

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, June 18, 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

TRUSTEE MEMBERS PRESENT

Fire Division:

Chief Jerry Villanueva
Chief Ricci Carson

Police Division:

Lieutenant Tyler Grossman
Sergeant John Schneider
Detective JD Cotham

Mayoral Appointments:

Dr. Robert Tollen
Ms. Carmen Arrieta-Candelaria

City Manager Appointments:

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Ms. Yolanda Carreon - Assistant Secretary
Mr. Mark Austin – assistant Secretary
Ms. Lena H. Ellis, CFO
Mr. Steve Prullage – Buck Consultants
Mr. Jeff Bridgens - Moss Adams
Mr. Michael Jordan – Fire Department
Mrs. Michael Jordan – Visitor
Mr. Steve Starnes – Mondrian Investment Group
Mr. Russell Mackie – Mondrian Investment Group

TRUSTEE MEMBERS ABSENT:

FST Paul Thompson
Mr. Presi Ortega
Ms. Terri Garcia
Ms. Judy A. Balmer

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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 1:00 p.m.

Chair Grossman welcomed new Deputy Executive Director, Mr. Mark Austin.

2. Reading and approval of the Minutes of the previous Board Meeting held May 21, 2014.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held May 21, 2014, seconded by Mr. Cotham and passed by the Board.

Consent Agenda

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

1. Internal Financial Statements for month ending April 30, 2014.

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

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

3. Approve Pension Payrolls:

Fire	\$2,300,177.58
Police	\$3,066,445.02

4. Payments to Service Providers

A.	Access Medial Evaluations, Inc.	\$1,000.00
B.	Bixler & Company - January - May - 2014	\$12,500.00
C.	Legislative Consultants - June - 2014	\$5,312.25
D.	Strasburger & Price, LLP - April 2014	\$13,632.50
E.	Sheehan Phinney Bass + Green - April 2014	\$12,287.52
F.	Summit Strategies Group - 2Q2014	\$56,509.00
G.	Ice Miller Legal Counsel - April 2014	\$697.30

Reports and recommendations of Committees

- A. Investment Committee - To be discussed under New Business.
- B. Benefits Committee - To be discussed under New Business.
- C. Ad-Hoc Committee for Office Space - Mr. Villanueva presented an update in which he stated that the abatement process is almost completed except there

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was one change order for \$2,500.00. This was due to them bringing down a wall and found there was a double wall apparently on one side of the building. This was not detected earlier and added to the cost. Mr. Villanueva met with CEA to review the office plan. CEA stated that it should take 1-2 months to finish planning but once construction starts, we should plan on 150 days but hold them to 120 days. There is 30 day contingency. There has been nothing discussed about numbers but the square footage price should be between \$90 - \$115 depending on the finishes.

Unfinished Business

None

New Business

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

Police Division

Voting Procedures-Section 2-C states "*In the event there is only one position open on the Board, and only one eligible nomination form is received prior to the specified deadline for a candidate to the position, such candidate shall be deemed elected as an unopposed member of the Board of Trustees. The Board Secretary shall declare the Trustee duly elected, and the results presented to the Board of Trustees at the next Board Meeting*". Only one nomination was received from Mr. John Schneider. Mr. Schneider will serve a four year term until July, 2018.

Mr. Villanueva moved to discuss Item 7 before Item 2, seconded by Mr. Cotham and passed unanimously by the Board.

7. Discussion and action on Service-Connected Disability Retirement Application, Fire Department, pursuant to the recommendation of the Benefits Committee.

Mr. Cotham made a motion to convene into Executive Session for the purpose of discussing Item 7, seconded by Mr. Villanueva. Motion carried.

The El Paso Firemen & Policemen's Pension Fund Board of Trustees retired into Executive Session at 1:10 p.m. and returned to regular session at 1:15 p.m.

The Benefits Committee recommendation was to postpone the decision for 12 months based on the Independent Medical Examiner (IME).

After careful discussion and due consideration, Mr. Cotham moved to postpone a decision for twelve months, seconded by Mr. Villanueva. Mr. Cotham, Mr. Villanueva, Mr. Schneider, Dr. Tollen, Ms. Arrieta-Camdelaria, and Chair Grossman voted in favor. Mr. Carson opposed.

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2. Investment Performance Review for period ended December 31, 2013 and update as presented by Mr. Steve Starnes and Mr. Russell Mackie of Mondrian Investment Group.

Mr. Steve Starnes and Mr. Russell Mackie provided the Board with the fund's performance and highlighted one of the characteristics. Mr. Starnes stated that the position of the fund was to preserve capital during the market declines, which was their defensive characteristic.

Mr. Russell then highlighted the funds performance, stating that for the first quarter of 2014 the fund had a relative performance of 3.0% and that since inception the fund has returned 11.5 % as compared to the MSCI EAFE of 11.1%. Mr. Russell also advised the board about what contributed to the funds return as of the prior 12 months. The two areas that helped the fund was currency and stock selection. Sector Allocation was also discussed and the board was advised that the Financial sector was still underweighted as compared to the EAFE.

3. Discussion and action on approval of January 1, 2014 Actuarial Valuation as presented by Mr. Steve Prullage of Buck Consultants, and GASB discussion.

