

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, February 15, 2017 at 1:00 PM
El Paso Firemen and Policemen's Pension Fund Office
909 East San Antonio Avenue, El Paso, Texas 79901

MINUTES

TRUSTEE MEMBERS PRESENT

Fire Division:

Chief Jerry Villanueva
Lieutenant Paul Thompson

Police Division:

Lieutenant John Schneider
Sergeant 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. Patrick Delay – Metropolitan Real Estate Global Funds
Ms. Margaret McKnight - Metropolitan Real Estate Global Funds

TRUSTEE MEMBERS ABSENT:

Chief Ricci Carson
Ms. Carmen Arrieta-Candelaria
Ms. Terri Garcia
Sergeant JD Cotham

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 1:02 p.m.

2. Reading and approval of the Minutes from the previous Regular Board Meeting held January 18, 2017.

Mr. Schneider moved to approve the minutes of the Regular Board Meeting held January 18, 2017, seconded by Dr. Tollen 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 January 31, 2017.

Northern Trust Financial Statements for month ending January 31, 2017.

2. Expense Reports for the month ending January 31, 2017.

3. Approve Pension Payrolls:

Fire	\$2,759,317.68
Police	\$3,691,501.20

4. Payments to Service Providers

A. Arthur J. Gallagher – Directors & Officers Renewal	\$7,199.00
B. Legislative Consultants – January 2017	\$8,000.00
C. Meketa Investment Group – 3 rd Q2016	\$68,750.00
D. The Northern Trust Company – 3 rd Q2016 (Quantitative)	\$10,092.27
E. The Northern Trust Company – 4th Q2016 (Quantitative)	\$8,865.42
F. Powers Mediaworks, LLC thru 12/31/2016	\$3,569.40
G. Sheehan Phinney – thru 11/30/2016	\$3,499.50
H. Sheehan Phinney – thru 12/31/2016	\$15,880.08
I. Strasburger & Price, LLP thru 12/31/2016	\$3,593.75
J. Summit Strategies Group – 3 rd Q2016	\$58,335.00
K. Summit Strategies Group – Due Diligence Travel	\$5,740.94

L. Western Asset – 3rd Q2016

\$62,293.72

Reports and recommendations of Committees

1. Discussion and action on the commitment of \$8,000,000 to EnCap Energy Capital Fund XI, as recommended by the Investment Committee.

Dr. Tollen explained that the committee met on Monday, February 6th to discuss EnCap Energy Capital Fund XI. The Fund has approximately \$6M to \$7M in earlier EnCap Funds. These are in the oil patch. This one in particular is designed to go upstream. EnCap is more efficient and can make a profit with lower levels of oil crude prices. There are many companies that are stretched out. They need debt financing and equity financing. EnCap is in a position to cherry pick those companies and make excellent investments.

After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the commitment of \$8,000,000 to EnCap Energy Capital Fund XI contingent on successful vetting by legal counsel, seconded by Mr. Schneider and passed unanimously by the Board.

Unfinished Business

1. Discussion and action on benefit analysis.

Mr. Grossman explained that the last time this item was discussed, the Board asked him to get with Rudd and Wisdom to find out what the contribution increase cost would be to the members to add the three benefits that were taken from Tier Two in 2007. After discussing with both Rudd & Wisdom and Buck Consultants, he provided the Board with the following options:

Option 1 – Rudd & Wisdom would provide the Cost for reinstating the Second Tier with the three benefits that are different from those members in the Base Plan: COLA, Age & Time, and spousal support. Rudd & Wisdom would have to recreate Buck's valuation then conduct the study for the contribution increase. This would cost \$57,000 and would take three to four months.

Option 2 – Rudd & Wisdom would provide the study adding the same three benefits but would do it after the 2018 Actuarial Valuation. This would cost \$12,000.

Option 3 – Buck would calculate the cost to only change Age & Time in the Second Tier Plan to match the Base Plan and increase contributions to 18% for members. This would cost \$6,000 and about a week to complete.

Option 4 – Buck would provide the study adding the same three benefits as in Option 1. This would cost \$20,000 and would take two to three weeks.

After careful discussion and due consideration, Mr. Schneider moved to approve Option 3 seconded by Dr. Tollen and passed unanimously by the Board.

New Business

1. Investment Performance Review for period ended December 31, 2016 and update as presented by Mr. Jonathan Seidman and Mrs. Margaret McKnight of Metropolitan Real Estate Global Funds III and V.

Mr. Pat Delay explained that Ms. McKnight would be going over the Funds in detail with the Board. He stated that they were very pleased with the portfolio and believes that there is additional value to be extracted for the pension plan over the next four to five years. Ms. McKnight explained that they have been part of Carlyle for three years. The investment team is stable. Staff has been added to enhance fund investing and it leverages the existing primary platform. The big picture on the markets is an evolution of what was true two years ago. In a low interest rate environment capital is being pulled into real estate looking for income. Core properties have risen in value significantly. That is Metropolitan's exit market. Their strategy is to find assets that have been neglected and have underperformed but are high quality assets. Then fix those assets, release them and exit into the core market (buy, fix and sell strategy). Even with slow growth there has not been supply. Vacant space has been absorbed. In most markets in most locations, meaningful rental rates are increasing. This is bringing supply back after a very long period of low supply. The markets are very healthy right now and it's a good time to have properties to lease.

The Fund is invested in two products: MREP Global III a 2009 vintage fund and Global V which is two years later. These funds are invested globally. It's a value added strategy. There is more risk return than core because there is some impairment in the building. It is a moderate risk strategy. Both Funds are doing well. Global III's capital is 89% called and 73% distributed. In all, every dollar given is now worth about \$1.30. It has a 9.3% IRR. Both MREP Global III and Global V are feeder funds. They are invested 60% in the US Fund and 40% in Metropolitan's non US fund. This enables the Fund to participate in both strategies under one line item rather than making two commitments. Global V's capital is 86% called and 49% distributed. In all, every dollar given is now worth about \$1.23. It has a 10.1% IRR.

2. Discussion and action on Executive Director's 2016 performance review.

Mr. Ortega made a motion to enter into Executive Session for the purpose of discussing Item 2, Personnel Matters under Texas Government Code, Section 551.074, seconded by Mr. Schneider. Motion carried.

The El Paso Firemen & Policemen's Pension Fund Board of Trustees retired into Executive Session at 2:22 p.m. and returned to regular session at 2:32 p.m.

Mr. Ortega made a motion to take Item 2 back to the Management Development and Review Committee, seconded by Mr. Schneider and passed unanimously by the Board.

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

None.

4. Report of Executive Director.

See submitted Written Report.

5. For Notation:

Informational Material For Review. No Action Required.

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

6. Adjournment.

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 3:46 p.m.

Chairperson

Secretary