

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING**  
**Wednesday, September 21, 2016 at 1:00 PM**  
**El Paso Firemen and Policemen's Pension Fund Office**  
**909 East San Antonio Avenue, El Paso, Texas 79901**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

Chief Ricci Carson  
Lieutenant Paul Thompson  
Chief Jerry Villanueva

**Police Division:**

Lieutenant John Schneider  
Sergeant JD Cotham  
Sergeant Sean Shelton

**Mayoral Appointments:**

Ms. Carmen Arrieta-Candelaria  
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 Strategies  
Mr. Matt Jelinek – Summit Strategies

**TRUSTEE MEMBERS ABSENT:**

Ms. Terri Garcia

EL PASO FIREMEN & POLICEMEN'S PENSION FUND

September 21, 2016 - 1:00 P.M.

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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 1:00 p.m.

2. Reading and approval of the Minutes from the previous Regular Board Meeting held August 24, 2016.

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

Consent Agenda

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

1. Internal Financial Statements for month ending August 31, 2016.

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

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

3. Approve Pension Payrolls:

Fire	\$2,639,020.80
Police	\$3,634,409.01

4. Payments to Service Providers

A. Salena Karam Ayoub – thru 7/31/2016	\$52.50
B. Cooke & Bieler – 2 <sup>nd</sup> Q2016 (Small Cap)	\$10,602.04
C. Cooke & Bieler – 2 <sup>nd</sup> Q2016 (Large Cap)	\$45,051.17
D. Intech – 2 <sup>nd</sup> Q2016	\$158,761.28
E. Legislative Consultants – August 2016	\$5,000.00
F. Mondrian – 2 <sup>nd</sup> Q2016	\$153,350.67
G. Moss Adams – Final billing 2015 Audit	\$9,900.00
H. PBI Research Services (Continuous Death Audit) – Annual Fee	\$500.00
I. Powers Mediaworks, LLC – thru 07/31/2016	\$3,328.00
J. Sheehan Phinney – thru 06/30/2016	\$4,576.50
K. Strasburger – thru 06/30/2016	\$1,790.00
L. Western Asset – 2 <sup>nd</sup> Q2016	\$73,382.10

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Reports and recommendations of CommitteesUnfinished BusinessNew Business

1. Investment Performance Review for period ended December 31, 2015 and update as presented by Mr. Matt Clark of PIMCO.

PIMCO manages bond portfolios by combining longer term macroeconomic views with a bottom up security selection to find the best bonds in the market place. There will be a shift in the Fund's primary portfolio manager, Curtis Mewbourne. Scott Mather will take over for Curtis as the lead portfolio manager. Scott is also responsible for PIMCO's flagship core strategy and has been with PIMCO since 1998. There will be no change in philosophy, process, or approach.

The performance for the Fund's portfolio as of September 20<sup>th</sup> year to date is 5.47% and the benchmark's performance is 5.27%. This advantage is net of fees. At the one year and three year period, the Fund does have some catching up to do compared to the benchmark. In the longer term, the Fund has outperformed the benchmark. On a rolling 3-year basis, the Fund has outperformed the benchmark 76% of the time.

The TIPS market is only expecting 1.5% inflation. That means these bonds are inexpensively priced and a good value. That has been a key component of PIMCO's overall positioning. In corporate credit, PIMCO is conservative but is overweight in non-agency mortgages. The housing market in the US should continue to do relatively well and appreciate by 6% in the next two years. Those bonds tied to housing mortgages should do well and be very stable and generate very nice income for the portfolio. PIMCO has a dollar bias; however most of that dollar appreciation is behind us except for in some Asian currencies such as: the South Korean Won, the Singapore dollar and the Taiwanese dollar.

The environment looks stable but not sustainable. There is a possibility for left tail risks. This is possibility for the markets to move if the things that central banks have been doing are no longer as effective as they expect. A healthy labor market, highlighted by higher wages should continue to underpin a resilient US economy.

