

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday February 19, 2014 at 1:00 PM**  
**El Paso Firemen and Policemen's Pension Fund Office**  
**Chase Tower, Suite 1616**  
**201 East Main Drive, El Paso, Texas 79901**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

Chief Ricci Carson  
FST Paul Thompson

**Police Division:**

Lieutenant Tyler Grossman  
Detective JD Cotham  
Sergeant John Schneider

**Mayoral Appointments:**

Dr. Robert Tollen  
Ms. Carmen Arrieta-Candelaria  
Mr. Presi Ortega

**City Manager Appointments:**

Ms. Judy A. Balmer

**OTHERS PRESENT**

Mr. Robert J. Stanton - Secretary  
Ms. Yolanda Carreon - Assistant Secretary  
Mr. Eric Ralph - Summit Strategies Group  
Ms. Nicole Nesbitt - Brown Advisory  
Mr. Kevin Osten - Brown Advisory

**TRUSTEE MEMBERS ABSENT:**

Ms. Terri Garcia  
Chief Jerry Villanueva

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1. Establishment of Quorum.

Chair Grossman established a Quorum is present. The Regular Meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees was called to order at 1:01 p.m.

2. Certification of the Trustee Election(s) results to the Board of Trustees in accordance with Section 2 (C) of the Fund's Voting Procedures.

The recent election for a Police Trustee was recently conducted by VR Election Services. Chairperson Grossman provided the results of the election, and welcomed the new Trustee, Sergeant John Schneider.

3. Reading and approval of the Minutes of the previous Board Meeting held January 15, 2014.

*Mr. Cotham moved to approve the minutes of the Regular Board Meeting held January 15, 2014, seconded by Dr. Tollen and passed by the Board.*

Consent Agenda

*Dr. Tollen moved to approve the Consent Agenda, seconded by Mr. Cotham and passed by the Board.*

Chair Grossman noted that he reviewed the financials for December, which were received late from the bank, and found no issues.

1. Internal Financial Statements for month ending December 31, 2013.

Northern Trust Financial Statements for month ending January 31, 2014.

2. Expense Reports for the month ending January 31, 2014.

3. Approve Pension Payrolls:

|        |                |
|--------|----------------|
| Fire   | \$2,291,141.92 |
| Police | \$3,022,770.91 |

4. Payments to Service Providers

|    |   |              |
|----|---|--------------|
| A. | Arthur J. Gallagher Risk Mgmt. Svc. (D&O) | \$6,482.00   |
| B. | Brown Advisory (4Q2013)                   | \$35,863.95  |
| C. | Ice Miller, LLP - 12/31/13                | \$1,711.29   |
| D. | Northern Trust Co. (4Q2013)               | \$32,923.08  |
| E. | PIMCO ( 4Q2013)                           | \$137,669.06 |
| F. | Pyramis Global Advisors (4Q2013)          | \$122,072.05 |
| G. | Sheehan Phinney Bass + Green - 12/31/13   | \$9,232.43   |
| H. | Travis & Calhoun, Attys. (thru 1/16/14)   | \$7,078.97   |
| I. | William Blair (4Q2013)                    | \$96,627.00  |

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Reports and recommendations of Committees

- A. Investment Committee - The Investment Committee met earlier this morning as per Dr. Tollen and covered several items, one of which approval will be covered separately under New Business. Several managers were reviewed in regards to bank loans. Four managers will be invited to present in the first or second week in April. These managers are: Credit Suisse Asset Management, Pinebridge Investments, Sankaty Advisors, and Western Asset Management. Dr. Tollen also added that a recommendation will be brought to the Board at the March meeting to increase the allocation to Partners Real Estate and Principal Real Estate.
- B. Management Development and Review Committee - To be discussed under New Business.
- C. Ad-Hoc Committee for Office - Speaking on behalf of the Committee, Mr. Ortega stated that legal counsel is currently reviewing the contract and adding some verbiage to better protect us. The committee will meet as soon as this is resolved. Pursuant to the recommendation of legal counsel, the committee will also consider hiring a third party architect to oversee the project as another pair of eyes.

Unfinished Business

Executive Session, Section 551.074, Texas Government Code

1. Discussion and action on Executive Director contract as approved and recommended by the Management Development and Review Committee, tabled until February 19, 2014.

Mr. Cotham informed the Board that the contract has not returned from legal review. As soon as it is received, a committee meeting will be scheduled.

*Mr. Paul Thompson moved to table this item until the March meeting, seconded by Mr. Cotham and passed by the Board.*

Ms. Arrieta-Candelaria arrived at 1:08 p.m. and at this time requested to make a comment on an item on the Consent Agenda. She stated that a check was paid by the bank which was not ours and wanted to recommend that the Fund set up "positive pay" procedures so that this does not occur again. Mr. Stanton stated this was a first time bank error, but he will look into this procedure.

New Business

1. Investment Performance Review for period ended December 31, 2013 and update as presented by Ms. Nicole Nesbitt and Mr. Kevin Osten of Brown Advisory.

