

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, September 16, 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
Detective JD Cotham

Mayoral Appointments:

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

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
Matt Clark - PIMCO
Dan Cummings - EFL

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 1:28 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held August 19, 2015.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held August 19, 2015, 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 August 31, 2015.

Northern Trust Financial Statements for month ending August 31, 2015

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

3. Approve Pension Payrolls:

Fire	\$2,497,337.60
Police	\$3,295,550.02

4. Payments to Service Providers

A. Ice Miller	\$3,124.80
B. Mondrian 2nd Qtr. 2015	\$161,801.73

Reports and recommendations of Committees

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, and August 19, 2015.

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

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New Business

1. Discussion and action on offer of employment and approval of employment contract as approved and recommended by the Executive Director Search Committee.

Mr. Ortega made a motion to move into Executive Session for the purpose of discussing Item #1 pursuant to the Texas Government Code, Section 551.074 Personnel matters seconded by Mr. Villanueva and passed by the Board.

The El Paso Firemen & Policemen's Pension Fund Board of Trustees retired into Executive Session at 1:30 p.m. and returned to regular session at 2:14 p.m.

Mr. Villanueva, as Executive Director Search Committee Chairman, made the motion to offer employment and approval of employment contract as approved to Mr. Tyler Grossman beginning September 28, 2015, seconded by Mr. Ortega and unanimously passed by the Board.

2. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Matt Clark of PIMCO.

Mr. Matthew Clark began the presentation with his background. He advised that he has been with PIMCO since 2002 giving him 13 years of investment experience, which have all been with PIMCO and prior to that he was in Business school.

Dr. Tollen wanted Mr. Clark to review the current addendum to the contract for 2015, which is a performance based fee. He also wanted a review of the performance currently and how PIMCO sees it going forward.

Currently PIMCO manages over \$200m of the funds money and the relationship has gone back to 2009 for this portfolio. The EPFPPF has been with PIMCO since 2003. The fund made a decision in 2003 to change the portfolio so that there was more investment discretion and a better fee structure relative what they had. This decision worked well giving the fund better returns and better net of fee returns. PIMCO currently is behind the benchmark YTD. As of September 15, 2015 PIMCO is 30bps behind the benchmark before fees. Since inception PIMCO has outperformed the benchmark 1% net of fees.

The investment philosophy and process along with the organizational team has not changed at all. There have been below average attrition rates and PIMCO is a very stable organization. There is a three person team that oversees the total return strategies. The manger that oversees the fund's portfolio is Chris Newborn. He has been managing the portfolio since inception (2009). The fund's portfolio is unique since it is made up of several private comingled vehicles called sector funds and Mr. Newborn is responsible for all the sector funds portfolios at PIMCO. His job is to make sure the portfolios are in compliance with the Total Return Strategy. It should be noted that even if with those key members there are resources that comprise of 250 portfolio managers and over 60 analysts that expand the entire spectrum of the global fixed income markets.

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Mr. Ortega asked how PIMCO's outflows compared to their inflows on investments. Mr. Clark advised that the outflow picture has stabilized and is back to the normal levels for the environment. On the core plus strategies we don't see the same amount of inflows. Mr. Clark also advised that other public pension plans have the same performance fee contracts for 2015.

The performance attribution shows PIMCO's diversified strategies within the portfolio. It will show what has been working for PIMCO and what has not. The first is interest rate strategy which has not worked well this year. PIMCO has been underweight in duration thinking that interest rates would increase and bond prices would come down. PIMCO still feels that this will happen and has maintained a position in TIPS to protect against any future surprises in inflation. PIMCO has a long-dollar bias via currency position compared to the other currencies such as Japans and the euro zones. PIMCO feels that securities related to the housing market will appreciate roughly 2% over the next few years. The bonds tied to the housing prices will continue to do well.

