

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, April 15, 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
Chief Jerry Villanueva

Police Division:

Sergeant John Schneider
Lieutenant Tyler Grossman
Detective JD Cotham

Mayoral Appointments:

Dr. Robert Tollen

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. John Manley - William Blair
Mr. Matt Neska - William Blair
Ms Jennifer Perkins - Principal Real Estate
Mr. Paul Stover - Principal Real Estate

TRUSTEE MEMBERS ABSENT:

Mr. Presi Ortega
Ms. Carmen Arrieta-Candelaria

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
April 15, 2015 - 1:00 P.M.

2

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 March 18, 2015

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held March 18, 2015, with a correction on item NB-3. This item should have stated "After careful discussion and at the recommendation of the Investment Committee Mr. Ortega made the motion to decline the recommendation to invest in the Ridgewood fund, seconded by Mr. Thompson and unanimously passed by the board. Dr. Tollen' motion was seconded by Mr. Thompson and unanimously passed by the board.

Consent Agenda

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

1. Internal Financial Statements for month ending February 28, 2015.

Northern Trust Financial Statements for month ending March 31, 2015.

2. Expense Reports for the month ending March 31, 2015.

3. Approve Pension Payrolls:

Fire	\$2,465,888.02
Police	\$3,256,149.13

4. Payments to Service Providers

A.	Meketa 1 st Qtr 2015	\$68,750.00
B.	Sheehan, Phinney, Bass + Green February 2015	\$5,080.00
C.	Legislative Consultant Services April 2015	\$8,036.13
D.	Strasburger & Price LLP February 2015	\$1,187.50

Reports and recommendations of Committees

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

Unfinished Business

None

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
April 15, 2015 - 1:00 P.M.

3

New Business

Chairman Grossman made the motion to move New Business item 4 first, seconded by Mr. Villanueva and passed unanimously by the board.

4. Discussion and action on migrating current pension administration system over to Pension Technology Group (PTG) PensionPro, as presented by Mr. Mark Austin, Deputy Director.

Mr. Austin began the overview of PTG. He stated that on April 7, 2015 the group, which consisted of Nashyelli Matthews, Christina Ramirez and Mr. Austin met with employees of PTG to discuss the program and answer questions on how the system could be implemented in El Paso. The implementation manager Holly Mackintosh gave a presentation at their offices and answered questions from the group. She was very knowledgeable on the system and advised that they could format it to meet the needs of El Paso. The retirement specialists Barbara-Joe Beliveau and Jean Forsey drove the group to the first meeting. At 1030 hrs the group met with the staff of Quincy Retirement Board. They advised that they had Tyler Technologies and converted over to PTG. During the conversion they stated that they had no major issues and it was completed in a timely manner. They have no issues with the system and are very happy with their purchase. The next organization was Cambridge Retirement Board. They were a larger organization that had the same responses as the first plan. They were very happy with the pension administration system.

Mr. Austin did want the board to know that he felt this was not a due diligence trip but more of information gathering. It was stated several times that it was due diligence but Mr. Austin did not feel that way. Mr. Austin did state that the system could work for the EPFPPF but he had no comparison to make that recommendation. Mr. Austin then called in Nashyelli Matthews so that she could give her observation on the PTG system.

Ms Matthews stated that the two organizations that we met were very happy with the system, it looks very user friendly but the system in Massachusetts is very different from the EPFPPF. One item that she brought up was that we need to document breaks in service and the Massachusetts organizations do not have to. She also stated that there would need to be changes from the system to meet our needs. Ms Matthews advised that currently the contribution module in Tyler works but PTG would have to customize the system for us, which Mr. Reidy stated they could do.

Ms Ramirez was the last person from the group to speak about the system. She began giving a chronological order of the trip. The group met with John Reidy, President of PTG who advised that his system is web-based and membership can have web-access, there is no need for a server, and that PTG can have us up and running with new system in less than a year. The morning of April 7th we met with John Reidy and Holly Mackintosh (Director of Implementation) who answered some questions for us regarding the functionality of our current system and how it compares to their system. This included the Simplified Method, QDROs, and file upload to NT and reverse feed from NT. She also stated that they will have

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
April 15, 2015 - 1:00 P.M.

