

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Tuesday, November 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
FST Paul Thompson
Chief Ricci Carson

Police Division:

Lieutenant Tyler Grossman
Sergeant John Schneider
Detective JD Cotham

Mayoral Appointments:

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

City Manager Appointments:

Ms. Judy A. Balmer
Ms. Terri Garcia

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Mr. Mark Austin - Assistant Secretary
Ms. Lena H. Ellis - CFO
Mr. Jorge Salas - Retiree
Mr. Eric Ralph - Consultant Summit Strategies
Mr. Pat Quinn - William Blair & Company
Mr. John Manley - William Blair & Company
Ms. Beth-Ann Flynn - Metropolitan Real Estate
Ms. Margaret McKnight - Metropolitan Real Estate

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TRUSTEE MEMBERS ABSENT:

None

1. Establishment of Quorum.

Chairman 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 1:05 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held October 16, 2014

Mr. Thompson moved to approve the minutes of the Regular Board Meeting held October 16, 2014, seconded by Mr. Ortega and unanimously passed by the Board.

Consent Agenda

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

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

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

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

3. Approve Pension Payrolls:

Fire	\$2,343,124.38
Police	\$3,106,046.95

4. Payments to Service Providers

A. Bixler & Company	\$2,500.00
B. Buck Consultants - Consulting Services Completion of annual benefit statements	\$24,990.00
C. Baillie Gifford 3 rd Qtr.	\$154,356.44
D. Brown Advisory 3 rd Qtr.	\$37,717.29
E. PIMCO 3 rd Qtr	\$142,508.52
F. Pyramis Global Advisors 3 rd Qtr.	\$122,043.08
G. William Blair & Co.	\$78,442.00
H. Strasburger & Price, LLP - September 2014	\$9,921.25
I. Sheehan, Phinney, Bass + Green September 2014	\$5,806.47
J. Travis Calhoun - September 2014	\$15,327.10
K. Ice Miller - September 2014	\$297.00

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Reports and recommendations of Committees

1. Ad-Hoc Committee for Office Space

The Committee met and will be discussed under new business.

2. Investment Committee

The committee met and will be discussed under new business.

3. Management Development & Review Committee

The committee met and 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 1st 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, August 20, 2014, and September 17, 2014 and October 16, 2014.

Mr. Ortega moved to table Item 1 under unfinished business for one month seconded by Dr. Tollen and passed unanimously by the Board.

New Business

1. Confirm Board of Trustees vote of August 2010 to create a defined benefit plan for Staff at the request of Chairman Grossman.

After careful discussion and due consideration Mr. Villanueva moved to confirm the Board of Trustee vote on August 2010 to create a defined benefit plan for staff, seconded by Dr. Tollen. The vote passed by the board with Mr. Villanueva, Mr. Ortega, Dr. Tollen, Mr. Cotham, Ms. Balmer, Mr. Schneider, Mr. Thompson, Mr. Carson and Mr. Grossman voting yes and Ms. Garcia and Ms Arrieta-Candelaria voting no.

2. Discussion and action on the resolution for the adoption of:

- a. El Paso Firemen & Policemen's Pension Fund employee Staff pension plan, and

Chairman Grossman gave a power point presentation to the board reference the DB plan that was approved by the committee.

After the presentation and discussion, Mr. Cotham made a motion to approve the committee's recommendation of:

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Implementing a Defined benefit 2) Mandatory for new employees but current employees could opt out 3) 1.75% multiplier for each year worked after January 1, 2015 (mimic City Plan 4) 1.5% multiplier for each year worked prior to January 1, 2015 but not to exceed 5 years of credit service including the .25% deduction for prior service due to Simple IRA that the staff received 5) Vesting service is from Date of hire 6) Employee pays 10% and 12% Employer actuarial contribution 7) Contribution pre-tax (pick Up) 8) 36 month average of wages 9) 10 year vesting period minimum to retire 10) 55 years of age minimum to retire may defer at 60 years of age if money is left in fund 11) Under 10 years of service return of contributions only 12) Over 10 years vested but under age 55, may elect to have contribution refunded 13) No survivor benefits, No Cola, No Drop. The motion failed.