2. Discussion and action on update of Investment Policy as presented by Eric Ralph from Summit Strategy.

Mr. Ralph explained the changes to the Investment Policy Statement as recommended by the Investment Committee.

*After careful discussion and due consideration, Dr. Tollen moved to make the following changes to the Investment Policy Statement: To change the Individual Manager Allocation Targets in Appendix II for Mondrian from 50% to 56% and in Pyramis International from 30% to 24%, to change the 'Pyramis International' name to 'Fidelity', and to change Sections 4.41 and 4.42 so*

*that the Allowable Range is increased from 0% to 10% to 0% to 15%; seconded by Mr. Ortega and passed unanimously by the Board.*

3. Discussion and action on transitioning \$30 million from Fidelity Investment Management to Mondrian.

*After careful discussion and due consideration, Dr. Tollen moved to take 30M out of Fidelity (Growth) and put it into Mondrian (Value) which will provide a 70/30 allocation balance in International Equities, seconded by Mr. Shelton and passed unanimously by the Board.*

4. Discussion and action on WAMCO.

Mr. Ralph provided an overview of the discussion that the Investment Committee had at their August 24 meeting regarding WAMCO. The committee favored the lower risk profile of PineBridge.

*After careful discussion and due consideration, Dr. Tollen moved to take Fund's investment out of WAMCO and into PineBridge pending full vetting by legal counsel, seconded by Mr. Ortega and passed unanimously by the Board.*

5. Discussion and action on the \$9M commitment to Vector Capital V as approved and recommended by the Investment Committee.

Dr. Tollen spoke on behalf of the Investment Committee and explained that Vector Capital V invests primarily in the technology industry. They have had a long and successful run in terms of their past performance. They are a bit pricier; however if successful, the investment will be well worth it.

*After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to invest \$9M in Vector Capital V subject to successful vetting from legal counsel, seconded by Mr. Ortega and passed unanimously by the Board.*

6. Discussion and action on member benefits.

Mr. Schneider explained that several Second-Tier members have asked him if the Board would consider changing age and service for Second-Tier members to match the age and service retirement requirements currently in place for Base plan members. He would like to ask Buck Consultants to provide a study to the Board that would show what increase in contributions would be required by members in order to change the age and service of normal retirement requirements. Buck did tell Mr. Grossman that they could provide this analysis for a cost of approximately \$2,000.00 for each item requested.

Chairman Villanueva would like for Buck Consultants to also evaluate the effect that a 50% increase to the pension benefit of those retirees currently receiving minimum pension benefit would have on the Fund.

*After careful discussion and due consideration, Mr. Schneider moved to have Buck consultants evaluate the cost to the Fund in increased contributions to change the age and service normal retirement requirements for the Second Tier to match those of the First Tier as well as increase by 50% the pension of those retired members who are currently receiving a the minimum pension (\$400 for retired Fire and \$500 for retired Police), seconded by Mr. Ortega and passed unanimously by the Board.*

7. Discussion and action on implementing an ad hoc committee for recommendations on security litigation firm search as presented by Chairman Jerry Villanueva.

Chairman Villanueva would like to have the Board consider forming an ad hoc committee to look at security litigation firms and make a recommendation to the Board regarding whether the Board should hire an additional security litigation firm and what benefits would be provided to the Fund with this acquisition.

*After careful discussion and due consideration, Mr. Ortega moved to form an ad hoc committee to review security litigation firms, seconded by Ms. Arrieta-Candelaria and passed unanimously by the Board.*

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

None.

9. Report of Executive Director.

See submitted Written Report.

10. For Notation:

Informational Material For Review. No Action Required.

- A. Service Retirement(s)
- B. Service/BackDROP Retirement
- C. Proportionate Retirement (PRP)
- D. Death of member(s)
- E. Cost of Living Adjustments
- F. Refund of Contributions

11. Adjournment.

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September 21, 2016 - 1:00 P.M.

*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 2:21 p.m.*

  
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Chairperson

  
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Secretary