debt, Real Assets, and Real Estate, the focus is more centered on IRRs, time-weighted returns, investment multiples (e.g., total value to paid in capital (TVPI), multiple on invested capital (MOIC), distribution to paid in capital (DPI), etc.).

Enhancement Recommendations:

As stated above, the analysis found that in general, SAFPPF has thorough policies and processes in place with regards to investment manager selection and monitoring.

Section 6. Technical Summary

Work Plan

As the general investment consultant for the San Antonio Fire and Police Pension Fund, SAFPPF has engaged us as an independent firm to help the Fund fulfill the requirements of Texas Government Code §802.109 which requires Texas public retirement systems with at least \$100 million in assets to complete an Investment Practices and Performance Evaluation, once every 3 years.

The scope of work includes:

- Executive Summary
- Investment Policy Statement Analysis and Compliance
- Asset Allocation Review
- Process for Determining Target Allocations
- Expected Risk & Return Summary
- Appropriateness of Selection and Valuation Methodologies of Alternative and Illiquid Assets
- Consideration and Incorporation of Future Cash Flow and Liquidity Needs

- Review of the Appropriateness of Investment Fees and Commissions Paid
- Review of Governance Processes Related to Investment Activities
- Review of Investment Manager Selection and Monitoring Process
- Technical Summary

Company Overview

NEPC has been providing investment consulting services since 1986. We are one of the largest independent investment consulting firms in the industry. We advise 417 retainer clients with \$1.5 trillion in assets¹. Today, the firm has formal offices in Atlanta, Boston, Charlotte, Chicago, Las Vegas, Portland and San Francisco. Our growth is attributed to the high quality results our clients have achieved and our high service model. We have a dedicated public fund team that advises 73 public funds representing \$778 billion in assets² NEPC is a Limited Liability Company (LLC).

Since inception in 1986, NEPC has been 100% employee-owned and is therefore neither an affiliate nor a subsidiary of any organization. NEPC's equity plan is designed to ensure the continued stability of our professional staff by allowing future employees to share in the profits of the company and in the long-term appreciation of its equity. Today, ownership is shared among 48 Partners; and no single Partner owns more than 6% of the firm.

NEPC receives 100% of its revenue exclusively from providing advisory consulting and discretionary investment services to our clients. NEPC currently serves in an advisory role to SAFPPF providing services such as asset allocation analysis, manager search and selection, performance monitoring and reporting.

NEPC does not have any conflicts of interest with SAFPPF.

Firm Qualifications

NEPC, LLC ("NEPC") has been providing investment consulting services since 1986. NEPC was founded on three main principles: maintain independence, provide proactive solutions, and service our clients with seasoned professionals.

The commitment to our clients and guiding principles remains intact, recognizing that our efforts can enhance benefits for the millions of beneficiaries in our care. Our focus has led to favorable client satisfaction ratings relative to our competitors.

NEPC is one of the largest independent investment consulting firms in the industry. We have 366 employees and advise 417 retainer clients with \$1.5 trillion in assets¹. Our growth is attributed to the high quality results our clients have achieved and our high service model.

We have a dedicated public fund team that advises 73 public funds representing \$778 billion in assets². Our dedicated Public Fund Consulting Team has deep knowledge of state regulations, asset allocation, asset liability hedging as well as a proactive strategic approach, which understands the nuances specific to the public fund marketplace.

¹ As of 4/1/2023, includes 95 clients with OCIO assets of \$64.2 billion.

² As of 4/1/2023

Appendix A
SAFPPF Texas Public Fund Peers

- City of Austin Employees' Retirement System
<https://www.coaers.org/>
- Austin Firefighters Relief & Retirement Fund
<https://www.afrs.org/>
- Austin Police Retirement System
<https://www.ausprs.org/>
- Dallas Police & Fire Pension System and Benefits
<https://www.dfp.org/>
- El Paso Fireman & Policemen's Pension Fund
<https://www.elpasofireandpolice.org/>
- Fort Worth Employees Retirement Fund
<https://www.fwretirement.org/>
- Houston Firefighters' Relief and Retirement Fund
<https://www.hfrf.org/>
- Houston Police Officers' Pension System
<https://www.hpops.org/>
- Houston Municipal Employees Pension System
<http://www.hmeps.org/>