

UNAPPROVED – SUBJECT TO CORRECTION

**Pension and Retirement Board
Regular Meeting
June 17, 2021**

The Pension and Retirement Board held their Regular Meeting on Thursday, June 17, 2021, via Audio/Tele Conferencing. Chairman Kimmel called the meeting to order at 6:15 p.m.

Chairman Kimmel stated agenda would be taken out of order with the report of investment advisor and the asset allocation presentations first.

Report of Investment Advisor: Beirne Wealth

Mr. John-Oliver Beirne presented the results of the pension fund for 2021 as of May 31, 2021. Mr. Beirne said there has been a change over the last month for the growth value and are closely watching it. The economy is starting to open, the cyclical stocks have improved over the last quarter. He noted there has been a bit of indigestion in the material cyclical and economically sensitive stocks this month. There is a bit of concern for the bond market as to where interest rates are and where they seem to be heading. He believes the portfolio today might be the highest asset value or close to ever in the history of the portfolio and looking at strong returns for the 1, 3 and 5 year. He broke down the categories of the investments by type and discussed the rate of return for each and the numbers will improve as more numbers come in. He said the strategy of the portfolio looks good year to date and especially coming off the pandemic.

Mr. Beirne turned meeting over to Mountain Lake. They look at companies with great cash flow. Returns have stuck to their discipline.

Asset Allocation: Mountain Lake

Mr. Robert McComsey explained Mountain Lake is a limited partnership and began with the city since it became a limited partnership in 2001. discussed the history of the company and beginning since 2001. Discussed a couple data points: Data points are started with 3.5 million 11 years ago and as the end of 8.2 million. That was with the Mountain Lake partnership invested in equities. An investment in 2012 in a real estate fund started with 5 million and so far received 7.8 million back. There is a little bit residual left when the audit is done because the fund was closed down. The only investment going forward will be the 8 million plus.

Mr. McComsey turned the presentation over to Mitch Cantor and Patricia Corona.

Mr. Cantor stated Mountain Lake is a long-term value investor. Started working for city in 2010. They look for 3 things 1) good business 2) good managing team and 3) an attractive entry point– meaning cheap stock. They typically hold for years. From 2010 -2020 was poor for value investors until last few months. Feel the tide is turning and investments likely to be successful. Mr. Cantor discussed inflation coming back and the reasons. There was very little measurable inflation until this year. Portfolio for last year was to benefit through inflation. They look for hard assets to create a portfolio

that will benefit from inflation. Hard assets are more than half of the portfolio. A lot are in the energy sector that include oil, uranium, natural gas, renewable, service companies that will produce the goods and the technology necessary to the energy industry for green energy and oil and gas. which includes which is not just gas and oil. The overall position in hard assets is to benefit through inflation. They have inexpensive companies, great management teams and businesses that generate good returns.

Ms. Patricia Corona discussed the stocks. A larger investment is in Texas Pacific Land. Ms. Corona explained what the company is, what it owns and how it earns. They have out-performed even in the downturn. In 2020 their oil earnings were \$200 million where Exxon lost \$1 billion. They earn fees on the land they own that is drilled by companies such as Exxon, Shell and Occidental. Whatever the land they own is used for by other companies, Texas Specific Land earns royalties and fees. 10 percent of the land they own is drilled. Once the land is drilled, that is a cash flow for Texas Specific for 40 years. The land they own can be used for solar panel development and potential for carbon disposal.

Mr. Cantor explained that half of the income for Texas Pacific Land is earned from royalties. He said that another company Mountain Lake own is Altius Minerals. Their largest royalties are earned from a number of minerals and renewables. They are the majority owner of Altius Renewables which sells and owns royalties on wind and solar. They will benefit from any transition toward green energy. As companies access more green energy Altius provides the capitol for it and will benefits from the royalties forever as long as there is wind in that site. Altius also creates the royalties for nothing through project generation. Their geologists stake ground throughout North America, where they believe there's going to be an ore body. They pay the fees for staking it and have control over the land. They solicit quality miners to develop the land and give the miners the land in exchange for a 10 – 20% interest in the land plus a royalty plus a production payment. The project generation portfolio is projected to be quite significant for Altius. Inflation on the materials they own will increase revenues and also their miners will likely be able to start projects for new ventures.