After careful discussion Dr. Tollen moved to table the item which was seconded by Mr. Villanueva. The motion failed with Dr. Tollen voting for and Mr. Villanueva, Mr. Ortega, Mr. Cotham, Ms. Balmer, Mr. Schneider, Mr. Thompson, Mr. Carson, Mr. Grossman, Ms. Garcia and Ms Arrieta-Candelaria voting no.

Then Chairman Grossman separated item 2a into two separate motions.

The first motion was to accept the Defined Benefit Plan as approved by the committee except including the five year service credit.

After careful discussion Mr. Carson moved to approve stated motion, seconded by Mr. Ortega. The motion passed with Ms. Garcia being opposed.

The second motion was to approve the five year credit service credit.

After careful discussion Mr. Schneider moved to not accept the motion of the 5 year prior service credit, seconded by Mr. Cotham and passed by the board.

b. Pick-Up of employee contributions to the pension plan.

After careful discussion Mr. Carson moved to approve the Pick-Up or Pre-Tax contribution of the employee to the Defined Benefit, which was seconded by Mr. Cotham and passed by the Board.

3. Discussion and action on the hiring of PPC (Pension Planning Consultants) to administer the approved retirement plan for Staff.

After careful discussion and due consideration Ms. Arrieta-Candelaria moved to approve the hiring of PPC to administer the approved retirement plan for staff, seconded by Mr. Ortega and passed by the board

4. Discussion and action on increasing Bank Loan commitment of \$60,000,000 to \$65,000,000 to Western Asset Management Company to meet the Fund's 5% target allocation previously approved at the June 18, 2014 Board of Trustees meeting, and as approved and recommended by the Investment Committee.

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After careful discussion and due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the action on increasing Bank Loan commitment of \$60,000,000 to \$65,000,000 to Western Asset Management Company to meet the Fund's 5% target allocation previously approved at the June 18, 2014 Board of Trustees, seconded by Mr. Schneider and passed unanimously by the Board.

5. Discussion and action on selecting a different cash collateral investment fund from the Fund's current participation in the Core USA Securities Lending Program in light of the restrictions imposed on collateral pools by Section 619 of the Dodd-Frank Act (the Volcker Rule).

The newly established "SL Core STIF" collective fund has nearly identical guidelines to the Core USA pool they are currently invested in (see attached comparison) and so I think may be our best option. The "NILAP" money market option is more restrictive/conservative and operates under 2a-7 guidelines. If you want more of the same go with the "SL Core STIF", if you want to reduce risk (which will also reduce revenue) go with the NILAP.

After careful discussion and due consideration, Mr. Villanueva moved to approve the selection of SL Core STIF (Collective) cash collateral investment fund, seconded by Dr. Tollen and passed by the Board.

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

Mr. Ralph began his review of the 3rd Quarter Investment performance by summarizing the areas of strength. The fund composite returned 8.9% for the year, which outperformed the policy index but ranked below median in the peer universe. However the total fund composite returned -2.0% for the quarter, lagging the police index. One reason for lower returns than peers was due to U.S and Ex U.S. weighting. The U.S. GDP is growing but the International is not. The fund does have more international equities than their peer group. Healthcare was the best performer up 9% and Energy was the worst down 8.2%.

Mr. Cotham, Ms. Arrieta-Candelaria, Mr. Ortega and Mr. Thompson left at 14:30 pm.

7. Investment Performance Review for period ended December 31, 2013 and update as presented by Mr. Pat Quinn, of William Blair & Company.

Mr. Quinn and Mr. Manley began their review of the assets. Currently the portfolio has \$837 million under management and they advised this fund would be closed when it reaches \$1.4B-\$1.5B. There have been no changes in the small cap growth team and it is 100% owned by employees. The next area of review was the performance. Mr. Quinn advised that the growth for 2010 was down and 2011 was disappointing. However, during 2012 and 2013 returns were good. Since inception of 9/30/10 the return has been relatively flat. They concluded their presentation by handing out a performance summary of our newer investment with them of Small Cap value. Since inception (7/31/14) the fund has returned 7.05% as compared to the Russell 2000 Value of 4.10 and MTD the fund has returned 8.22 % as compared to the Russell 2000 Value of 6.99%. We have \$47,318,363 under management.

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8. Investment Performance Review for period ended December 31, 2013 and update as presented by Ms. Beth-Ann Flynn and Ms. Margaret McKnight of Metropolitan Real Estate regarding Global III and Global V Funds.