To sum up EPFPPF portfolio the average credit quality bond is AA- and it's conservatively positioned in regards to interest rates. It's also conservatively positioned regards to credit. On the margin it is exploiting the plus sectors that are outside the passive benchmark that passive investors cannot get to such as non-agency mortgages for the housing market and TIPS market. The portfolio is high quality and very liquid, which is structured to out yield the benchmark. The portfolio should yield 3 ½ % when the benchmark is yielding 2 ½% to 3%.

PIMCO's high level view of the world is that the global economy continues to grow over the next 12 months 2%-2 1/2% range with inflation around that level. The components of growth will be driven by the developed markets in euro zone, US and Japan. The emerging markets will continue to struggle. This should lead to different trajectories in terms' of central bank policy. The US Fed and Bank of England will try to normalize monetary policy but other areas of the world will try to ease monetary policy to support their economies. PIMCO believes the US will raise interest rates at least one time in 2015.

PIMCO's has \$1.5 trillion in assets under management and \$1.1 trillion is assets from third party clients such as the fund. There are 13 global offices with 2400 employees. There is 80% of assets in non-core plus assets and PIMCO has hired new senior portfolio managers.

Mr. Thompson left at 2:24 pm
Mr. Schneider left at 2:40 pm

3. Discussion and action on the commitment of \$9,000,000 to Ridgemont Equity Partners II, 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 \$9,000,000 to Ridgemont Equity Partners II, L.P., as recommended by Meketa Investment Group, pending legal review, seconded by Mr. Ortega and passed unanimously by the Board.

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4. Discussion and action on the commitment of \$9,000,000 to Waud Capital Partners IV, 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 \$9,000,000 to Waud Capital Partners IV, L.P., as recommended by Meketa Investment Group, pending legal review, seconded by Mr. Ortega and passed unanimously by the Board.

5. Discussion and action to appoint, effective October 1, 2015, William Blair Investment Management as the successor investment manager of those Small Cap Value and Small Cap Growth equity portfolios previously managed by William Blair & Company, and that the Chairman be authorized and directed to enter into those investment management agreements for the portfolios effective October 1, 2015, 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 appoint, effective October 1, 2015, William Blair Investment Management as the successor investment manager of those Small Cap Value and Small Cap Growth equity portfolios previously managed by William Blair & Company, and that the Chairman be authorized and directed to enter into those investment management agreements for the portfolios effective October 1, 2015 seconded by Ms Balmer and passed unanimously by the board.

Ms Garcia left at 3:00 pm

6. Discussion and action on PIMCO performance fee, 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 re-confirm the amended contract for 2015 with PIMCO, on the Performance based fee seconded by Mr. Villanueva and passed unanimously by the board.

7. Discussion and Action on Verizon Lease agreement for 10'x10' rooftop space

Verizon stated that they only pay \$300 a month to have a business mount their smaller antenna on the roof. The Deputy Executive Director needed direction from the board to see if the amount was satisfactory. He would also have to confirm with Verizon if they were still interested in the agreement.

After careful discussion and due consideration, Mr. Ortega moved to proceed with a contract for the antenna placement after vetting through legal seconded by Mr. Villanueva and passed unanimously by the board.

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

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None

9. Report of Executive Director. Submitted Written Report

During the prior meeting the fund had committed \$8m to Southern Cross but due to a recent open records request the investment is on hold until the Attorney General gives his decision on release of information. It is possible that it could take approximately 45 days, which would put it past the investment period therefore making the fund's investment no longer viable.

10. Report of Chief Financial Officer. Submitted Written Report

The CFO gave the trustees the new annual report. She also has been working on a Private Equity Due Diligence template, which is focused more towards the financial part of the due diligence.


11. For Notation:

Informational Material For Review. No Action Required.

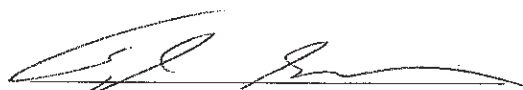
- A. Service Retirement(s)
- B. Cost of Living Adjustments
- C. Death of member(s)
- D. Cost of Living Adjustments
- E. Death of member(s)
- F. Refund of Contributions

12. Adjournment.

Dr. Tollen 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 3:20 p.m.

 10-28-15

Chairperson



Secretary