

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD**

Wednesday, August 19, 2015 at 1:00 PM

Pension Fund Office

909 E. San Antonio Avenue

El Paso, Texas 79901-2523

MINUTES

TRUSTEE MEMBERS PRESENT

Fire Division:

FST Paul Thompson
Chief Ricci Carson
Chief Jerry Villanueva

Police Division:

Sergeant John Schneider
Lieutenant Tyler Grossman

Mayoral Appointments:

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. Eric Ralph - Summit Strategies
Mr. Warren DeKinder - INTECH

TRUSTEE MEMBERS ABSENT:

Ms. Carmen Arrieta-Candelaria
Detective JD Cotham

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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 July 29, 2015.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held July 29, 2015, seconded by Mr. Villanueva and unanimously passed by the board.

Consent Agenda

Dr. Tollen moved to approve the Consent Agenda seconded by Ms Balmer and passed by the Board.

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

Northern Trust Financial Statements for month ending July 31, 2015

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

3. Approve Pension Payrolls:

Fire	\$2,508,009.97
Police	\$3,296,385.41

4. Payments to Service Providers

A. Cooke & Bieler	\$56,457.43
B. Intech 2 nd Qtr. 2015	\$108,287.16
C. Legislative Consultants August 2015	\$5,033.99
D. Powers Media August 2015	\$2,244.00
E. Sheehan Phinney Bass + Green June 2015	\$1,760.00
F. Western Asset Management 2 nd Qtr. 2015	\$74,092.02
G. William Blair 2 nd Qtr. 2015	\$108,283.00

Reports and recommendations of Committees

Executive Director Search Committee

1. Discussion and action on authorizing the Executive Director Search Committee to initiate an offer of employment and negotiate contract on behalf of the Board of Trustees at the conclusion of interviews for recommendation to the Board, at the request of Trustee Villanueva.

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After careful discussion and due consideration, Dr. Tollen moved to approve authorizing the Executive Director Search Committee to initiate discussion of employment and contract terms with the committee's preferred candidate at the conclusion of interviews for subsequent recommendations to the Board, seconded by Mr. Schneider and passed by the Board.

Unfinished Business

1. Discussion and action on approving lease agreement between the El Paso Firemen & Policemen's Pension Fund and Lomaland West, LLC, for the property located at 909 East San Antonio Avenue, El Paso, Texas, tabled June 17, 2015, and July 29, 2015.

Mr. Villanueva moved to table item for one month seconded by Mr. Ortega and passed unanimously by the Board.

New Business

Chairman Grossman requested to move New Business item #4 first followed by NB #5, with no objection items were moved.

4. Discussion and action on Service-Connected Disability Retirement Application, Police Department.

After careful discussion, due consideration, and at the recommendation of the Benefits Committee, Mr. Villanueva moved to approve the Service-Connected disability retirement application as submitted, seconded by Mr. Schneider and passed by the Board.

Ms. Garcia arrives at 1:25 pm

5. Discussion and action on changing Back Drop to Forward Drop at the request of Chairman Grossman.

Chairman Grossman presented a PowerPoint that demonstrated the benefits of the Forward Drop. A letter from the Fund's actuary was also included which provided several scenarios on funding for fire and police divisions if the Forward drop was implemented.

There was a current, proposed and assumed level for the forward drop implementation. The police currently are 78.2% funded, the proposed level would be 78.8% and the assumed level would be 83.7%. The years to fully fund estimate is currently at 32, the proposed is 31 and the assumed would be 28 years.

Under the Fire's plan the current funded ratio is 80.7%, the proposed is 81.4% and the assumed level is 84.6%. The years to fully fund estimate is currently 23, the proposed is 22 and the assumed would be 20 years.

The actuary stated that since the change to Forward DROP would increase the Funded Ratio, and decrease the Years to the Fund, the change to Forward DROP would be supported by the

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existing funding status of the Fund as described in Article 6243b, section 10A(1)(b) of the Fund's operating status.

Chairman Grossman then went through the process of approval to this change. Even though it was not an enhancement to the fund it still had to follow the steps of state law. If the board approves the change then it would go to the members for voting. Both Fire and Police divisions would vote and either department could pass or fail the change for their members only.

If it passed by the members, it would go to City Council for their consideration and vote. If they pass it then it would go into effect. If the city does not act or approve the change then it can go to the voters. This process follows 6243b section 10A.

After careful discussion and due consideration, Mr. Ortega moved to approve changing the Back Drop to a Forward Drop, seconded by Mr. Schneider 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 provided the following market outlook, global events and investment performance review for 2Q 2015. Mr. Ralph advised that a new section with an executive summary was added to the board packet.

