

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday, August 20, 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 Jerry Villanueva  
FST Paul Thompson

**Police Division:**

Lieutenant Tyler Grossman  
Sergeant John Schneider  
Detective JD Cotham

**Mayoral Appointments:**

Dr. Robert Tollen  
Mr. Presi Ortega

**City Manager Appointments:**

Ms. Terri Garcia  
Ms. Judy A. Balmer

**OTHERS PRESENT**

Mr. Robert J. Stanton - Secretary  
Mr. Mark Austin - Assistant Secretary  
Ms. Lena H. Ellis - CFO  
Mr. Eric Ralph, Summit Strategies Group

**TRUSTEE MEMBERS ABSENT:**

Ms. Carmen Arrieta-Candelaria  
Chief Ricci Carson

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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.

2. Election and approval of a Chairperson and a Vice-Chairperson of the Board of Trustees for a term of two years in accordance with Section 3 of the By-Laws of the Board of Trustees.

Chairman Grossman asked for nominations for Chair and Vice-Chair.

*Mr. Villanueva nominated Mr. Tyler Grossman for Chairperson and motion passed except for Dr. Tollen who voted nay.*

*Mr. Ortega nominated Mr. Jerry Villanueva for Vice-Chairperson and motion passed unanimously by the Board.*

Chairperson Grossman presided for the remainder of the meeting.

Mr. Cotham arrived at 1:05 p.m.

3. Reading and approval of the Minutes of the previous Board Meeting(s) held July 16, 2014 and the Special Meeting held July 22, 2014.

*Mr. Thompson moved to approve the minutes of the Regular Board Meeting(s) held July 16, 2014 and the Special Meeting held July 22, 2014, seconded by Mr. Villanueva and unanimously passed by the Board.*

Consent Agenda

Ms. Garcia requested to remove Item 1 from the Consent Agenda for discussion under New Business.

Chairperson Grossman requested to remove Item 2 from the Consent Agenda for discussion under New Business.

*Ms. Garcia moved to approve the Consent Agenda with the exception of Item 1 and 2 to be discussed under New Business, seconded by Dr. Tollen and passed by the Board.*

1. Internal Financial Statements for month ending June 20, 2014.

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

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

3. Approve Pension Payrolls:

Fire	\$2,329,234.03
Police	\$3,066,937.15

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4. Payments to Service Providers

A. Bixler & Company	\$2,500.00
B. Buck Consultants - Consulting Services/ Completion of actuarial valuations	\$45,200.00
C. Lord Abbett 2 <sup>nd</sup> Qtr	\$145,186.37
D. Lord Abbett 7/1/14 to 7/21/14	\$30,762.63
E. Moss-Adams	\$2,000.00
F. Strasburger & Price, LLP - May 2014	\$1,281.25
G. Sheehan, Phinney, Bass & Green	\$13,588.15
H. William Blair	\$85,442.00

Reports and recommendations of Committees

1. Ad-Hoc Committee for Office Space

Mr. Villanueva advised the board that things are moving forward at 909 E. San Antonio. There will be a meeting on Tuesday August 26, 2014 to discuss some final numbers. It should be noted that excluding audio and video equipment set up, exterior, and burglary alarm system, the renovations are looking to cost around \$90.00 a square foot.

2. Investment Committee

Dr. Tollen advised that the investment committee met and that each item will be discussed under New Business.

Unfinished Business

1. 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 1<sup>st</sup> of each of the next four (4) years, effective on or about September 1, 2014, and to set forth the dates for Membership vote, tabled July 16, 2014.

The Board is waiting receipt of a legal opinion from the City Attorney regarding whether or not State law supersedes City Charter. Chairman Grossman has reached out to both the City Attorney and City Representatives but as of this date, has not received a response.

*Mr. Cotham moved to table Item 1 under unfinished business until the September Board meeting, seconded by Mr. Villanueva and passed unanimously by the Board.*

New Business

Item 1 and 2 pulled from the Consent Agenda followed.

Item 1 - Ms. Garcia asked the Ms. Ellis, CFO as to how long Bixler will be completing the Fund's financials. Ms. Ellis advised that she would explain under Item 8, Report of the Chief Financial Officer. Mrs. Garcia was satisfied to wait until item 8.

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Mrs. Garcia also had questions on the securities lending and wanted to know who was tracking the data including the oversight of the lending. She wanted to have a line item on the spreadsheet that the Board receives of the month to month assets for better notification and tracking.

*Mr. Thompson moved to approve Item 1 removed from the Consent Agenda, seconded by Mr. Villanueva and passed by the Board.*

Item 2 - Chairman Grossman had questions with two line items on the budget. The first was petty cash, which was over \$500. This was due to a charge for CFO interview. The second was parking \$450, which was due to the budget representing partial year at the current location. There were also two new parking spaces added to the line item cost.

