

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, March 18, 2015 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:

FST Paul Thompson
Chief Ricci Carson

Police Division:

Sergeant John Schneider
Lieutenant Tyler Grossman
Detective JD Cotham

Mayoral Appointments:

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

City Manager Appointments:

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Mr. Mark Austin - Assistant Secretary
Ms. Lena H. Ellis - CFO
Mr. Thad Fletcher - Cooke & Bieler
Mr. Michael Meyer - Cooke & Bieler
Mr. Tim Campbell - Baillie Gifford
Ms. Helen Paice - Baillie Gifford

TRUSTEE MEMBERS ABSENT:

Chief Jerry Villanueva
Ms. Judy A. Balmer
Ms. Terri Garcia

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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 1:00 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held February 18, 2015

Mr. Thompson moved to approve the minutes of the Regular Board Meeting held February 18, 2015, seconded by Mr. Ortega and unanimously passed by the Board.

Consent Agenda

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

1. Internal Financial Statements for month ending January 31, 2015.

Northern Trust Financial Statements for month ending February 28, 2015.

2. Expense Reports for the month ending February 28, 2015.

3. Approve Pension Payrolls:

Fire	\$2,438,844.09
Police	\$3,240,310.68

4. Payments to Service Providers

A. Summit Strategies Group	\$58,266.00
B. Sheehan, Phinney, Bass + Green January 2015	\$6,588.00
C. Legislative Consultant Services March 2015	\$8,472.02
D. Powers Media March 2015	\$1,664.00

Reports and recommendations of Committees

1. Investment Committee. (Will be taken up under New Business)
2. Ad-Hoc Committee for Office Space

Deputy Executive Director, Mark Austin provide an update on the progress of 909 East San Antonio. He stated that CEA (contractor) is anticipating to complete the project by end of April or beginning of May, however CEA advised that they have until July pursuant to the contract. Progress is going well and all sheetrock is up and they are beginning to tape and texture. A/C units have been installed and they will begin to paint and tile in the coming weeks. All required inspections have been approved.

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Unfinished Business

None

New Business

1. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Thad Fletcher and Mr. Mike Meyer of Cooke & Bieler.

Mr. Thad Fletcher started out by highlighting the strategy of Cooke & Bieler as it pertains to both Large Cap Value and Small Cap Value. They look for companies with positive cash-flows, good balance sheets, and competitive advantage. They are fundamental, bottom-up, research intensive and have a team environment. Mr. Fletcher also advised that Mr. Andrew Armstrong became a new member of the investment team. Mr. Armstrong has been with Cooke & Bieler for 3 years and his primary area of concentration is Industrials, and Health Care.

Mr. Mike Meyer started his presentation on Large Cap portfolio. He began with the portfolio characteristics. The top ten holdings comprise of 30% of the holdings and currently there are 44 holdings in the portfolio. This is compared to a year ago when there was between 47 and 48 holdings. Within the portfolio there is about a 26% turnover rate. Mr. Meyer then reviewed sector holdings and highlighted Energy. The holdings in the Russel 1000 Value are 11% but the fund's portfolio has 8.5%. He advised even though it's low compared to the benchmark it has increased over the past year. The last item that was discussed reference the Large Cap Value was the performance. Cooke & Bieler has returned a total of 8.7% gross of fees and an 8.2% net of fees since inception. The fund has invested with them since September 2005. During the presentation one of the trustees asked to have the returns converted into dollars to show what we started with and how much has been made since the inception date. Cooke & Bieler sent a chart to represent those numbers. On 8/31/2005 the fund invested \$32,449,134 and as of 2/28/15 the value is \$80,009,803. This amount includes a Net flow reduction of (\$6,414,506), which provides a total return of \$53,975,174.

The next item discussed was the Small Cap Value portfolio. Mr. Meyer began with the portfolio characteristics. He advised that the top ten holdings consisted of 34% of the complete portfolio. There are currently 40 holdings within the portfolio as compared to 1,362 in the Russell 2000 Value index. Cooke & Bieler has no exposure to Utilities or REITs as compared to the Russell 2000 Value index due to their Long term Bottom up strategy. Cooke & Bieler has returned a total of 7.1% return gross of fees and 6.9% net of fees since inception. The fund has invested with them since 8/1/14. The net return as compared to the Russell 20000 Value Index was only .1%. Cooke & Bieler believes that for the upcoming years the return in the Small Cap Value space should be between 7%-9%.

2. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Tim Campbell and Ms. Helen Paice of Baillie Gifford.

Mr. Campbell and Ms Paice started their presentation by stating that this is the 10 year anniversary of the partnership between Baillie Gifford and the El Paso Firemen and Policemen's

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Pension fund. The fund started with Baillie Gifford in March 2005 with an initial funding of \$32,216.135 and the valuation as of February 28, 2015 is \$80,180.49. The net flows since inception have been \$1,000,000 therefore the performance as of February 28, 2015 (Cumulative) is 148.5% vs benchmark of 136.2%.

There were two changes in personnel. The first is that Mr. Robert Blaikie will be retiring on April 30, 2015 after 34 years with the firm and Mr. Chris Brodrick was a past intern that was hired to the firm.

Mr. Campbell stated that not much has changed but they were happy that the fund did not replace them during their underperformance especially since they have rebounded.

Mr. Campbell reviewed the changes in the portfolio from inception to 2015. Information Technology has seen a lot of growth since 2005 as a sector position. In 2005 comparing the benchmark to the fund we had a -9.7% as compared to 25% allocation in 2015. We currently have a 22.1% allocation in China due to the enormous growth over the last decade. The allocation is in line with the benchmark, for example China had a 7.7% allocation in 2005 as compared to the 22.3% 2015 allocation. Currently this country allocation has been slower due to slowing growth. There is also a currency risk due to the strong dollar and there is no hedging. The reason for the no hedging is that EM currency is very expensive to hedge and this could also take away from the funds diversification. Ms Paice also advised that there is little investment in Indonesia region since locating good growth companies is hard to find. As of February 2015 there is only a 2.6% allocation.

Due to the turmoil in Russia one of the trustees questioned Mr. Campbell on current investments. He advised that there is only one investment in Russia and it is a retail chain that is being closely monitored.

3. Discussion and action on the commitment of \$8,000,000 to Ridgewood Energy Oil & Gas Fund III, L.P., as recommended by Meketa Investment Group, and as approved and recommended by the Investment Committee.

Chairman Tollen of the Investment Committee informed the Board that after careful discussion and due consideration, the Investment Committee declined to invest in the Ridgewood Energy Oil & Gas Fund.

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

None

5. Report of Executive Director. Submitted Written Report.

The Director updated the Board on a meeting that Chairman Grossman and himself had reference the upcoming actuarial valuation, GASB 67 & 68 and the Drop Retention Program.

6. Report of Chief Financial Officer. Submitted Written Report

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The CFO highlighted the upcoming plan to conduct a physical capital asset inventory prior to moving into the new offices at 909 East San Antonio. The plan is to use a bar code system to inventory.

7. For Notation:

Informational Material For Review. No Action Required.


A. Service Retirement(s)


B. Early Retirement

C. Death of Member(s)

8. 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 2:20 p.m.


Chairperson


Secretary