

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday, May 20, 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**

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**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  
Mr. Presi Ortega

**City Manager Appointments:**

Ms. Judy A. Balmer  
Ms. Terri Garcia  
Ms. Carmen Arrieta-Candelaria

**OTHERS PRESENT**

Mr. Robert J. Stanton - Secretary  
Mr. Mark Austin - Assistant Secretary  
Ms. Lena H. Ellis - CFO  
Ms Jessica Walton - DFA  
Mr. Eric Ralph – Summit Strategies  
Jeff Bridgen – Moss Adams  
Aaron Hamilton – Moss Adams

**TRUSTEE MEMBERS ABSENT:**

None

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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 April 15, 2015

*Dr. Tollen moved to approve the minutes of the Regular Board Meeting held April 15, 2015, seconded by Ms Garcia and unanimously passed by the board.*

Consent Agenda

*Dr. Tollen moved to approve the Consent Agenda, seconded by Ms Arrieta-Candelaria and passed by the Board.*

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

Northern Trust Financial Statements for month ending April 30, 2015.

2. Expense Reports for the month ending April 30, 2015.

3. Approve Pension Payrolls:

|        |                |
|--------|----------------|
| Fire   | \$2,472,926.15 |
| Police | \$3,256,033.48 |

4. Payments to Service Providers

|  |              |
|--|--------------|
| A. Ice Miller  | \$3,305.25   |
| B. Sheehan, Phinney, Bass + Green - March 2015           | \$760.00     |
| C. Legislative Consultant Services - May 2015            | \$8,082.86   |
| D. William Blair Sml Cap Growth 1 <sup>st</sup> Qtr 2015 | \$69,978.00  |
| E. William Blair Sml Cap Value 1 <sup>st</sup> Qtr 2015  | \$109,118.00 |
| F. Pyramis 1 <sup>st</sup> Qtr 2015                      | \$117,255.92 |
| G. Cooke & Bieler Lrge Cap1 <sup>st</sup> Qtr 2015       | \$46,683.83  |
| H. Western Asset 1 <sup>st</sup> Qtr 2015                | \$73,658.40  |
| I. Moss-Adams December 31, 2013 Audit                    | \$2000.00    |
| J. Intech 1 <sup>st</sup> Qtr. 2015                      | \$184,625.05 |

Reports and recommendations of Committees

1. Discussion and action to appoint William Blair Investment Management as successor to William Blair & Company and its portfolios due to corporate restructuring upon execution of new Investment Management Agreements, LLC

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between the Board of Trustees and William Blair Investment Management, LLC, at the recommendation of the Investment Committee.

*After careful discussion, due consideration, and in consultation with the Fund's Investment Consultant, Summit Strategies Group, the investment committee made the motion to have the funds Attorney, Allen Cleveland, generate a new investment management agreement with William Blair Investment Management, seconded by Mr. Thompson and passed unanimously by the board.*

2. Ad-Hoc Committee for Office Space

*Chairman Villanueva advised the board that the building was moving forward and that the move will take place at the end of June. The first board meeting will take place in July.*

Unfinished Business

1. Discussion and action on migrating current pension administration system over to Pension Technology Group (PTG) PensionPro.

*Dr Tollen moved to table item for one month seconded by Ms Garcia and passed unanimously by the Board.*

New Business

*Chairman Grossman requested to move New Business item #2 first followed by NB #4, with no objection items were moved.*

2. Presentation and review of First Quarter 2015 Investment Performance and update, as presented by Mr. Eric Ralph of Summit Strategies Group.

Mr. Ralph presented the Fund's investment performance for period ended March 31, 2015. Mr. Ralph began the conversation with the recent quarter winners for the fund. Small and mid cap equities performed well along with International developed equity markets on the announcements of QE by the ECB. MSCI EAFE Index was +5.0%. The losers for the quarter were the International fixed income index returns which were hurt by continued dollar strength. The total fund composite returned 2.8% for the quarter, which ranked in the 28<sup>th</sup> percentile of the peer universe, except for the domestic small cap equity and alternatives, had positive returns in absolute and relative terms. The international equity composite gained 4.5%, the largest return in absolute terms. Domestic equity composite gained 2.9% and ranked in the 19<sup>th</sup> percentile of the peer universe. Cooke & Bieler and Intech outperformed their benchmark by 2.4% and 2.0% ranking in the 28<sup>th</sup> and 30<sup>th</sup> percentile respectively.

The negative performance for the quarter was the domestic small cap equity, which returned 2.7% but lagged the Russell 2000 Index by 1.6%. William Blair Small Cap Growth had an

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impact on the portfolio's return due to its performance and ranking in the bottom quartile versus peers. The alternatives composite returned -.7% and lagged the benchmark by 1.6%.

