

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday, October 28, 2015 at 1:00 PM**  
**Pension Fund Office**  
**909 E. San Antonio Avenue**  
**El Paso, Texas 79901-2523**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

FST Paul Thompson  
Chief Ricci Carson

**Police Division:**

Detective Stanley Hayes  
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. Tyler Grossman - Secretary  
Mr. Mark Austin - Assistant Secretary  
Mr. Brooks Monroe - Invesco

**TRUSTEE MEMBERS ABSENT:**

Chief Jerry Villanueva  
Sergeant John Schneider

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1. Establishment of Quorum.

Chairman Villanueva was absent so Vice-Chair Thompson established that a Quorum was present. The Regular Meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees was called to order at 1:02 p.m.

2. Certification of the Trustee Election(s) results to the Board of Trustees in accordance with Section 2 (C) of the Fund's Voting Procedures.

**Police Division**

Whereas we received only one eligible nomination form prior to the specified deadline and in accordance with Section 2(C), of the Fund's Voting Procedures, Mr. Hayes shall be deemed elected as an unopposed member of the Board of Trustees.

3. Reading and approval of the Minutes of the previous Board Meetings held September 16, 2015 and the Special Board Meeting held October 7, 2015.

*Dr. Tollen moved to approve the minutes of the Regular Board Meeting held September 16, 2015 and the Special Board Meeting held October 7, 2015, seconded by Mr. Ortega and unanimously passed by the board.*

Consent Agenda

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

1. Internal Financial Statements for month ending September 30, 2015.

Northern Trust Financial Statements for month ending September 30, 2015

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

3. Approve Pension Payrolls:

Fire	\$2,584,989.64
Police	\$3,677,718.03

4. Payments to Service Providers

A. Arthur J. Gallagher Fiduciary Insurance	\$26,901.00
B. Ice Miller Thru August 31, 2015	\$2,225.88
C. Legislative Consultants September 1, 2015	\$5,000.00
D. Powers MediaWorks August and September 2015	\$4,023.00
E. Sheehan Phinney Bass + Green Thru July 31, 2015	\$1,280.00
F. Strasburger & Price July and August 2015	\$26,610.43
G. Moss Adams Audit thru December 31, 2014	\$12,250.00

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H. Summit Strategies 3<sup>rd</sup> Qtr 2015

\$58,266.00

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, and September 16, 2015.

*After careful discussion and due consideration, Mr. Cotham moved to approve the lease agreement between the El Paso Firemen & Policemen's Pension Fund and Lomaland West, LLC, also allowing the Chairman to sign on the board's unanimous consent for the El Paso Firemen & Policemen's Pension Fund and the Executive Director to sign on behalf of Lomaland West property located at 909 East San Antonio Avenue, El Paso, Texas, seconded by Ms Balmer and passed unanimously by the Board.*

New Business

1. Discussion and action reference "Application for Retirement" as it pertains to a Retiree's payment of benefits.

The City has approached the fund to request the El Paso Firemen and Policemen's pension fund not to pay a retirement to a member who retires from the Fire Department so that he could work for the city immediately following retirement. Currently the fund does not have any type of deferral program.

Executive Director Grossman spoke with the member who stated that he did not want to defer his retirement. In the past the fund has always given the member his retirement once the retirement process has been completed.

To defer a retirement many questions and issues would need to be addressed, such as do we pay interest on the money that we hold and does the COLA begin to accrue. If the fund wanted to defer a retirement it could be considered a change to the benefit structure and would require the fund to follow the process to change as outlined in state law.

The question for the board is 1) The fund will not change the current process of retirement or 2) allow someone to defer a retirement and follow all the steps necessary to achieve this.

Ms Carmen Arrieta –Candelaria expressed her concern that this action could set precedent going forward. As she began to speak about a prior case she requested to move into executive session.

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*Ms Carmen Arrieta-Candelaria 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. Cotham and passed by the Board.*

*The El Paso Firemen & Policemen's Pension Fund Board of Trustees retired into Executive Session at 1:17 p.m. and returned to regular session at 1:36 p.m.*

*There was no action taken on this item and the fund's process for retirement will remain the same.*

2. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Brooks Monroe of INVESCO.

Mr. Brooks Monroe began his presentation advising the board that there has been no change to the firm or team that manages the portfolio. INVESCO operates in a team based organization. Bill Grubbs is the lead portfolio manager and is the longest tenured core fund manager in the competitor set and has been with INVESCO since 2004.

The parent company is INVESCO Ltd. a publicly traded company under the ticker IBZ. They are strictly an investment manager firm and have no outside lines of business. With this structure the only business is to manage the client's money and their success or failure is predicated on the performance that is delivered by INVESCO. As of June 30, 2015 there is \$62 Billion under management in Real Estate assets across the globe. This makes INVESCO one of the top 5 or 10 global real estate firms.

The current real estate assets that the fund is invested in are high quality assets in the top rated markets.

Mr. Monroe then reviewed what INVESCO believes is a Core Fund and what it should provide. The Core Real Estate portfolio should provide a diversified portfolio with very high quality assets both from a product stand point, in terms of property type but also by geographic type. The properties should provide strong income orientation and over long term the income should provide 2/3's of the total return profile from this product. Over the last five years it has been inverted since we have been in the recovery phase of this cycle. Appreciation has driven the bulk of returns over the last five years but should normalize since long term these are income producing assets. The portfolio should also have a conservative risk profile with a very safe and clean balance sheet. It will also be a multi asset class portfolio and should be very transparent and efficient in terms of reporting. Every asset in this portfolio (Approx. 90) is appraised each quarter by an external appraiser.