Mr. Cantor said that Texas Pacific Land and Altius Renewables are approximately 6% of the portfolio that are the hardest of the hard assets representing oil needed to power the economy and minerals needed to execute the economy. They are done in an asset light formation – benefit if more spending goes on but do not get hurt.

Mr. Cantor opened the discussion to questions.

Chairman Kimmel asked about the stock of Texas Pacific Land. Looking at the graph from the last 5 years. Their max has been at \$500 - \$600. The stock is now up \$1,500 in the last 6 months. Is that a concern that there was a run up of the stock and will it come down very quickly on the other side. Mr. Cantor explained their average cost was \$500 a share and when it got to between \$1650 and \$1700, the thought was the underlying value was around \$1500 where it currently is, so they sold about 1/3rd of the position. Believes Texas Pacific cashflow is rising secularly because so little of the land has been drilled and people are figuring out how much better the rock in the Permian basin is than anywhere else in the country. Supply and demand for oil and gas are not in balance today and being under-drilled relative to the current demand. They believe the price will continue to rise. Texas Pacific is worth about \$1500 with oil at \$60. But oil is not at \$60 and he said they do not believe it is going to be at \$60 anytime soon. Whenever monetary inflation creeps into the economy there is a surge of

inflation but there is never a fall back to the prior lows because the money has entered the economy and everything costs more. In the fullness of time the price will be thousands of dollars per share. Texas Pacific Land uses capital for repurchase. They became a C corp. in January. Prior to that they were a trust which precluded them from all indexes, from institutional investor ownership. Because more people are understanding the company, it is anticipated more people will be looking at it and realize its true value. It is also considered a green energy stock because they don't do drilling so it is making its way into green energy portfolios. They feel the value of the stock price is good now.

Rodger Metzger asked what have the net cash flows been like in the fund and what is the total value of the fund right now. Mr. Cantor answered it is about \$100 million in March 2020 and is about \$200 million today. He said it flow both ways with some long-term investors with IRA investments and some new clients who joined them last year. 2/3rds of money is wealthy individuals and 1/3rd is institutions and multigenerational survivors of very wealthy individuals.

Mr. Metzger questioned about larger harder assets and energy going forward and that some of the deeper players have spoken extensively about the headwinds going forward because of ESP and seeing some municipalities banning all fossil fuel related investments going forward, how does he think about how you model out the attractiveness of a lot of the energy names. Mr. Cantor said they invest in the world inhabited not the one we wish were the case. The world does see political pressure. The science is less clear about the benefits of moving toward renewables, but it is clear coal is unlikely to be a long-term part of North America's energy needs being met. He said they did have some coal investments but they have been exiting them over time. They didn't want to turn around and sell them all the moment it became obvious coal would have no roll because they were undervalued at the time but now because they have bounced and are continuing to bounce, they are adapting to that. They are also positioning themselves for renewable energy both throughout the renewable business and through other investments that capitalize on low carbon energy, specifically uranium. In general, they do not think the world can run without oil and gas. The idea of levelized cost for renewables approaching oil and gas does not recognize that wind and solar are intermittent and that the power grid cannot support and there won't be electricity for much of the day or the year if all goes that route. We are under-drilling oil and are consuming more than what is being drilled. The price for a barrel of oil will go up.

Ms. Corona discussed the need for oil and gas will be met at a higher price. Large companies like Exxon and Chevron are getting pressure from the investment community not to drill or cut drilling activities. That creates reorganizing Private equity companies and smaller well-funded drillers are buying up the assets and going to the Permian basin because it's where the cheaper and best material is making the need met at a higher price. The forecast by the government has renewables and wind growing in a large way. Their projection has the base level of oil and natural gas remaining flat. Even if the growth is coming from renewable, a base level of energy will still be needed. She discussed and explained the stocks invested in and anticipated projection that benefit the investments. Mr. Cantor said Texas Pacific benefits from higher oil prices. EOG is only one drilling company in the portfolio that is the best run oil and gas driller in North America. They make money in every environment with the best projects, properties and resources. Mr. Cantor said they have not ventured into any other companies, but stay with the best of the best.

Mr. McComsey said Mountain Lake sends out a month list of all their holdings.

Ms. Corona said Texas Pacific's prior revenues were grazing revenues from ranchers paying for their cattle to graze on the land. They have transformed their business from what it was to what it is today and will continue to transform in the future with all of the renewable possibilities.

