

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, April 19, 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
Chief Ricci Carson

Police Division:

Lieutenant John Schneider
Sergeant Sean Shelton
Sergeant JD Cotham

Mayoral Appointments:

Dr. Robert Tollen
Mr. Presi Ortega

City Manager Appointments:

OTHERS PRESENT

Mr. Tyler Grossman – Executive Director
Ms. Christina Ramirez – Deputy Executive Director
Ms. Lena Ellis – CFO
Mr. Paul Stover – Principal Global Investors
Mr. Darren Kleis – Principal Global Investors
Mr. Kevin Fetzer – William Blair
Mr. Matt Neska – William Blair

TRUSTEE MEMBERS ABSENT:

Ms. Carmen Arrieta-Candelaria
Ms. Judy A. Balmer
Ms. Terri Garcia

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
April 19, 2017 - 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 March 22, 2017.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held March 22, 2017, seconded by Mr. Carson 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 March 31, 2017.

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

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

3. Approve Pension Payrolls:

Fire	\$2,897,401.60
Police	\$3,678,072.21

4. Payments to Service Providers

A. Salena Karam Ayoub – thru 02/28/2017	\$35.00
B. Fisher Broyles, LLC – thru 01/19/2017	\$3,302.74
C. Fisher Broyles, LLC – thru 02/19/2017	\$2,025.00
D. Haynesboone – thru 01/31/2017	\$2,000.50
E. Haynesboone – thru 02/28/2017	\$8,575.78
F. Legislative Consultants – March 2017	\$8,365.07
G. Powers Mediaworks, LLC – March 2017	\$3,328.00

Reports and recommendations of Committees

1. Discussion and action on Service-Connected Disability Retirement Application, Police Department.

Mr. Grossman explained that Ms. Quintana had both an IME and an FCE completed and it was determined that she does not meet the minimum qualifications in the City's job description to do the job duties of a police officer.

After careful discussion and due consideration and at the recommendation of the Benefits Committee, Mr. Shelton moved to approve the service-connected Disability Retirement of Ms. Carla Quintana, seconded by Dr. Tollen and passed by the Board. The motion was opposed by Mr. Cotham and Mr. Schneider abstained.

Item 1 under Unfinished Business was moved to after New Business, Item 3.

New Business

1. Investment Performance Review for period ended December 31, 2016 and update as presented by Mr. Paul Stover and Darren Kleis of Principal Global Investors.

Mr. Stover explained that there were no changes within the organization. The portfolio management team has stayed consistent. Ms. Bridget Lechtenberg was added to assist with growth in the Fund as the demand for core real estate increased. The team is dedicated to the Fund and includes both acquisition and disposition individuals who cover markets across the country and manage the properties on a day to day basis. The process and philosophy of the Fund has not changed.

Mr. Kleis explained that the asset value of the Fund is at \$9.34B with 141 properties spread across the country. Principal buys the properties owned, makes the leasing decisions, approves the operating budgets, approves the rents, as well as decides what to buy and what to sell. Good quality properties are purchased where both rents and income will grow as long-term investments. The leverage ratio is at 21.3%. This is a relatively low amount of leverage on the Fund. There are 37M SF in the portfolio with an almost 95% occupancy. The one year net absorption is 1.7M SF. This is the new square footage occupied by the new tenants who were moved in over the last year. The 2017 strategic themes include: a focus on a high-quality infill portfolio, an increase in same-property net operating income, effectively executing development and leasing within the non-core allocation, and selective portfolio pruning of non-strategic assets. Currently the Fund is weighted at 43% to Office. This will be decreased over the year. It should be at 40% by next year. The Fund's weight in Retail is at 16%. The retail portfolio in this Fund is anchored to food and drug necessity type centers not fashion type tenants. Multifamily is weighted at 20% and Industrial is weighted at 18%. Principal has outperformed the benchmark since inception.

2. Investment Performance Review for period ended December 31, 2016 and update as presented by Mr. Kevin Fetzer and Matt Neska of William Blair.

