

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, May 18, 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 Ricci Carson
Lieutenant Paul Thompson

Police Division:

Lieutenant John Schneider
Detective JD Cotham
Officer Sean Shelton

Mayoral Appointments:

Dr. Robert Tollen
Mr. Presi Ortega

City Manager Appointments:

Ms. Judy A. Balmer

OTHERS PRESENT

Mr. Tyler Grossman – Executive Director
Ms. Christina Ramirez – Deputy Executive Director
Ms. Lena Ellis – CFO
Mr. Eric Ralph – Summit Strategy
Ms. Jessica Walton – Dimensional Fund Advisors
Mr. Gavin Crabb – Dimensional Fund Advisors

TRUSTEE MEMBERS ABSENT:

Chief Jerry Villanueva
Ms. Carmen Arrieta-Candelaria
Ms. Terri Garcia

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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 1:04 p.m.

2. Reading and approval of the Minutes from the previous Special Board Meeting held April 16, 2016 and Regular Board Meeting held April 20, 2016.

Dr. Tollen moved to approve the minutes of the Special Board Meeting held April 16, 2016 and the Regular Board Meeting held April 20, 2016, seconded by Mr. Ortega and unanimously passed by the board.

Consent Agenda

Dr. Tollen moved to approve the Consent Agenda, seconded by Mr. Ortega and passed by the Board.

1. Internal Financial Statements for month ending April 30, 2016.

Northern Trust Financial Statements for month ending April 30, 2016.

2. Expense Reports for the month ending April 30, 2016.

3. Approve Pension Payrolls:

Fire	\$2,693,202.87
Police	\$3,630,589.04

4. Payments to Service Providers

A. Baillie Gifford – 1 st Q2016	\$135,359.64
B. Brown Advisory – 1 st Q2016	\$37,148.00
C. Calhoun & Associates (Heinrich) – thru 3/31/16	\$10,752.56
D. Legislative Consultants - April, 2016	\$5,147.17
E. Meketa – 1 st Q2016	\$68,750.00
F. PIMCO - 1 st Q2016	\$120,909.15
G. Powers Media Works - April 2016	\$3,164.00
H. Sheehan Phinney – Thru February 29, 2016	\$2,435.47
I. Summit – 1 st Q2016	\$58,335.00
J. Xerox (Buck) - 1 st Q2016	\$55,632.00
K. Xerox (Buck) – 1 st Q2016 – Staff plan	\$4,715.00

Reports and recommendations of Committees

1. Audit and Risk Management Committee

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A. Discussion and action on selection of Audit firm from the pool of Request for Proposals received.

Mr. Grossman began by explaining that Ms. Arrieta-Candelaria was elected the chairperson for this committee; however in her absence, Ms. Ellis would review the steps taken by the committee who voted to make a recommendation.

Ms. Ellis began by explaining the RFP process. She also explained the rating process that the Committee used to evaluate the four firms that responded to the RFP. Although all four firms met the requirements, the committee voted to continue the Fund's relationship with Moss Adams as the Audit Firm for the Fund.

Ms. Balmer added that Moss Adams received the highest score of 85% on the evaluation sheet.

Mr. Ortega made a motion to approve the recommendation of the Audit and Risk Management Committee and select Moss Adams to continue as the Fund's Audit Firm, seconded by Mr. Schneider and unanimously passed by the Board.

Unfinished Business

New Business

The following changes were made to the New Business item order: 2, 3, 4, 5, 6, 1, 7, 8, 9 and 10.

2. Investment Performance Review for the period January 1, 2016 to March 31, 2016 and update as presented by Eric Ralph from Summit Strategy.

Mr. Ralph explained that in the first quarter the overall economy continued in its very slow growth environment. There is also very slow growth in employment and GDP. The fourth quarter was actually revised up on an annualized basis to 1.4% from 1.0% in GDP growth. The first quarter came in at 0.5% on an annualized basis. Although this was low, it was not negative and it was in line with expectations.

In Long-term fundamental investing when you take risk, asset values go down and then go up and you expect to be paid over the long-term. However over the short-term, there is a lot of risk and volatility so you have to be patient with that volatility.

With active managers in the large-cap space, even if somebody has underperformed or outperformed and they are a top quartile manager, at some point over their ten year history they have been in that bottom quartile. Seventy percent of the top quartile managers are in the bottom quartile for a three year period of time or longer over a ten year track record. In active management, you are not always at the top. If you have an actively managed portfolio, it's always best to remember patience.

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Core real estate strategies have performed very well over the past five years. Therefore as the real asset allocation is built out, it would make sense to raise cash from INVESCO or Principal for capital calls and when value-added and opportunistic assets are funded.