Mr. McComsey noted where inflation is going and the debt will have to be paid down somehow. That has to be considered when doing the layout in the portfolio. Mr. Cantor said that to get the debt under control the value of the dollar has to be diminished. He said they feel interest rates are going up but not as much as inflation. The US government and Central Bank require inflation above interest rates for at least a decade at a high level.

Presentations ended.

Chairman Kimmel asked if there was a quorum. Tania Barnes began the roll call.

Members Present via Audio/TeleConference

M. Chaco
S. DuBrow
M. Glennon
C. McInnis
G. Kimmel
M. O'Neil
A. Maher
M. Palumbo
C. Angelico (Alt)
R. Smith (Alt)
C. McKenna (Alt)

Members Absent

M. Hedman
L. Mahoney
T. Bradbury
W. Farrell
T. Harrigan
J. Grady (Alt)
K. Frank (Alt)
M. Moreno (Alt)
T. Overholser (Alt)
E. Beatty, BOA Liaison
W. Smith, BOA Liaison

Also Present

T. Barnes, Human Resources Dept.
J. Green, Human Resources Dept.
L. DiCocco, Recording Secretary
R. McComsey, Mountain Lake
M. Cantor, Mountain Lake
P. Corona, Mountain Lake
J.O. Beirne, Beirne Wealth
J. Beirne, Beirne Wealth
A. Lynch, Beirne Wealth
R. Metzger, Hooker and Holcombe

Consideration of Minutes:

Mr. Chaco and Mr. McInnis made and seconded a motion to approve the minutes of the Regular Meeting held May 20, 2021. Motion carried unanimously.

Chairman's Report:

None

New Business:

None

Old Business:

None

Pension Requests:

(a)	Silvestre (Sly) Moura III	Code 5 – City (MSA) Regular Pension	Application
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Ms. Palumbo and Mr. McInnis made and seconded a motion to accept an application for a regular retirement pension. Motion carried unanimously.

(b)	Mark D. Robinson	Code 5 – City (PW) Regular Pension	Application
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Ms. Palumbo and Mr. McInnis made and seconded a motion to accept an application for a regular retirement pension for Mr. Robinson. Motion carried unanimously.

(c)	John S. Smith	Code 5 – BOE Regular Pension with 75% Contingent Annuitant	Application
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Chairman Kimmel and Mr. McInnis made and seconded a motion to table because he not retiring until July. Motion carried unanimously.

Withdrawals and Refunds:

None

Buy Ins:

None

Contingent Annuitant Option:

(a) Silvestre (Sly) Moura III Code 5 – City (PW) --

Application to Revoke
Request to Revoke Contingent Annuitant 100%
Option C/A Approved by Pension Board Date:
06/01/2018 100% Contingent Annuitant Option
Beneficiary: Debra Moura

Ms. Palumbo and Mr. McInnis made and seconded a motion to accept an application to revoke a request for Contingent Annuitant Option. Motion carried unanimously.

Applications of Entry:

Chairman Kimmel read the following application of entry:

(a) Brian M. Capozzi	Code 5 – City (MSA)	Entry: 06/01/2021
(b) Daniel Cavoto	Code 5 - City (Public Works)	Entry: 05/17/2021
(c) Donald P. Moore	Code 5 - City (Public Works)	Entry: 05/24/2021
(d) Samantha O'Connor	Code 9 - City (MEA)	Entry: 06/01/2021

Invoices:

(a) Wells Fargo - \$1,653.10 Period: 4/1/2021 – 4/30/2021

Mr. Chaco made and Mr. McInnis seconded a motion to authorize payment to Wells Fargo in the amount of \$1,653.10, for their invoice dated May 7, 2021. Motion carried unanimously.

(b) Hooker & Holcombe, Inc. - \$26,000.00 Period: 4/20/2021

Mr. Chaco made and Mr. McKenna seconded a motion to authorize payment to Hooker & Holcombe, Inc., in the amount of \$26,000.00, for the invoice dated April 20, 2021. Motion carried unanimously.

Committee Reports:

None

Financial Report:

None

Adjourn:

Mr. Chaco and Mr. McInnis made and seconded a motion to adjourn the meeting. Motion carried unanimously.

The meeting adjourned at 7:17 p.m.

The next regular meeting of the Pension & Retirement Board will be held on July 15, 2021.

Respectfully submitted,


Lesley DiCocco
Recording Secretary