

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING**  
**Wednesday, April 20, 2016 at 1:00 PM**  
**Pension Fund Offices**  
**909 East San Antonio Avenue**  
**El Paso, Texas 79901-2523**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

Chief Ricci Carson  
Lieutenant Paul Thompson

**Police Division:**

Sergeant John Schneider  
Detective JD Cotham  
Officer Sean Shelton

**Mayoral Appointments:**

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

**City Manager Appointments:**

Ms. Terri Garcia  
Ms. Judy A. Balmer

**OTHERS PRESENT**

Mr. Tyler Grossman – Executive Director  
Ms. Christina Ramirez – Deputy Executive Director  
Ms. Lena Ellis – CFO  
Mr. Mark Austin  
Mr. Bill Grayson – Principal Global Investors  
Mr. Pat Quinn – William Blair

**TRUSTEE MEMBERS ABSENT:**

Chief Jerry Villanueva

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1. Establishment of Quorum.

Vice-Chairman 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 1:03 p.m.

2. Reading and approval of the Minutes of the previous Board Meetings held March 23, 2016.

*Mr. Ortega moved to approve the minutes of the Regular Board Meeting held March 23, 2016, seconded by Dr. Tollen 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 and March 31, 2016.

Northern Trust Financial Statements for month ending March 31, 2016.

2. Expense Reports for the month ending March 31, 2016.

3. Approve Pension Payrolls:

Fire	\$2,603,209.29
Police	\$3,777,263.00

4. Payments to Service Providers

A. Cooke & Bieler (Small Cap) – 4 <sup>th</sup> Q2015	\$27,385.01
B. Cooke & Bieler – 4 <sup>th</sup> Q2015	\$91,003.95
C. Haynesboone (Heinrich) - Feb 2016	\$2,582.54
D. Legislative Consultants - March, 2016	\$5,000.00
E. Powers Media Works - Feb 2016	\$1,664.00
F. Strasburger & Price - Feb. 2016	\$10,403.25
G. Western Asset – 4 <sup>th</sup> Q2015	\$70,074.29

Reports and recommendations of Committees

1. Benefits Committee

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

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Mr. Cotham speaking on behalf of the Benefits Committee recommended approval of the Service-Connect Disability Retirement Application for Mr. Steve Hernandez. An IME was conducted and the doctor agreed that Mr. Hernandez was totally and permanently disabled.

*Ms. Garcia made a motion to approve the Service-Connected Disability Retirement Application of Mr. Hernandez, seconded by Dr. Tollen and unanimously passed by the Board.*

b. Discussion and action on Ordinary Disability Retirement Application, Police Department.

*Mr. Cotham made a motion to move into Executive Session for the purpose of discussing Item 1b. pursuant to Section 551.078 Deliberation regarding disability applicant's medical records, seconded by Mr. Schneider. Motion carried.*

*The El Paso Firemen & Policemen's Pension Fund Regular Meeting retired into Executive Session at 1:06 p.m. and returned to regular session at 1:10 p.m.*

*Mr. Cotham made a motion to approve the Ordinary Disability Retirement Application of Mr. Jones, seconded by Mr. Carson and passed unanimously by the Board.*

2. Investment Committee

a. Discussion and action on new MLP manager as approved and recommended by the Investment Committee.

*After due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to hire Harvest Fund Advisors as the new MLP manager for the amount of 5% of the Fund's Total Portfolio Value subject to successful vetting from the Fund's legal counsel, seconded by Mr. Ortega and passed unanimously by the Board.*

Mr. Schneider did have a question regarding whether or not the committee had discussed waiting six months before making this MLP decision because of the current market conditions.

Dr. Tollen explained that although nothing is certain, the relative positioning of MLPs across the board is currently probably closer to the bottom than anything else. Therefore a consensus was reached that the current timing is not bad.

Unfinished Business

N/A

New Business

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1. Investment Performance Review for period ended December 31, 2015 and update as presented by Mr. Bill Grayson of Principal Global Investors.

Mr. Bill Grayson spoke on behalf of Principal. Our parent company is Principal Financial Group based in Des Moines, Iowa with over \$380 billion in assets across a dozen specialized firms. Principal Real Estate Investors are in the top ten firmly in the US with over \$66 billion under management. Most clients access our capabilities through our two open end funds. El Paso is in our private real estate equity core fund. The initial investment two and one-half years ago was \$18 million, \$10 million was added a year ago, and the account now has approximately \$7 million more. In the last five years, average annualized performance is about 15% and ahead of the benchmark in every time period. Core real estate return expectations are between 7 and 9 percent although the past ten years have seen double-digit growth with the exception of 2008 and 2009.