4

us up and running with the new system in less than a year; however this is a continuous process (amendments to plan, enhancements etc.). Mr. Reidy and Ms Mackintosh also stated that they would not bill us until work has been completed. The one question to Mr. Reidy was if there is no RFP, how do we know what we are getting for a specific price? He answered that this has been discussed with Bob. Ms Ramirez's conclusions were:

- PTG works well for clients we visited.
- PTG staff seem knowledgeable and skilled
- Since all of these systems function under Massachusetts law, they all have a similar platform and require similar functionality
- Our system would require a different set of calculations and functionality
- What are the specifications for this system? Who will be providing this to PTG and holding them responsible for completion?
- Should we look at other companies and compare? For example, ones in Texas.

Mr. Stanton advised the cost of PTG would be \$715,000.00 for the complete system and that annual maintenance cost would be \$37,500.00. A question was asked about the cost of other systems and Mr. Stanton stated that Austin currently has \$5m allocated for a new system.

Dr. Tollen made a motion to authorize Mr. Austin, Ms Matthews and Ms Ramirez to research existing systems and conversions from other Texas entities from Austin, San Antonio, Corpus Christi etc. and then report back to the board within 60 days, seconded by Mr. Thompson and passed unanimously by the board.

Mr. Villanueva made a second motion to proceed with PTG to identify current specifications in the EPFPPF system and add functionality by getting assistance with Legal IT and staff seconded by Mr. Cotham and passed unanimously by the board.

1. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. John Manley and Mr. Matt Neska of William Blair & Company.

Mr. John Manley started out by highlighting the strategy of William Blair as it pertains to both Large Cap Value and Small Cap Value. Assets under management for Small Cap Growth are \$889m and Small Cap Value is \$1.5b. Due to the amount of assets under management for the small cap value, William Blair will be closing the fund to new investments.

Small Cap Value

The team has stayed the same with no changes. The performance for this fund was 2.06% (net of fees) for the first quarter of 2015 as compared to the benchmark (Russell 2000 Value index) of 1.98%. Since inception the EPFPPF has returned 11.13% (net of fees) as compared to the benchmark of 8.56%. One of the trustees wanted dollar figures put in for percentages. There was \$45m invested on the inception date of 7/31/14 and currently there is \$46.2m, which does not include a \$4m withdrawal. The reason stated for the good return was the stock selection in the

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
April 15, 2015 - 1:00 P.M.

5

portfolio. When looking at the overall return with a rolling three year period it has outperformed or equals the benchmark. The portfolio securities as compared to the benchmark are that the fund has 96 securities and the index has 1357. The two areas that have worked well for the fund have been Industrials and Material companies.

Small Cap Growth

The portfolio team has grown with three new additions. They are Henry Baby and Brian Crawford who are Research Analyst for U.S. Small Cap Generalists and Michael Lasota who handles the Consumer sector.

The performance for this fund was 3.89% (net of fees) for the first quarter of 2015 as compared to the benchmark (Russell 2000 Growth index) of 6.63%. Since inception the EPFPPF has returned 16.39% (net of fees) as compared to the benchmark of 17.96%. The inception date for this portfolio is 9/30/2010. During a three year average the fund produced in the 7th percentile but looking at the 2014 performance we see that from 12/31/13 thru 10/13/14 the portfolio produced excess return of +2.32% but the Russell 2000 Growth index rallied 17.26% in the final ten weeks of the year. More speculative segments of the market drove the strong return. The Biotechnology industry returned +29.9% which was 9.7% of the market. Unprofitable companies returned +27.3% while stocks priced below \$20 returned +21.1%. This hurt William Blair because of their investment philosophy of superior, longer-term earnings growth, strong management, sustainable business model and solid financials.

The final statement that was stated by John Manley was these two strategies even though both are with William Blair they have separate teams that work autonomously from each other.

2. Investment Performance Review for period ended December 31, 2014 and update as presented by Ms. Jennifer Perkins and Mr. Paul Stover of Principal Real Estate.

Mr. Stover began the presentation with an overview of the four areas of investment that Principal is involved in. Principal divides it into four quadrants; the first is Private Equity which consists of Core, value-added and opportunistic properties. The second is Private Debt, which consists of commercial mortgages, bridge and mezzanine loans. The third is Public Equity, which is real estate investment trust securities and the final is Public Debt, which is commercial mortgage-backed securities. Their total assets under management are \$57b.