For the first quarter, the Fund was above-median at the 48th percentile. At the trailing one-year, the Fund was at the 41st percentile. At three years, the Fund was at the 56th percentile but had dropped below median. The Fund is still below median at five years and at the 74th percentile. At seven years, the Fund is back at median. At ten years, the Fund is in the top third. This shows that emerging markets can have a great impact on the Fund when they do finally rebound.

Funding the plan with contributions is one of the most important things the Fund can do.

3. Discussion and action on El Paso Firemen & Policemen's Pension Fund credit card and internet accounts.

Mr. Grossman explained that he attempted to get a credit card under the Fund's name but without a primary individual thru the following banks: Chase, Bank of America, Citigroup, and Wells Fargo. All required a primary individual. In order to obtain the credit card, he had to provide his social security number. Because of this, the card was linked to Mr. Grossman's personal rewards account. The attachment shows the rewards points earned on the Fund credit card but linked to Mr. Grossman's personal rewards account.

Mr. Grossman was asked by the board to find out if Southwest Airlines will allow him to set-up a separate rewards account to accumulate the points earned on the company credit card.

He was also asked to find out how other pension funds in Texas are handling their company credit cards and if they are allowing an individual to earn and keep points accrued on the company credit card. If the individual is given the rewards as a form of compensation, are those rewards then taxable?

After careful discussion and due consideration, Dr. Tollen moved to table this item in order allow the Executive Director more time to generate additional information and come back to the Board at the June meeting, seconded by Mr. Schneider and passed unanimously by the Board.

4. Discussion and action on canceled El Paso Firemen & Policemen's Pension Fund credit card.

Mr. Grossman explained that the former Executive Director had a company credit card with Citibank. That card has a rewards account with all of the purchases made with the company card; however those reward points are all linked to Mr. Stanton. The cost of transferring those points to the Fund is every 50,000 points costs \$640. To transfer the total 600,000 points would cost approximately \$7,500. 600,000 points would convert to approximately 12 round trips. If the average trip is \$500, then the 600,000 points are worth approximately \$6,000. It does not make sense to transfer the funds when the value of those points is less than the cost of the transfer.

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After careful discussion and due consideration, Dr. Tollen moved to vacate all interest in the Fund's previous credit card under the previous executive Director, seconded by Mr. Cotham and passed unanimously by the Board.

5. Discussion and action on approval of Forward DROP procedure.

Mr. Grossman explained that he wanted to make the Board aware of how administration is handling the Forward DROP. Educational sessions will be held once per month on the first week of each month. Then the member will enter the Forward DROP on the first day of the following month. Once a member enters the Forward DROP, his election cannot be revoked. Also the credited service is locked once the Forward DROP election is made. Finally if a member quits and returns to work after collecting a Forward DROP lump-sum payment, that member will not accrue additional credited service on his return to work. Members have to initial that they are aware of these three points.

After careful discussion and due consideration, Mr. Ortega moved to approve the Forward DROP procedure, seconded by Dr. Tollen and passed unanimously by the Board.

6. Discussion and action on approval of 2016 Strategic Plan.

Mr. Grossman explained that the board met on April 16th and picked the goals in the attachment. Chairperson Villanueva took the goals recommended by the Board and created the attachment in a new format.

After careful discussion and due consideration, Mr. Ortega moved to approve the 2016 Strategic Plan with corrected typos, seconded by Mr. Schneider and passed unanimously by the Board.

1. Investment Performance Review for period ended December 31, 2015 and update as presented by Ms. Jessica Walton and Mr. Gavin Crabb from Dimensional Fund Advisors.

Ms. Walton began by discussing Dimensional the firm. Offices are located in Austin, Texas. Dimensional was founded on bringing academic science to the real world. The first portfolio in 1981 and the company's inception were based on research that could build portfolios that would add value over the broader market over the long term. Academics help to think through potential new strategies and improve current strategies. Dimensional has \$409 billion in global AUM as of March 31, 2016.

Mr. Crabb began by stating that the research done by Dimensional focuses on premiums that are showing up through many decades and across the world in all countries. The firm focuses on four dimensions: market, company size, relative price, and profitability. Every premium is then put through the following standards: must be sensible, must be persistent across time periods, must be pervasive across markets, must be robust to alternative specifications, and must be cost-effective to capture in well-diversified portfolios. In the International Small Cap Value Portfolio, Dimensional focuses on value securities within the small cap universe and excludes companies with lowest profitability and higher relative

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price. Trading costs are minimized by keeping turnover low. Our process is built to focus on higher expected returns every day while considering costs.

Performance for the one year period was down by three percent. The year to date value is better. The market has rebounded slightly.

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

None.

8. Report of Executive Director.

See submitted Written Report

9. 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
- E. Refund of Contributions

10. Adjournment.

Dr. Tollen moved to adjourn seconded by Mr. Ortega and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:25 p.m.

Chairperson

Secretary