

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, July 16, 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
FST Paul Thompson

Police Division:

Lieutenant Tyler Grossman
Sergeant John Schneider
Detective JD Cotham

Mayoral Appointments:

Ms. Carmen Arrieta-Candelaria
Mr. Presi Ortega

City Manager Appointments:

Ms. Terri Garcia
Ms. Judy A. Balmer

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Ms. Yolanda Carreon - Assistant Secretary
Mr. Mark Austin - Assistant Secretary
Ms. Lena H. Ellis - CFO
Mr. Eduardo Rodela - Retiree
Mr. Gerry Branka - Pyramis Global Advisors
Mr. Brian Hoesly - Pyramis Global Advisors
Mr. Warren DeKinder - INTECH
Ms. Cindy Ramirez - El Paso Times

TRUSTEE MEMBERS ABSENT:

Dr. Robert Tollen

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
July 16, 2014 - 1:00 P.M.

2

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 1:02 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held June 18, 2014.

Mr. Thompson moved to approve the minutes of the Regular Board Meeting held June 18, 2014, seconded by Mr. Schneider and passed by the Board. Ms. Garcia abstained.

Consent Agenda

Mr. Thompson moved to approve the Consent Agenda, seconded by Mr. Carson and passed by the Board.

1. Internal Financial Statements for month ending May 31, 2014.

Northern Trust Financial Statements for month ending June 30, 2014.

2. Expense Reports for the month ending June 30, 2014.

3. Approve Pension Payrolls:

Fire	\$2,312,843.71
Police	\$3,088,639.20

4. Payments to Service Providers

A.	Bixler & Company	\$2,500.00
B.	Legislative Consultants - 2014	\$5,058.67
C.	Moss-Adams	\$3,500.00
D.	Strasburger & Price, LLP - May 2014	\$6,966.36
E.	Sheehan Phinney Bass + Green - April 2014	\$20,662.58
F.	Summit Strategies Group (CPI Increase)	\$1,654.42
G.	Travis & Calhoun - May 2014	\$23,140.64

Reports and recommendations of Committees

- A. Ad-Hoc Committee for Office Space - The Ad-Hoc report was presented after item #1 under new business. Mr. Villanueva presented an update in which he stated that the asbestos abatement was completed and CEA is working with contractors to get estimates on repair work so that CEA can get a price for complete repair. It looks as if there will be a need to replace the air conditioners since the current ones are older and would need to be piecemealed. The cost would be comparable with buying new ones.

Unfinished Business

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
July 16, 2014 - 1:00 P.M.

3

None

Mr. Cotham arrived at 1:07 p.m

New Business

1. Investment Performance Review for period ended December 31, 2013 and update as presented by Mr. Gerry Branka and Mr. Brian Hoesly of Pyramis Global Advisors.

Mr. Branka started the discussion on the portfolio by going over the management team. He stated that Pyramis added an Associate Portfolio Manager/Analyst for Industrials, named Mr. Bruce MacDonald, who started in 2013. Mr. Hoesly then discussed performance by stating 1st and 2nd quarter was difficult with a negative active return. Mr. Hoesly also mentioned that China's growth had begun to normalize to 7 to 7 1/2 % and that should continue. Mr. Ortega then ask the question, what was Pyramis going to do as we go forward and why should the board keep the management team since the returns have been flat as compared to the benchmark? Mr. Hoesly answered by saying they needed to focus on stock selection but that they would still stand by their process going forward. This was why the fund selected Pyramis in the beginning.

Mrs. Arrieta-Candelaria arrived at 1:20 p.m.

Chairperson Grossman suggested moving Item 6 before Item 2. Without any objections from the Board, Item 6 followed.

6. Discussion and action on increasing the contribution rates of active Members of the Fire and Police Divisions through five (5) annual step increases, conditional upon and provided that the City similarly increase its' annual contribution rate to both the Fire and Police Divisions of the Pension Fund, as of September 1st of each of the next four (4) years, effective September 1, 2014, and to set forth the dates for Membership vote.

Chairman Grossman began the item by discussing the history of the issue. Mr. Grossman stated that in April of 2013 during a city council meeting the council directed the former City Manager to begin negotiating with the Pension Fund. Once the City Manager and Chairman Grossman met, the City Manager allowed Chairman Grossman to work with Mrs. Arrieta-Candelaria, the CFO for the city, to come up with some type of agreement which would allow for the funding of the underfunding issue. Both began meeting in January 2014 and this discussion was based on the 2012 actuarial study. This study required the city to increase police contributions by 2.56% and the Police officers had to increase their contribution by 1.99%. Fire had to increase their contributions by 1.25% and the city had to increase contributions for fire by 1.5%. Once presented to the City Manager, she advised that she would entertain the increase if the police officers would contribute as much as the fire division did, which would be 16.53%. The City Manager directed Mrs. Arrieta-Candelaria to add the percentage into the budget. Shortly after the City Manager terminated employment with the City, a second discussion was going to take place with the new City Manager, Mr. Gonzalez. Unfortunately he did not make the meeting but Dr. Sutter, Mr. Almonte, CFO Arrieta and Chairman Grossman meet. Mr. Almonte agreed to take the recommendation and plan to City Manager Gonzales.

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
July 16, 2014 - 1:00 P.M.

4

One of the issues that the city has had during these discussions was if the State law supersedes city charter. The city was going to get a legal opinion but nothing has come back. Chairman Grossman did state that we as a board received an opinion and found that state does supersede the City and this would allow the city to increase the current contribution.