Mr. Prullage presented the Fire and Police Actuarial Valuation report as of January 1, 2014. Mr. Prullage started with the Fire Division and advised that the active membership for Fire and their compensation was up from January 1, 2012. The unfunded actuarial accrued liability also increased from January 1, 2012 from \$108,582,531 to \$114,707,333. Mr. Prullage stated that the big news is the Funding period which went from 76 years as of January 1, 2012 to 23 years as of January 1, 2014. Mr. Prullage also stated that the Pension Review Board guidelines for public plan would like the funding period to be 25 years or less. Mr. Prullage stated that if you wanted to fund the Fire pension to represent the 30-year funding cost it would require a 21.81% contribution, which is 2% less than January 1, 2012 but 3.31% more than the current contribution for the city. Ms. Arrieta-Camdelaria asked if this was just looking at the city and Mr. Prullage responded yes, however; Mr. Grossman stated that due to the language of the current statue, Fire would be required to share in this increase.

Mr. Prullage then reviewed the Police Actuarial Valuation as of January 1, 2014. The active membership grew from 1044 to 1052 from the January 1, 2012 valuation to January 1, 2014. The compensation also grew from \$66,953,641 in 2012 to \$70,817,206 in 2014. Mr. Prullage also advised that the unfunded actuarial accrued liability grew from \$174,514,074 in 2012 to \$193,755,713 but the funding period went from never in 2012 to 32 years in 2014. It was also brought up that to fund the Police pension at the 30-year funding cost would require the City to increase contributions by 7.95% which would be split between City and Police as per the statue. This margin is down by 1% from 2012. The funding ratio stayed about the same from 2012 to 2014 at 78.2%.

Once the presentations on the valuations were completed, Mr. Prullage discussed the implementation of the Government Accounting Standards Board (GASB), standard #67 and #68 for fiscal year 2014. Mr. Jeffrey Bridgens of Moss Adams, the Funds external auditors, noted to the Board that coordination between the City and the Pension Fund would be required to successfully implement these standards. Mr. Stanton stated that the new CFO is now on board to help manage this effort internally, along with the documentation of policies and procedures, and

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the implementation of other Moss Adams' recommendations found in their communication of internal controls.

Mr. Bridgens went on to state that future Comprehensive Annual Financial Reports (CAFRs) for pension funds and their sponsors would look vastly different from the current reports due to the new GASB standards. One of the biggest changes will be the requirement for ten (10) years of history relating to certain details presented in the CAFR. There are provisions for a phase in period to allow organizations to look back, perform recalculations or otherwise obtain these required details. However, the City of El Paso and the Fund need to be prepared to manage these new requirements when drafting next year's financial report (CAFR) to ensure compliance with the new GASB 67 and 68 standards. These new standards amend the old GASB 25 and GASB 27 standards.

After careful discussion, and due consideration, Dr. Tollen moved to approve the January 1, 2014 Actuarial Valuation as presented by Mr. Steve Prullage of Buck Consultants, seconded by Mr. Carson. Motion passed unanimously by the Board.

4. Discussion and action on the commitment of \$8,000,000 to CharlesBank Equity Fund VIII, L.P., as recommended by Meketa Investment Group, and as approved and recommended by the Investment Committee.

After due consideration, and at the recommendation of the Investment Committee, Mr. Cotham moved to approve the commitment of 8.0mm to CharlesBank Equity Fund VIII, L.P., pending legal review, seconded by Mr. Carson and passed unanimously by the Board.

5. Discussion and action on retaining William Blair Investment Management as one of the Fund's Small Cap Value Equity Managers, as approved and recommended by the Investment Committee.

After due consideration, and at the recommendation of the Investment Committee, Mr. Cotham moved to approve retaining William Blair Investment Management as one of the Fund's Small Cap Value Equity Managers, pending legal review, seconded by Mrs. Arrieta-Candelaria and passed unanimously by the Board.

6. Discussion and action on Bank Loan commitment of \$60,000,000 to Western Asset Management Company, in consultation with Summit Strategies Group, and as approved and recommended by the Investment Committee.

After due consideration, and at the recommendation of the Investment Committee, and in consultation with Summit Strategies Group, Mr. Schneider moved to approve the commitment of \$60.0mm to Western Asset Management Company, pending legal review, seconded by Mr. Cotham and passed unanimously by the Board.

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

None.

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9. Report of Executive Director, Submitted Written Report.

Mr. Stanton reported that first priority for the new Deputy Executive Director will be to work with Ad-Hoc office space committee during the completion of the building at 909 E. San Antonio. Mr. Stanton also advised that the following week he will be telecommuting from home pursuant to his contract and that he is available for assistance. Mr. Stanton also advised that the CFO will be working with Moss-Adams to revise and compile financial reports that the Board is requesting and discontinuing the reports that are not needed.

10. For Notation:

Informational Material For Review. No Action Required.

- A. Service Retirement(s)
- B. Cost of Living Adjustments
- C. Death of member(s)
- D. Refund of Contributions

11. Adjournment.

Meeting of The El Paso Firemen & Policemen's Pension Fund Board of Trustees adjourned at 3:16 p.m.


Chairperson


Secretary