

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND  
REGULAR MEETING HELD  
Wednesday, December 16, 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:**

Chief Jerry Villanueva  
FST Paul Thompson  
Chief Ricci Carson

**Police Division:**

Sergeant John Schneider  
Detective Stanley Hayes

**Mayoral Appointments:**

Dr. Robert Tollen  
Mr. Presi Ortega

**City Manager Appointments:**

Ms. Terri Garcia

**OTHERS PRESENT**

Mr. Tyler Grossman – Executive Director  
Mr. Mark Austin – Deputy Executive Director  
Lena Ellis - CFO  
Mr. Kevin Gore – Western Asset Management Company  
Mr. Thomas McMahon – Western Asset Management Company  
Mr. Steve Moen – Partners Group  
Mr. Kory Hoggan – Moss Adams LLP

**TRUSTEE MEMBERS ABSENT:**

Detective JD Cotham  
Ms. Judy A. Balmer  
Ms. Carmen Arrieta-Candelaria

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1. Establishment of Quorum.

Chairman Villanueva 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 1:04 p.m.

2. Reading and approval of the Minutes of the previous Board Meetings held November 18, 2015.

*Dr. Tollen moved to approve the minutes of the Regular Board Meeting held November 18, 2015, seconded by Mr. Carson and unanimously passed by the board.*

Consent Agenda

*Dr. Tollen moved to approve the Consent Agenda seconded by Mr. Schneider and passed by the Board.*

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

Northern Trust Financial Statements for month ending November 30, 2015

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

3. Approve Pension Payrolls:

Fire	\$2,616,645.46
Police	\$3,579,338.11

4. Payments to Service Providers

A. Baille Gifford 3 <sup>rd</sup> Qtr.	\$126,943.45
B. Calhoun & Associates (Heinrich)	\$84,978.90
C. Intech 3 <sup>rd</sup> Qtr.	\$168,989.66
D. Legislative Consultants November 1, 2015	\$5,000.00
E. Moss Adams Final Bill for Audit 2014	\$9,850.00
F. Power Mediaworks October 2015	\$1,664.00
G. Western Asset 3 <sup>rd</sup> Qtr.	\$72,234.73
H. William Blair Sml Cap Growth	\$132,195.00
I. William Blair Sml Cap Valuc	\$100,060.00

Reports and recommendations of Committees

*None*

Unfinished Business

*None*

New Business

*Chairman Villanueva requested to change the New Business item order. The order was Item 6,7,8,5,1,2,3,4,9,10,11 and 12; with no objections items were moved.*

6. Discussion and action on approving the 2016 Administrative & Operating Budget, Lomaland West LLC Administrative Budget and Investment Expense Budget as approved and recommended by the Budget & Finance Committee.

*After careful discussion, due consideration, and at the recommendation of the Budget & Finance Committee, Mr. Ortega moved to approve the 2016 Administrative & Operating Budget, Lomaland West LLC Administrative Budget and Investment Expense Budget, seconded by Ms Garcia and passed unanimously by the Board.*

7. Discussion and Action on the restated Firemen and Policemen's Pension Fund Plan Document as presented by Director Tyler Grossman.

The reason for the restatement of the Plan Document was to address the Forward-Drop. The initial information was compiled by staff and then sent off to Attorney Alan Cleveland for review. After review by the attorney, revisions were made and then the document was sent to the actuary Xerox (Buck Consultants). Xerox reviewed the final document and gave their final approval.

*After careful discussion and due consideration, Dr. Tollen moved to approve the restated Firemen and Policemen's Pension Fund Plan Document, seconded by Mr. Ortega and passed unanimously by the Board.*

8. Discussion and Action on the Ballot Language to establish the Forward Drop (Deferred Retirement Option Program).

*After careful discussion and due consideration, Dr. Tollen moved to approve the Ballot Language to establish the Forward Drop (Deferred Retirement Option Program), seconded by Mr. Ortega and passed unanimously by the Board.*

5. Discussion and Action on Communication of Internal Control Related Matters, Communication with those charged with Governance, and Communication on FY 2015 Audit as presented by Kory Hoggan from Moss Adams LLP.