Ms. Nicole Nesbitt and Mr. Kevin Osten provide the Board with a Relationship Overview. The firm was founded in 1993, with office in Baltimore, Washington, DC, London, Boston, Chapel

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Hill, NC, and Wilmington, DE. The firm has in excess of 350 employees and over 40 investment professionals. Firm assets currently under management are 46 billion. The mandate is large-cap growth equity, benchmarked to the Russell 1000 Growth Index, with an inception date of March 15, 2012. The current portfolio value as of December 31, 2013 was \$73,462,768. Total Portfolio Return, Gross of fees from inception was 15.3%. Brown has implemented a soft close of the large-cap growth strategy due to the growth of client assets and their desire to protect the integrity of the investment process for their existing clients. The strategy remains open to existing clients, and the mutual fund remains open. As of December 31, 2103 strategy assets reached \$18.7 billion.

2. Discussion and action on amending the Fund's Investment Policy Statement as recommended by Summit Strategies Group, and as approved and recommended by the Investment Committee.

*After careful discussion, due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve amending the Fund's Investment Policy Statement, seconded by Mr. Ortega and passed by the Board.*

3. Presentation and review of 2013 Year End Investment Performance, as presented by Mr. Eric Ralph of Summit Strategies Group.

Mr. Ralph provided the following economic and capital market highlights: The Us economy continued along its slow path of recovery in the fourth quarter of 2013. The Federal Reserve, citing improvement in the labor market and economy, announced at its December meeting that it will reduce monthly asset purchases to \$75 billion from \$85 billion beginning in January. The unemployment rate was 6.7% as of December, its lowest level since October 2008. However, the labor force participation rate continues to decrease as people stop looking for work. The eurozone has emerged from recession, and signs point to a continued European recovery. Manufacturing expanded throughout the world during the quarter, another signal that the global economy is gaining traction.

US small cap underperformed large cap by 150 bps for the quarter as small cap gained 8.7%. Developed international equity (MSCI EAFE) posted a 5.7% gain, underperforming domestic equities (S&P 500) by 480 bps. Emerging markets saw positive performance this quarter (1.8%), but trailed developed international markets by 390 bps. The Fed left the overnight lending rate unchanged (0-0.25%) as of its December meeting. In addition to scaling back QE, Chairman Bernanke stated the FOMC will continue to closely monitor the economic and financial situation the coming months. Yields were up slightly across the curve. The spread between 2-year and 30-year Treasuries widened by 22 bps to 359 bps in the fourth quarter.

4. Discussion and action on the commitment of \$5,000,000 to Riverside Micro-Cap Fund III, L.P., as recommended by Meketa Investment Group, and as recommended and approved by the Investment Committee.

*After careful discussion, due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the commitment of \$5.0mm to Riverside Micro-Cap Fund III, L.P., pending legal review and fees terms and conditions, seconded by Mr. Cotham and passed unanimously by the Board.*

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5. Discussion and action on Rudd & Wisdom, Inc. recommendations and response letter from Buck Consultants.

*After careful discussion and due consideration, Dr. Tollen moved to implement the recommendations from Rudd & Wisdom to our current actuarial valuation seconded by Ms. Arrieta-Candelaria and passed unanimously by the Board.*

6. Discussion on GASB 67 & 68.

The Government Accounting Standard Board (GASB) recently established new reporting requirements for "defined benefit" pension plans. The new GASB requirements will be reflected in the Fund's 2014 Actuarial Valuation. Chair Grossman also informed the Board of discussion with the City Manager and various Council members regarding this topic. It was recommended that the Fund be proactive with respect to the new requirements in a letter explaining how these new statements will affect how the City reports pension obligations rather than how the City funds its pension, and could lead to differences between reporting and funding. It was recommended that the Fund present its report to City Council in June rather than August. Trustee Thompson discussed the issue of a spokesperson for the Fund to deal with the media. Ms. Arrieta-Candelaria recommended an item on the agenda for next month's meeting.

7. Discussion and action on amending the Fund's Fiduciary Education and Travel Policy as recommended and approved by the Management Development and Review Committee.

The Board reviewed the recommended changes to the Fiduciary Education and Travel Policy. Each change was reviewed and discussed by the Board, and made further revisions. Mr. Stanton will incorporate all the recommendations and provide a draft to the Board via email.

*After careful discussion, due consideration, Mr. Carson moved to approve amending the Fiduciary Education and Travel Policy with the recommended changes by the Board, seconded by Mr. Cotham and unanimously approved by the Board.*

8. Approval/denial of full-time Student Request Application in accordance with Section 3.18 "Qualified Child" of the Plan Document.

*After careful discussion and due consideration, Mr. Cotham moved to approve the Student Request Application, seconded by Dr. Tollen and passed by the Board.*

9. Opportunity for Statements from Members/Retired Members/Public.

*None.*

10. Report of Executive Director. Submitted Written Report.

Mr. Stanton provided the Board with a written report. We continue to fund our Private Equity and at the same time we are receiving capital distributions from the majority of our investments. Mr. Stanton informed the Board that we again are having problems with the City with respect to taking the proper deductions on members that terminate employment. Discussion ensued on this

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topic especially the complex problems related to pension deductions on worker's compensation cases. Further discussion on this subject needs to take place to try to resolve this issue.

11. For Notation:

Informational Material For Review. No Action Required.

- A. Service Retirement (s)
- B. Early Retirement
- C. Service/BackDrop Retirement
- D. Death Benefits
- E. Cost of Living Adjustments
- F. Death of member(s)
- G. Refund of Contributions

12. Adjournment.

*Mr. Ortega moved to adjourn which was passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:46 p.m.*

  
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Chairperson

  
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Secretary