The US economy payroll growth has been strong as the labor market continues to recover. Most indicators of the labor market strength have recovered to 2007 levels but wages continue to lag. In the service-oriented US economy, wages are the primary mechanism for price changes. Historically, increasing wage growth has resulted in higher inflation, which prompts the Federal Reserve to raise interest rates. The Federal Reserve is likely to keep interest rates near zero until more wage/inflationary pressures build. Due to continued headwinds from demographics and other issues, such as debt levels and lackluster productivity growth, the long term growth potential looks underwhelming versus historical averages.

Since the end of 2014, weaker economic data has resulted in lower rate expectations for the market. However, the disconnect remains between the market and Federal Reserve regarding expectations for interest rates. It should be noted that over the past three rate hike cycles, while rates are rising: Commodities and international equities have performed well. US equity returns have underperformed their long term averages. Fixed income returns have been low, but positive and cash investments have done somewhat better.

Summits investment themes looking forward are muted global growth, ongoing divergence in global economies, strengthening US dollar versus foreign currencies and valuation differences between domestic equities and other growth assets remain elevated. They also feel that there will be muted returns for most fixed income assets along with inflation and growth expectations remaining at low levels.

Summit highlighted three markets that could have some effect on the economy. The first is China. Currently China's direct exposure in global financial market indices is limited, spillover risks include equity losses impacting China's economy and slowing growth, increased political

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inadvertent consequences from market interventions. The second is Greece, which their economy is in a dire situation. With the economy roughly the size of Louisiana, it does not present major implications on its own. The main concern is any ripple effect Greece may have on other European governments and economies. The last is Puerto Rico. Puerto Rico's Governor announced the country's \$72 billion of outstanding debt was not payable. In the event of a default, Summit expects limited effect on investors due to insubstantial exposure to Puerto Rico municipal bonds.

During the 2nd quarter the US equity markets showed a modest gain, with small cap growth stocks leading the way. Developed countries outperformed emerging markets, and developed country currencies rose against the dollar. The losers in the quarter were fixed income assets. The interest rate-sensitive asset classes such as long treasuries, REITs, and MLP have suffered.

The performance return for the total fund composite net of fees was .22% as compared to the index of .18%. The CYTD return net of fees was 2.92% as compared to the index of 2.85 which is a net gain of .07%.

2. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Warren DeKinder of INTECH.

Warren DeKinder began the presentation with an overview of the company. He advised that there has been no change to the investment process. He also advised that there were two new hires, Onur Ozyesil and Lin Zhao who work out of Princeton as Associates of Research. Andreea Georgiu and J. Bret Young both joined INTECH as managing directors of Business Development in May 2015.

INTECH's philosophy is that capitalization-weighted index is not efficient and can be improved upon by varying portfolio weights based on the volatilities and correlations of stocks. They can achieve positive excess returns through systematic rebalancing and the opportunity for positive excess returns through rebalancing is demonstrated by Stochastic Portfolio Theory and further illustrated by the historical stability of the market's capital distribution. This philosophy of research and application has been based on more than 25 years.

The last area reviewed was the funds return. The 2nd quarter showed a -1.17% net of fees as compared to S&P index .28%. The year to date was 4.51% net of fees as compared to 3.35% for the index. Since inception (6/5/2006) the fund has returned 8.41% net of fees as compared to the S&P 500 of 7.76%. The beginning market value on June 2, 2006 was \$64,330,711 and as of the end of the second quarter of 2015, the market value was \$149,253,697 which included contributions of \$41,328,929, withdrawals of \$55,500,000 and the change of asset value of \$99,094,057.

3. Discussion and action on the commitment of \$8,000,000 to Southern Cross Latin America Private Equity Fund V, L.P., 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 \$8,000,000 to Southern Cross Latin

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America Private Equity Fund V , L.P., pending legal review, seconded by Mr. Ortega and passed unanimously by the Board.

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

This portion of the Agenda is for members, retirees, beneficiaries or the public to address the Board of Trustees on any subject within the Boards jurisdiction that is not on today's Agenda. To address the Board during Non-Agenda Public Comment, you must complete a Request to Speak Form and submit to the Board Secretary before the meeting begins. To address the Board on a subject that is on today's Agenda, you must submit a Request to Speak Form before the item is called. These forms are located at the reception desk. The Chairperson will call your name to address the Board during Non-Agenda Public Comment or when your item is to be heard. Non Agenda Public Comment is limited to three (3) minutes per speaker and fifteen (15) minutes per topic. Public testimony on an item on the Agenda is limited to 3 minutes per speaker and fifteen (15) minutes per side. Additional time may be granted at the discretion of the Board.

7. Report of Executive Director. Submitted Written Report

8. Report of Chief Financial Officer. Submitted Written Report

9. For Notation:

Informational Material For Review. No Action Required.


A. Service Retirement(s)


B. Cost of Living Adjustments

C. Death of member(s)

10. Adjournment.

Mr. Ortega moved to adjourn, seconded by Mr. Schneider and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:50 p.m.


Chairperson


Secretary