One change in the organization is that Randall Mundt is retiring. The investment committee will remain the same and Jay Davis will take on part of the CIO responsibilities. Principal's investment process will remain the same with no changes. Mr. Stover also advised that there will be a \$10m draw down around May 15, 2015. Mr. Stanton has already begun the process. Mr. Stover then turned the presentation over to Ms Jennifer Perkins who gave an overview of the investments and performance.

Ms. Perkins began with an account overview. The inception of the team was in 1982 and they currently have \$7b in gross asset value. They have a total of 126 investments with a size of 31.6 million sf and their leverage ratio is 17.2%. Their current occupancy for the total portfolio is 94% and this is as of December 31, 2014. As of March 31, 2015 they have a 14.8% return, which came mostly from the appreciation of the properties. Ms Perkins did state that their normal long-term return is 7%-9% in their core real estate space. Principal currently has a 4% ground up development projects but this should grow to a 7 ½%. Principal's portfolio weight in Office and

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
April 15, 2015 - 1:00 P.M.

6

Industrial is greater than their comparison index. Office currently has a 44% weight as compared to 39% and Industrial has an 18% weight as compared to 12%. They believe that the occupancy rate in these two areas will grow. They have an underweight in multi-family of 16% as compared to 25% for the index (NFI-ODCE). The reason given was that Principal believes the millennial's rent more due to the fact that they do not have the money for the down payment for a home purchase. As of March 31, 2015 there is \$21,531,050.18 in the account.

3. Discussion and action on the commitment of \$9,000,000 to Oaktree Opportunities Fund Xb, as recommended by Meketa Investment Group, and as approved and recommended by the Investment Committee.

After careful discussion, due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the commitment of \$9,000,000 to Oaktree Opportunities Fund Xb, pending legal review, seconded by Mr. Cotham and passed unanimously by the Board.

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

None

6. Report of Executive Director. Submitted Written Report.

7. Report of Chief Financial Officer. Submitted Written Report

8. For Notation:

Informational Material For Review. No Action Required.

- A. Service Retirement(s)
- B. Service/ Back Drop Retirement
- C. Deferred Retirement
- D. Cost of Living Adjustments
- E. Death of Member(s)

Chairman Grossman wanted to update the board on Legislative Bills that are pending and which are being monitored closely by the funds legislative consultants and Texpers:

HB 2608 by Murphy, dealing with municipal control of retirement systems, is still pending in the House Pensions Committee. The committee voted on some bills this week, but this was not among

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
April 15, 2015 - 1:00 P.M.

7

those passed out of committee. We have heard rumblings that Rep. Murphy is trying to push another substitute that would focus on Houston plans exclusively. The local pension community would likely continue to oppose this approach, given the bad precedent it would create. We continue to believe Chairman Flynn is not enamored with this bill, but we will keep a close eye on it. As a stand-alone bill, it would have to be voted on early next week to be reported out of committee before the May 11 deadline.

HB 3310 by Paul, which requires a funding soundness restoration plan to be jointly developed with a plan's sponsoring entity after consecutive valuations indicate a funding period over 40 years, is in the Calendar's committee and eligible to be set for debate on the House floor. The Calendar's committee met late yesterday to set bills, and HB 3310 was not on the most recent list. We spoke with Chairman Flynn yesterday and he was aware of the need to protect the bill from bad amendments if and when it is scheduled for floor debate. He intimated that he and other House leaders would assist freshman bill author Paul, but the extended pension lobby team is also poised to communicate a "no amendment" message to all legislators if the bill gets to the floor.

HB 2955 by Klick, which would repeal existing statutes governing fire and police pension systems (including 6243b), has not and will not be scheduled for a hearing in House Pensions. (The bill is not on Monday's committee hearing agenda--the last possible time it could be heard before the House committee deadlines kick in.)

SB 1994 by Bettencourt, a "local control" bill similar to Rep. Murphy's HB 2608, has not been scheduled for a Senate hearing. It is our understanding that the chair of the Senate State Affairs Committee is not eager to hear this bill unless the House has first acted on the measure.

HB 3182 by Fallon, which prohibits a public retirement system member from receiving a pension benefit greater than the salary of a four-star general, is in the Calendars Committee and eligible to be set for debate on the House floor. (Again, this would have to occur by the deadline of May 14. There is no Senate companion.)

9. Adjournment.

Ms Garcia moved to adjourn, seconded by Mr. Villanueva and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:42 p.m.


Chairperson


Secretary