*Mr. Villanueva moved to approve Item 2 removed from the Consent Agenda, seconded by Mr. Thompson and passed by the Board.*

1. Presentation and review of Second Quarter 2014 Investment Performance and update, as presented by Mr. Eric Ralph of Summit Strategies Group.

Mr. Ralph began his review of the 2<sup>nd</sup> Quarter Investment performance by summarizing the areas of strength. The total composite return was 17.9% which outperformed the policy index by 1.4% for the trailing year and the fund ranked in the top third of the public funds. Emerging Markets were up 6.6% and the reason for this is that they are still the cheapest equity asset class. Investors were willing to take emerging market risk over small cap risk.

Mr. Ralph advised the board that he had three points that he wanted to bring forth to the board. The first is rates will go up in the next 2-4 years and assets will go down when the rates go up. Second point is that there is a big difference of opinion between what the market thinks and what Fed Chairwoman, Janet Yellen is saying. The last point is GDP Growth as a driver for returns. During the first quarter GDP was a negative and went to 4% in the 2<sup>nd</sup> qtr. Health care and not consumers were the defining factor of the negative GDP.

The total fund performance year to date is in line with the benchmark at 5.34 % and the manager added .18% value while the asset allocation detracted.14%. U.S Large cap under performed by 45 bps however the Developed Intl. over performed by 43 bps which kept us even for the year.

Mr. Ralph then presented a review for a couple of managers. The first was INTECH and it was stated that over a rolling 5 year period they have consistently added value to the fund. The second was Brown Advisory which we have not had for a three year cycle but in the one year period they started off good but have underperformed since then. It should be noted that the medium manger for Large Cap Growth were down 500 bps for the first half of the year. The fund needs to monitor Brown to make sure that the poor performance doesn't continue and if it does it will require the manger to present to the Board their solution, issues and strategy.

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2. Discussion and action on the commitment of \$4,000,000 to Centerbridge Capital Partners III, L.P., as recommended by Meketa Investment Group.

*After careful discussion, due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the commitment of \$4.0 mm and up to \$8.0 mm should the fund be given the opportunity to commit more to Centerbridge Capital Partners III L.P., pending legal review, seconded by Mr. Thompson and passed unanimously by the board.*

3. Discussion and action on the commitment of \$5,000,000 - \$8,000,000 to Hony III, L.P., as recommended by Meketa Investment Group.

*Mr. Ortega made the motion to delete item 3, seconded by Mr. Thompson and passed unanimously by the board.*

4. Discussion and action on rebalancing the Fund's Portfolio by committing 5% of the equity portfolio to fixed income, as recommended by Summit Strategies Group.

*After careful discussion, due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to fund Wamco by moving 2 ½% from Equities and 2½% from Fixed income, seconded by Mr. Ortega and passed unanimously by the Board.*

5. Discussion and action on receiving projections for future funded status and funding periods by Buck Consultants. The estimated cost for preparing these projections for both fire and police (20 scenarios) would be \$8,000.00.

*Mr. Ortega made the motion to delete item 5, seconded by Mr. Schneider and passed unanimously by the board.*

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

*None.*

7. Report of Executive Director, Submitted Written Report.

Mr. Stanton explained how the fund will be able to address the Private equity requirement of monitoring, which was highlighted in the "Communications of Internal Control Related Matters", Mr. Stanton gave the Investment Committee Chairman a schedule of meetings of our Private Equity. This will allow committee members to attend these meetings so they may monitor and document as suggested by The American Institute of Certified Public Accountants (AICPA).

Mr. Stanton advised that the CFO will possibly hire a new employee at the first of the year to assist with financial responsibilities.

8. Report of Chief Financial Officer, Submitted Written Report

The CFO reviewed her work plan that outlined her timeline of project completion, which will parallel the audit requirements.

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Mrs. Garcia wanted the CFO to explain the response letter that addressed the financial audit and go over each item. The CFO explained the 5 comments that were addressed in the "Communications of Internal Control Related Matters" letter. They were Financial Close and Reporting Process, Segregation of Duties, Accounting Processes and Procedures, Investments as pertained to Alternative Investments, and Fund Travel Expenses and Travel Policy.

*Mrs. Balmer and Mrs. Garcia requested that the CFO update the board during her report. Mrs. Garcia requested a bullet point under her report to specifically address the progress of the 5 comments on the resolutions to the audit findings.*

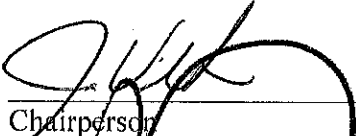
9. For Notation:


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 2:47 p.m.*

  
Chairperson

  
Secretary