Kory Hoggan began his presentation with his job and background experience in handling financial audits. He then reviewed their process in conducting the audit and what is required by the fund and its management. Mr. Hoggan also gave an audit timeline. The financial statement should be issued before the Texas deadline at the end of July.

There were two findings for the 2014 audit. The first related to lack of documentation of the accounting procedures, which is currently being completed. The second was the alternative investment documentation, which has also been addressed. Mr. Hoggan believes this should not be documented on 2015 audit. There was no action.

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*Mr. Hayes departs at 2:45 pm*  
*Ms Garcia departs at 2:46 pm*

1. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Kevin Gore of Western Asset Management Company.

Mr. Gore (Relations Manager) began the presentation; he was joined with Thomas McMahon credit specialist for bank loans. They have been with Western Asset Management since 2002 and 2001. Mr. Gore did an overview of the company. Western Asset Management is a well resourced firm. They have \$450b under management. There are 8 research analysts for bank loan research, the asset that the fund is invested in. This strategy is managed out of Pasadena California. Wamco is a long term fundamental manger. They do not time the market. WAMCO's market cycle is around three years. Timothy J. Settel is the portfolio manager for this strategy. Bank Loans have been around since 2002 and Wamco's started in 2003. The process is a bottom up research and emphasizes of top down with day to day concerns.

Performance since inception is -2.9% as compared to index at .1%. Year to date is -1.9% as compared to the index is 1.2%. The funds initial investment was \$65m and as of November 30, 2015 we have \$63.1m. Wamco's target return is 50 to 75bps target over the benchmark. Bank Loans are a high yield product so there is a level of volatility. It's a floating rate high yield product and it should perform well entering in a rising interest rate environment. The bank loans are secure, which return 60-70 cents on the dollar comparing historical average on defaults.

Wamco believes the largest effect on the negative portfolio was due to the oil prices. Wamco also believes that 2016 will be a strong year for bank loans.

2. Investment Performance Review for period ended December 31, 2014 and update as presented by Jet Taylor of Metropolitan Real Estate regarding Global III and Global V Funds.

*Metropolitan were unable to attend this meeting. No presentation*

*Mr. Ortega departs at 3:04 pm*

3. Investment Performance Review for period ended December 31, 2014 and update as presented by Mr. Steve Moen of Partners Group.

Mr. Moen advised that there was only one new employee within the real estate team. It was Ron Lamontane. Mr. Moen then reviewed each of the three investments that the fund has with Partners. First is 2008, which is the most mature with a net return is 7.8%. The 2010 has a 12.6% net return and the 2013 has an 8% net return. Partners believe it will continue with strong distributions.

Two purchase projects were reviewed. The first was Project Fersen a secondary deal. The target returns were 22.3% IRR with a 2.12x investment multiple. The second is Project Barium which is a secondary deal and its target return is greater than 25% and 2.04x multiple.

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4. Discussion and Action to allow the Director Tyler Grossman to serve on the Advisory Board for the Partners Group Global Real Estate 2014 Fund.

This appointment will not cost the fund any money and it will have good exposure for the fund. Due to the fact that the Executive Director does not have voting rights on the board there should be no conflict of interest on his part.

*After careful discussion and due consideration, Mr. Thompson moved to approve that Director Tyler Grossman serve on the Advisory Board for the Partners Group Global Real Estate 2014 Fund, seconded by Mr. Schneider and passed unanimously by the Board.*

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

None

10. Report of Executive Director. Submitted Written Report

11. For Notation:

Informational Material For Review. No Action Required.

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

12. Adjournment.

*Mr. Thompson 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 3:50 p.m.*

  
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Chairperson

  
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Secretary