There was moderate growth in the US economy for the first quarter 2015 relative to the recent quarters. Consumer spending, manufacturing, construction activity and retail sales were below expectations due to severe winter weather in much of the country. The US labor market showed signs of improvement by adding over 3 million jobs over the last 3 months.

Mr. Ralph also made the comment that interest rates may raise 25BPS by September 2015. Last Mr. Ralph reviewed the Core Real Estate Portfolio. The current target is 10%, which is \$126,919,826. Currently we have 5.1% allocated (\$64,234,214). Invesco had a net return of 10.8% for 3 years and Principal US property Account had a net year return of 12.6%.

4. Authorization to engage Buck Consultants to provide the Fund's customary Retirement Plan Experience Study for the period of January 1, 2010 through December 31, 2014.

*After careful discussion and due consideration, Mr. Ortega moved to engage Buck Consultants to provide the Experience Study at a cost of \$33,500, seconded by Dr. Tollen. Motion passed unanimously by the Board.*

*Ms Arrieta-Candelaria left at 2:05 pm*

3. Discussion and action on amending Staff Retirement Plan for compliance with federal law requirements for submission to the IRS for a favorable determination letter, as presented by Attorney Mary Beth Braitman of Ice Miller.

*Mr. Schneider moved to table this item for one month seconded by Ms Garcia and passed unanimously by the Board.*

5. Discussion and action on impact of possible changes to the Fund's current BackDrop Program at the request of Chairman Grossman.

Chairman Grossman had David Kent from Xerox conduct research on several DROP plans that may or may not impact the fund in a positive or negative way. The report reviewed a Front Drop and an Unlimited Front Drop. The assumption outcome for the unlimited front drop was an increase in funded ratio and a decrease in the years to fund. This drop could possibly change the current back-drop program but nothing has been finalized without further research and study.

*After careful discussion and due consideration, Mr. Ortega moved to continue the process on researching the Drop program, seconded by Mr. Schneider. Motion passed unanimously by the Board.*

1. Investment Performance Review for period ended December 31, 2014 and update as presented by Ms. Jessica Walton of Dimensional Fund Advisors.

Dimensional Fund Advisors (DFA) has had no personnel changes recently. Jessica Walton is the newest member and has been with DFA for 18 months. Ms Walton began her presentation by covering DFA's approach to investment. They gain insight about markets and returns from

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academic research. They structure portfolios along with dimensions of expected returns and they add value by integrating research, portfolio management, and trading.

Ms Walton then talked about dimensions of expected return. To be considered a premium it must be sensible, persistent across time periods, pervasive across markets, robust to alternative specifications and cost-effective to capture in well-diversified portfolios. DFA uses an integrated approach to add value across all aspects of the investment process and the structure is based on systematic expected returns (Market, Company size, Relative price, and Profitability). When DFA considers the buy and sell decisions they use momentum management. Negative momentum delay buys of securities eligible for purchase and positive momentum delay sells of securities otherwise eligible for sale. Last it was highlighted that trading costs matter to DFA. Their low turnover by design keeps overall trading costs down. They deal with explicit costs by keeping commissions as low as possible without sacrificing overall execution and implicit costs can be hidden and potentially large. DFA applies a trading philosophy that emphasizes patience and flexibility. Performance for the 1<sup>st</sup> quarter 2015 was 9.95% as compared to the benchmark (MSCI World ex USA Small Cap Index (net dividends) was 9.32%

*Ms Garcia and Mr. Schneider left at 3:00 pm*

*Mr. Villanueva left at 3:05 pm*

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

*None*

7. Report of Executive Director.

*Submitted Written Report.*

8. Report of Chief Financial Officer. *Submitted Written Report*

Ms Ellis had our auditors Jeff Bridgen and Aaron Hamilton speak to the board about the current audit. They advised things were going well and see no major issues. They will be finishing their preliminary review and send an initial report for the CFO's review in the coming weeks.

9. For Notation:

Informational Material For Review. No Action Required.

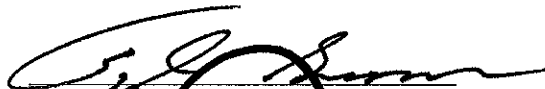
- A. Service Retirement(s)
- B. Service/ Back Drop Retirement
- C. Deferred Retirement
- D. Cost of Living Adjustments
- E. Death of Member(s)


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10. Adjournment.

*Mr. Ortega moved to adjourn, seconded by Ms Balmer and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:13 p.m.*

  
Chairman

  
Secretary