

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, March 23, 2016 at 1:00 PM
Pension Fund Offices
909 East San Antonio Avenue
El Paso, Texas 79901-2523

MINUTES

TRUSTEE MEMBERS PRESENT

Fire Division:

Chief Jerry Villanueva
Chief Ricci Carson

Police Division:

Sergeant John Schneider
Detective JD Cotham
Officer Sean Shelton

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
Christina Ramirez – Benefits Manager
Nashyelli Matthews – Benefits Specialist
Mr. Rafael Navarrette – Disability Applicant
Ms. Jessica Castaneda – Guest
Mr. Thad Fletcher – Cooke & Bieler
Mr. Mike Meyer – Cooke & Bieler
Mr. Tim Campbell – Baillie Gifford
Mr. John Reidy – Pension Technology Group

TRUSTEE MEMBERS ABSENT:

FST Paul Thompson
Ms. Carmen Arrieta-Candelaria
Ms. Judy A. Balmer

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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 1:01 p.m.

2. Reading and approval of the Minutes of the previous Board Meetings held February 24, 2016.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held February 24, 2016, seconded by Mr. Schneider and unanimously passed by the board.

Consent Agenda

Ms. Garcia requested that Consent Agenda items 4I & 4J be moved under New Business for further discussion.

Dr. Tollen moved to approve the Consent Agenda with the exception of items 4I and 4J that were moved to New Business, seconded by Mr. Schneider, and passed by the Board.

1. Internal Financial Statements for month ending and February 29, 2016.

Northern Trust Financial Statements for month ending February 29, 2016.

2. Expense Reports for the month ending February 29, 2016.

3. Approve Pension Payrolls:

Fire	\$2,602,327.05
Police	\$3,556,272.52

4. Payments to Service Providers

A. Arthur J. Gallagher & Co	\$6,996.00
B. Haynesboone (Heinrich) Jan 2016	\$4,242.00
C. Ice Miller (Jan 2016)	\$52.20
D. Intech 4 th Qtr	\$144,986.32
E. Legislative Consultants February 1, 2016	\$5,110.94
F. Mondrian 4 th Quarter	\$152,828.49
G. Pimco 4 th Quarter	\$73,097.31
H. Powers Media Works Jan 2016	\$2,305.60
I. Sheehan Phinney Thru Jan 31, 2016	\$8,241.69
J. Strasburger & Price Jan 2016	\$15,227.50
K. William Blair 4 th Quarter (Sml Cap Growth)	\$65,393.00
L. William Blair 4 th Quarter (Sml Cap Value)	\$102,401.00

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Reports and recommendations of Committees

1. Benefits Committee - To be discussed under New Business.
2. Investment Committee - Dr. Tollen , Mr. Ortega, Mr. Thompson, of the Investment Committee as well as Mr. Austin traveled to Philadelphia and Kansas City, Kansas, last week and conducted due diligence on the leading candidates for the MLP search. The committee will meet in April to bring a recommendation to the Board on that search. Meketa will also meet with the committee next month to discuss some new private equity options.

Unfinished Business

N/A

New Business

Ms. Garcia requested the following changes to the New Business item order: 4, 1, 2, 3, CA-I, CA-J, 5, 6, 7 and 8. There were no objections to these changes so the items were moved.

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

Ms. Garcia spoke on behalf of the Benefits committee and recommended approval of Mr. Navarrette's service-connected disability retirement. The disability was very clear from the medical records provided that he could not fulfill the job duties of a firefighter; therefore the committee did not feel that an Independent Medical Evaluation was necessary.

Ms. Garcia moved to recommend approval of Mr. Navarrette's service-connected disability retirement, seconded by Mr. Ortega and passed by the Board.

Both Mr. Navarrette and his guest Ms. Castaneda formally thanked the board.

1. Investment Performance Review for period ended December 31, 2015 and update as presented by Mr. Thad Fletcher and Mr. Mike Meyer of Cooke & Bieler.

Mr. Fletcher began his presentation by giving an overview of Cooke & Bieler and the services they provide. He then turned the presentation over to Mr. Mike Meyer. Mr. Meyer reviewed the current composition of the investment team at Cooke & Bieler. He noted that there was a new member on the team, Andrew Armstrong; however the core members of the team have been in place since the inception of this relationship in September of 2005 and will remain intact over the next 5 to 10 years. The team is very experienced with an average investment experience of 18 years. They have a commitment to continuity and stability in the organization. Their goal is to perpetuate their team.