Ms. Flynn and McKnight began their discussion on the process of purchasing property. They advised that they buy under managed and undercapitalized properties. Currently we invest in both Global III and Global V. These are feeder funds that allocate 60% of capital to the U.S. focused Metropolitan Partnerships and 40% to non-U.S. focused Metropolitan Partnerships. As stated during a discussion with our Summit Consultant, Core real estate is becoming expensive; Ms. McKnight reiterated those same sentiments. Currently there are favorable conditions for investments due to foreclosures that banks have been holding.

The partnership Summary for Global III is that we have \$60.4m in total commitments with \$38.4m contributed and \$6.3m returned. There is projected multiple return of 1.5x.

Global V is a younger fund that is now coming out of the J curve with a current 1.1x multiple. The fund has a current overweight of multi-family investments and underweight in Office space. In the realm of International investments it is mostly comprised of ½ Europe and ½ Asia.

The partnership Summary of Global V is \$72.0m in total commitments. There has been \$29.0m contributed and \$600,000 returned. The projected multiple return is 1.6x.

9. Discussion and action on Service-Connected Disability Retirement Application, Fire Department under Texas Government Code Section 551.078.

After due consideration, and at the recommendation of the Benefits Committee, Mr. Villanueva moved to accept the recommendation of the Benefits Committee. The recommendation was denial for reconsideration request a one-year postponement and passed by the Committee.

10. Authorization to transfer \$20,100.00 from the Fund's Cash Account to Lomaland West for current expenses (Rent, Parking, Utilities, and CEA Professional Services 95% complete) in connection with the property located at 909 East San Antonio, El Paso, Texas.

After due consideration, Dr. Tollen moved to approve the transfer of \$20,100.00 from the fund's cash account to Lomaland West for current expenses (Rent, Parking, Utilities, and CEA Professional Services 95% complete) in connection with the property located at 909 East San Antonio, El Paso, Texas, seconded by Mr. Villanueva and passed unanimously by the Board.

11. Discussion and action on approval of final construction cost for the 909 East San Antonio property, as recommended and approved by the Ad-Hoc Committee on Office Space.

After due consideration, and at the recommendation of the Ad-Hoc Committee for Office Space, Mr. Villanueva moved to accept the recommendation of the Ad-Hoc Committee for Office Space. The recommendation was presented on Page 2 Option B, total of \$818,900.01, and passed by the Board.

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

After careful discussion and due consideration, Dr. Tollen moved to approve the full-time Student Request Application in accordance with Section 3.18 "Qualified Child" of the Plan Document, seconded by Mr. Villanueva and passed by the board.

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

None.

14. Report of Executive Director.

Submitted Written Report: Director Stanton advised the board that the Centerbridge Capital Partners III, LP was highly oversubscribed so the allocation for the fund was only \$4million. Initially the fund was offered the possibility of an \$8m allocation. However due to the oversubscription this did not occur He also stated that Western Asset Management Company (WAMCO) will be funded on December 1, 2014.

15. Report of Chief Financial Officer.

Submitted Written Report: Ms Ellis (CFO) advised the board that for the month of September the financials were completed by her and are no longer using Bixler. She is still reconciling the QuickBooks General Ledger and just returned from a educational conference in Nashville

16. For Notation:

Informational Material for Review. No Action Required.

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

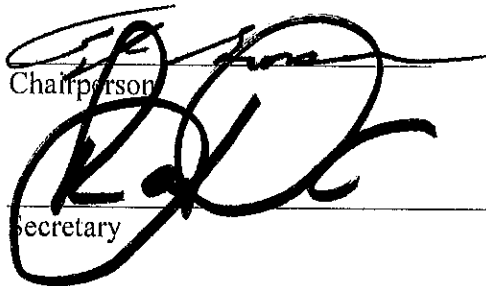
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Mr. Villanueva moved to adjourn, seconded by Mr. Carson and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:52 p.m.

Chairperson
Secretary

The image shows two handwritten signatures in black ink. The top signature is written over a horizontal line and is positioned above the printed word "Chairperson". The bottom signature is written over another horizontal line and is positioned above the printed word "Secretary". Both signatures are highly stylized and cursive.