Currently there have been six years of appreciation in commercial real estate nationwide. Now three areas will drive returns: leasing abilities, ability to control expenses, and the ability to keep the buildings full. Our focus is on increasing net operating income at every property level for the foreseeable future. There is still a good demand for core real estate. It's a low rate environment with a slow growth economy. There are four ways to lower risk: Reduce Leverage (currently at 21% will reduce to 19% or 20% by year-end), less value adds and less development, shorten cycle for anything under construction, and sector weightings will be stabilized.

2. Investment Performance Review for the period ended December 31, 2015 and update as presented by Pat Quinn of William Blair.

Pat Quinn discussed small cap growth and small cap value mandates with William Blair. No changes in structure. There has been a consistent portfolio management team. One analyst has been added: Matt McLaughlin. We have outperformed the benchmark in a down market. Assets are at \$26.5 million at the end of the first quarter. Small cap growth started off bad first half of the last year. At one point, we were down 8% relative to our benchmark because we tend to be contrarian. In back half of last year, risk aversion levels started to normalize. A recent flock to quality is only beginning. Biotechs were a huge head wind last year but have been a tail wind this year. A positive stock contributor for small cap growth portfolio is Universal Electronics that makes smart remotes because it just signed a contract with Dish network. A detractor is NxStage Medical. Their home human dialysis right now holds less than 10% of overall market. However their legacy business where they make tubing for dialysis centers has a contract that is winding down and stock was affected in the one quarter.

Good stock selection has helped Small Cap Value. In particular in consumer discretionary, Children's Place has a better use of systems and loyalty programs. This has been good for its stock value. On the detractor side, we had a lack of commodity oriented companies within materials which was a headwind. Outlook is steady. Both strategies will do well in a normal economy.

3. Discussion and action on Qualified Dependent Survivor benefits for Ms. Martha Araki. Request submitted by guardian, JoAnn Araki Mena.

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Mr. Grossman explained that Qualified Dependent Survivor benefits require Board Approval. Ms. Ramirez explained that all items required by Section 3.18 of the Fund's Plan Document were provided in order for this to be approved. A motion was made on the December 21, 2011, Board Meeting that also required that timely application of a dependent's disability be reported to the Fund one year following the member's death. This was not satisfied in this instance; however the member passed away in 1999 prior to this Board motion and the retirement forms at the time did not provide a spot for designating children.

*After careful discussion and due consideration, Dr. Tollen moved to approve the Qualified Dependent Survivor benefits for Ms. Martha Araki, seconded by Mr. Ortega and passed unanimously by the Board.*

4. Discussion and action on building maintenance and repair of plumbing.

Mr. Grossman explained that CEA fixed what they thought needed to be fixed with the plumbing at the time building was undergoing renovation. Later after there were several incidents where the plumbing backed up, both Mark and Michele continuously communicated with CEA about how this situation would be fixed. The issue is there is a break underneath the building. Three quotes have been received. Administration is proposing that Roto-Rooter be selected. Roto-Rooter is \$800 more than Surety; however Roto-Rooter has a 15 year warranty on their labor as opposed to Surety who has a 5 year warranty. The plumbers will need to dig inside the building to fix this issue using a liner. CEA has agreed to fix the area that is damaged at their cost since this should have been taken care of at the time the building was being renovated.

*After careful discussion and due consideration, Mr. Ortega moved to approve the Roto-Rooter estimate in the amount of \$18,735.25 for the repair of the Fund's plumbing, seconded by Dr. Tollen and passed unanimously by the Board.*

There was discussion regarding giving Executive Director, Tyler Grossman, authority to make necessary building maintenance decisions without having to bring it to the Board for approval. The recommendation was made to include financial thresholds in the Purchasing Policy that would allow Tyler to make certain building maintenance decisions. This policy will be brought to the Board for consideration.

5. Approval(s)/denial(s) of full-time Student Request Application in accordance with Section 3.18 "Qualified Child" of the Plan Document.

Mr. Grossman explained that everything was in order for this application to be approved by the Board.

*After careful discussion and due consideration, Ms. Arrieta-Candelaria moved to approve the full-time Student Request Application, seconded by Ms. Balmer and passed unanimously by the Board.*

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

None.

7. Report of Executive Director.

See submitted Written Report.

8. For Notation:

Informational Material For Review. No Action Required.

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

9. Adjournment.

*Mr. Ortega 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 2:49 p.m.*

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Chairperson

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Secretary