Dr. Tollen wanted to know what INVESCO's definition of "Prudent Leverage" was. Mr. Monroe advised that the ODCE index maximum allowable leverage is 40% but INVESCO's documents allows 35% leverage. The highest amount of leverage INVESCO has ever used was 31%, which was during the trough of the global financial crisis when asset values plummeted +/- 30%. INVESCO believes that 20-30% leverage is prudent for these types of core funds. Long term strategic range is around 20-25% but currently is a little lower.

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Ms Balmer asked a question about INVESCO's line of credit. They use their line of credit to finance intra-quarter acquisitions and capital is only called on a quarterly basis to pay off the line of credit.

Mr. Hayes asked about the impact on Bonds and an interest rate hike on INVESCO's strategy. It was stated that in the real estate group and the fund's portfolio no bonds are being held, however the interest rate environment has a meaningful implication on how real estate is valued, how income is viewed and the relative attractiveness of the income.

INVESCO believes that the interest rate will be lower for longer and the feds will move slowly and thoughtfully over the next 12-24 months. If there is a 25 BPS movement in December INVESCO does not believe it has meaningful value implications to cap rates, which is the income yield that real estate is priced at.

The EPFPPF has invested with INVESCO since October 2011. The performance as of September 30, 2015 has been 12.73% return for the past three years as compared to the benchmark NFI-ODCE-EW of 12.23%. These returns are net of fees.

In conclusion the performance has been strong and long term returns in core real estate should provide 7-8% return.

3. Discussion and action on approval of Executive Director Contract as approved and recommended by the Executive Director Search Committee.

Mr. Thompson went over the contract and the changes that the Executive Director Search committee approved. Under Article 1 item D it was changed to 6 month severance pay. Article 3 item A was a salary of \$160,000 a year. Under article 4 item B Mr. Grossman will receive 160 hours of vacation a year, item C he shall receive \$100 for car allowance and item F he will be provided a cell phone

*After careful discussion and due consideration, Mr. Ortega moved to approve the Executive Director's Contract as approved and recommended by the Executive Director Search Committee, seconded by Ms Carmen Arrieta-Candelaria and passed unanimously by the Board.*

4. Authorize payment in the amount of \$5,000.00 for the Fund's membership renewal in TEXPERS.

*After careful discussion, due consideration, Mr. Ortega moved to approve payment in the amount of \$5,000.00 for the Fund's membership renewal in TEXPERS, seconded by Dr. Tollen and passed unanimously by the Board.*

5. Dissolve Executive Director Search Committee, Ad-Hoc Committee on Office Space, Ad-Hoc Committee on Legislative Review and Approve prior minutes for each committee.

The Chairman took each committee as a separate motion.

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*After careful discussion and due consideration Mr. Ortega made the motion to approve the minutes of May 8, 2015 for the Ad-Hoc on Office Space and dissolve the committee allowing the Executive Director to approve final payment of \$8,605.69 on the necessary repairs once completed, second by Ms Balmer and passed unanimously by the board.*

*After careful discussion and due consideration Dr. Tollen made the motion to approve the minutes of February 7, 2013 for the Ad-Hoc Committee on Legislative Review and dissolve the committee, second by Mr. Ortega and passed unanimously by the board.*

*After careful discussion and due consideration Ms Balmer made the motion to approve the minutes of September 16, 2015 for the Executive Director Search Committee and dissolve the committee, second by Mr. Cotham and passed unanimously by the board.*

6. Discussion and action on allowing Executive Director to speak and present on the funds behalf.

Mr. Hayes requested that item #6 reflect the following change. Mr. Hayes wanted the word funds changed to the El Paso Firemen and Policemen's Pension Fund.

When Mr. Grossman was serving as the Chairman of the board he built good relationships with the political community within the State and local government. Now that Mr. Grossman is the Executive Director he will be able to build those relationships stronger. Due to time constraints on the current Chairman and Vice-Chairman their time may be limited to meet with different entities involving the pension fund therefore allowing the Executive Director to speak on the funds behalf would be very beneficial. Several trustees feel that Mr. Grossman has been the face of the fund while serving as the Chairman of the board and since he has become the Executive Director of the fund he would be able to respond and represent the fund easier due to his schedule. He will always inform the Chairman and Vice-Chairman of the meetings so that it would allow them to attend if their schedules permit.

Ms Carmen Arrieta-Candelaria requested a job description for the Executive Director which would outline the job duties including representing the board and not the fund. She also wanted any interactions with news media or political entities documented monthly on the Director's report.

*After careful discussion and due consideration Mr. Ortega made the motion to allow the Executive Director to speak and present on the El Paso Firemen and Policemen's Pension Fund's behalf seconded by Dr. Tollen and passed unanimously by the board.*

7. Discussion and action on Forward Drop timeline.

*After careful discussion and due consideration, Mr. Ortega moved to approve the Forward Drop timeline seconded by Ms Balmer and passed unanimously by the board.*

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

None

9. Report of Executive Director, Submitted Written Report

Director Grossman advised the board of a lawsuit (Heinrich) that has been ongoing for the past 12 years. It was reference a retirement benefit that was given to a widow after her husband's passing. The judge dismissed the case due to the plaintiff not meeting the required information on their argument. The fund's attorney wanted to release a statement to the press about the outcome of this case. The board did not want to proceed on the release.

The PRB advised that by the end of 2016 all trustees must have their 7 hours of mandatory training. Currently there are a few trustees that do not have their training.

10. Report of Chief Financial Officer, Submitted Written Report


11. For Notation:

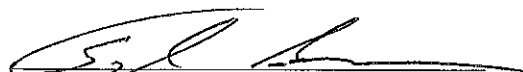
Informational Material For Review. No Action Required.

- 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.

*Mr. Ortega moved to adjourn seconded by Dr. Tollen and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:51 p.m.*

  
Chairperson

  
Secretary