William Blair is a Chicago based firm. It is operated as a 100% active employee owned firm since 1935. William Blair has just been recognized again as one of the top 5 places to work in the money management business. As of the 12/31/16, assets under management in Small Cap

Growth Portfolio are at \$730M. Small Cap Value is at \$1.9B. That strategy will now be closed to new investors. A third portfolio manager has been added to the Small Cap Growth Portfolio Team, Ward Sexton. He is very well versed within the portfolio with 18 years of experience.

The Investment Philosophy for Small Cap Growth is quality growth focused on the durability of the growth in the next 3 to 5 years. The market inefficiencies that are sought include: traditional quality growth, fallen quality growth and undiscovered quality growth. The 2016 performance was gross 20.85% compared to 11.32% in the benchmark. In the first quarter, the return was 7.47% as compared to the benchmark at 5.35%. In September of 2010 when the assignment was funded, the value was at \$25M. Today that value is at \$32.4M. Since that time the fund has withdrawn \$25.75M.

Mr. Neska spoke regarding the Small Cap Value portfolio. The focus is to find the best stock within each of the sectors. At the end of March, 2017, there was \$53.5M invested in the strategy. This is up from contributions of \$45M and includes distributions of \$4.5M over the three year time frame. The market environments that Small Cap Value does well in are more normal down markets. The focus is on down side protection. William Blair's goal is to keep pace in up markets. However when a market moves 51% from its lows in lower quality smaller cap names, William Blair's Small Cap Value cannot compete because of their higher quality and larger market cap bias.

3. Update from John Reidy on the implementation of the Pension Technology Group's Pension Pro Pension Administration System.

Mr. Reidy explained that PTG will take data from the old pension administration system on Friday, April 21st and the new PTG system will go live on Monday, April 24th. He also let the Board know that everything went on time and on budget. He also gave credit to the Fund's staff for the work done on this project. The project was completed in less than one year.

Mr. Grossman explained that the member module would be available to members by December of 2017. The archiving project is also still in the process of being completed.

Unfinished Business

1. Discussion and action on Executive Director's 2016 performance review as presented by the Management Review & Development Committee. Tabled January 18, 2017, February 22, 2017, and March 22, 2017.

Mr. Thompson reviewed the performance evaluation that the Management Review & Development Committee gave to Mr. Grossman. He also went over some of the goals with the Board and Mr. Grossman. The overall average score on the Performance Evaluation was 4.16 out of 5.

Mr. Thompson made the motion to enter into Executive Session at 2:21 p.m. to discuss Personnel Matters under Texas Government Code, Section 551.074, seconded by Dr. Tollen and passed unanimously passed by the Board.

The El Paso Firemen & Policemen's Pension Fund Board of Trustees reconvened into public session at 2:54 p.m.

After careful discussion and due consideration and at the recommendation of the Management Development and Review Committee, Mr. Thompson moved to approve the increase in Mr. Grossman's base salary from \$160,000 to \$170,000 and to backdate the increase to January 1, 2017. He also moved to approve the performance evaluation presented to Mr. Grossman at today's board meeting, seconded by Mr. Ortega and passed unanimously by the Board.

4. Discussion and action on repair of roof located at 909 E. San Antonio, El Paso, TX 79901.

The bid process for the repair of the roof began in October. Three quotes were received for the replacement of the roof. Jesus Espinoza roofing was not the cheapest by \$1700; but the quote below did not have the fiber glass. The fiber glass is more robust and more appropriate for a flat roof. They also provided a 15-year manufacturer warranty and a 5-year labor warranty. A foam roof on top of the new tarred roof is also recommended. It will provide a 10-year warranty on any leaks. The foam cannot be done without a good existing roof. New ERA Spray Foam is recommended. Their warranty is 10-year and they will come out in 5 years and complete any necessary repairs. References were checked on roofing companies including with the Better Business Bureau.

After careful discussion and due consideration, Mr. Ortega moved to approve the two quotes for the roof repair from New Era Spray Foam and Jesus Espinoza Roofing, seconded by Mr. Shelton and passed by the Board. Dr. Tollen abstained.

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. Service/Forward DROP Retirement
- C. Service/Back DROP Retirement
- D. Death of member(s)
- E. Cost of Living Adjustments

F. Refund of Contributions

8. Adjournment.

Mr. Schneider 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 3:19 p.m.

Chairperson

Secretary