Mr. Thompson wanted Chairman Grossman to explain the plan of action. Chairman Grossman advised the board that CFO Arrieta reviewed the needed contribution on both sides and found that doing it over 5 yrs would benefit both sides. The city and employee would be able to absorb the increase without any major burden. The 5 yr increase would have both the Fire and Police contributing at 16.53%. Mrs. Arrieta advised that this was a good compromise on both parts. She also stated that even though the 2014 actuarial report shows a great improvement we cannot just rely on investments but also had to look at increasing contributions.

Mr. Villanueva moved to table this item until the City receives a legal opinion on the City Charter superseding State law and seconded by Mr. Cotham and passed by the Board.

Chairperson Grossman discussed the history of this issue. He stated that in April of 2013 during a City Council meeting, the council directed the former City Manager to begin negotiating with the Pension Fund. The City Manager and Chairperson Grossman met and Ms. Wilson allowed Chairperson Grossman to work with Mrs. Arrieta-Candelaria, CFO for the city, to come up with some type of agreement which would allow for the funding of the underfunding issue. Both began meeting in January 2014 and their discussions were based on the results of the 2012 actuarial study. This study required the city to increase police contributions by 2.56% and the Police officers had to increase their contribution by 1.99%. Fire had to increase their contributions by 1.25% and the city had to increase contributions for Fire by 1.5%. Once presented to the City Manager, she advised that she would entertain the increase if the police officers would contribute as much as the fire division did, which would be 16.53%. The City Manager directed Mrs. Arrieta-Candelaria to add the percentage into the budget. Shortly after the City Manager terminated employment with the City, a second discussion was going to take place with the new City Manager, Mr. Gonzalez. Unfortunately he did not make the meeting but Dr. Sutter, Mr. Almonte, CFO Arrieta-Candelaria and Chairperson Grossman met. Mr. Almonte agreed to take the recommendation and plan to City Manager Gonzales.

One of the issues that the city has had during these discussions was if the State law supersedes city charter. The city was going to get a legal opinion but nothing has come back. Chairperson Grossman did state that we as a board received an opinion and found that state does supersede the City Charter so this may allow the city to increase the current contribution.

Mr. Thompson wanted Chairperson Grossman to explain the plan of action. Chairperson Grossman advised the Board that CFO Arrieta-Candelaria reviewed the needed contribution on both sides and found that doing it over 5 yrs would benefit both sides. Both the city and employee would be able to absorb the increase without any major burden. The 5 yr increase would have both the Fire and Police contributing at 16.53%. Mrs. Arrieta advised that this was a good compromise on both sides. She also stated that even though the 2014 actuarial report shows a great improvement, we cannot rely just on investments but must also look at increasing contributions.

Mr. Villanueva moved to table this item until the City receives a legal opinion on whether State law supersedes the City Charter, seconded by Mr. Cotham and passed by the Board.

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
July 16, 2014 - 1:00 P.M.

5

Mrs. Balmer left at 1:59 P.M.

2. Investment Performance Review for period ended December 31, 2013 and update as presented by Mr. Warren DeKinder of INTECH.

Mr. DeKinder started his presentation advising the Board that the Portfolio review has a new page titled the Executive summary, which is an overview of the funds return. Mr. DeKinder stated that there were no changes in ITECH's process or investment team. During an overview of the process Mr. DeKinder advised that the team looks at the daily stock price change over given periods of time. Mr. DeKinder closed his presentation by stating that their team wants to beat the benchmark by 1.75 to 2 bps.

3. Discussion and action on approval of the December 31, 2013 Audited Financial Statements as presented by Mr. Jeff Bridgens of Moss Adams, LLP.

Mr. Cotham moved to table this item to a special board meeting on July 22, 2014 at 0830 hrs. seconded by Mr. Carson and passed by the Board.

4. Authorization to transfer \$73,000 from the Fund's Cash Account to Lomaland West for current and future expenses in connection with the property located at 909 East San Antonio, El Paso, Texas.

Mr. Austin advised the Board that this transfer was necessary in order to pay Project management fees, asbestos removal and project cost, design development services and other fees related to the property at 909 E. San Antonio.

After due consideration, Mr. Villanueva moved to approve the transfer of \$73,000 from the fund's cash account to Lomaland West for current and future expenses in connection with the property located at 909 East San Antonio, El Paso, Texas, seconded by Mrs. Garcia and passed unanimously by the Board.

5. Discussion and action on the commitment of \$8,000,000 to Veritas Capital Fund V, 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. Ortega moved to approve the commitment of 8.0mm to Veritas Capital Fund V, L.P., pending legal review, seconded by Mr. Thompson and passed unanimously by the Board.

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

None.

8. Report of Executive Director. Submitted Written Report.

Mr. Stanton reported that the assets of the fund as of July 15, 2014 were \$1,291,360.00. Mr. Stanton also stated that on two investments, Vista Equity Partners V and Charlesbank Equity Partners V had been highly oversubscribed and trimmed back. However due to the relationships

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
July 16, 2014 - 1:00 P.M.

6

and the ease of working with the El Paso FPPF, the fund was given a higher allocation relative to the other investors.

9. For Notation:

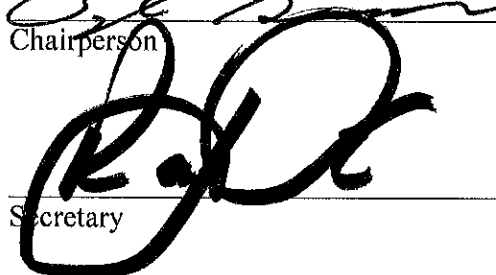
Informational Material For Review. No Action Required.

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

10. Adjournment.

Mr. Ortega moved to adjourn seconded by Mr. Cotham and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:30 p.m.


Chairperson


Secretary