Mr. Fletcher then turned to the Large Cap Value Portfolio which began in 2005 with a value of \$33 million and has now grown to \$66 million. There have been additions of \$18 million, withdrawals of \$33 million, and appreciation of \$48 million. Cooke & Bieler run a high quality,

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low risk portfolio for the Fund. The benchmark has been outperformed since inception by 1% every year on average (net of fees).

Mr. Fletcher now turned to the Small Cap Value Portfolio which began in 2014 with a value of close to \$20 million with additions of \$40 thousand and withdrawals of \$2 thousand, some appreciation has been lost. Mr. Meyer added that the good news is that the portfolio is up almost 8% in March and the dollar amount in this investment is now close to \$21 million.

2. Investment Performance Review for period ended December 31, 2015 and update as presented by Mr. Tim Campbell and Ms. Helen Paice of Baillie Gifford.

Mr. Campbell began his presentation by stating that Baillie Gifford has been managing assets for the Fund for 11 years. In March 2005, \$32 million were given for management and as of the end of February 2016 the amount is just over \$62 million. Since inception, \$2.5 million has been withdrawn. The benchmark has done 81.5% and Baillie Gifford has done just shy of 93%. Very little has changed with the firm. Two new positions will be added in May. The group has been investing together for 8 years or more. There is stability with the firm.

The bad news is that although Baillie Gifford has done a good relative job, absolute returns are lacking. For the last 5 years, investing in emerging markets has been a miserable experience. There has been a massive shift in what is going on in emerging markets. China went from an aggressive industrialization phase to a much more developed economy. Brazil, Russia, Indonesia, and South Africa are struggling. The Funds money is therefore invested in countries like South Korea, Taiwan, and China. The Fund's portfolio is entirely focused on the parts of emerging markets that are growing and the price that the Fund is paying is very cheap. Baillie Gifford is encouraged that within the next year or two absolute returns will be reached.

3. Discussion and action on approval of scope and contract with Pension Technology Group to implement new Pension Administration System.

Mr. Reidy explained that the scope of the project would take approximately nine months to complete. He provided a copy of PTG's Certificate of Liability Insurance as well as PTG's Hosting Services Agreement for the review. He also discussed the Fee Proposal (see attachment) which is composed of a Base system and value added modules. The total cost for the project is estimated to be \$945,000. There are also support, hosting, and maintenance fees of \$20,000 each quarter. The fees will not be paid until the project is complete.

Ms. Garcia made a motion to move into Executive Session for the purpose of discussing Item 3 (Section 551.072 Deliberations regarding Real Property) seconded by Dr. Tollen and passed by the Board.

The El Paso Firemen & Policemen's Pension Fund Board of Trustees retired into Executive Session at 2:24 p.m. and returned to regular session at 2:43 p.m.

After careful discussion and due consideration, Dr. Tollen moved to approve a maximum total budget of \$945,000 for the development of the new Pension administration system with PTG, seconded by Mr. Schneider and passed unanimously by the Board.

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The Board requested that Executive Director, Tyler Grossman, try to negotiate the price down closer to the original price for the base system of \$715,000 instead of \$795,000 which is now the price for the base system in the fee proposal.

Consent Agenda items 4I & 4J were now discussed.

I.	Sheehan Phinney Thru Jan 31, 2016	\$8,241.69
J.	Strasburger & Price Jan 2016	\$15,227.50

Ms. Garcia noted that both of the invoices above had fees related to open records requests. She requested that pending litigation or open records requests received by the Fund be discussed with the Board in executive session.

Mr. Grossman explained that the open records requests on the invoices in items 4I and 4J were from an investment reporter that wanted a copy of the confidential material provided to the Investment Committee on the Southern Cross investment. An attorney general opinion was received and the Fund did not have to release the confidential information on those investments to the reporter. A similar situation occurred with the Global Infrastructure III investment.

After careful discussion and due consideration, Dr. Tollen moved to approve items 4I and 4J from the Consent Agenda, seconded by Mr. Ortega and passed unanimously by the Board.

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

None

6. Report of Executive Director.

See submitted Written Report

7. For Notation:

Informational Material For Review. No Action Required.

- A. Service Retirement(s)
- B. Cost of Living Adjustments
- C. Death of member(s)


8. Adjournment.

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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 3:10 p.m.



Chairperson



Secretary