

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING**  
**Wednesday, July 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**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

Chief Jerry Villanueva  
Lieutenant Paul Thompson

**Police Division:**

Lieutenant John Schneider  
Sergeant JD Cotham  
Sergeant Sean Shelton

**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. Mark Willis – Intech Investment Management  
Ms. Nancy Holden – Intech Investment Management  
Ms. Liz Desmond – Mondrian Investment Partners  
Ms. Carmen Arrieta-Candelaria  
Mr. Robert Franco – Fire Department

**TRUSTEE MEMBERS ABSENT:**

Ms. Terri Garcia  
Chief Ricci Carson  
Ms. Judy A. Balmer

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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 1:03 p.m.

2. Reading and approval of the Minutes from the previous Regular Board Meeting held June 21, 2017.

*Dr. Tollen moved to approve the minutes of the Regular Board Meeting held June 21, 2017, seconded by Mr. Thompson 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 June 30, 2017.

Northern Trust Financial Statements for month ending June 30, 2017.

2. Expense Reports for the month ending June 30, 2017.

3. Approve Pension Payrolls:

Fire	\$2,736,140.14
Police	\$3,869,761.44

4. Payments to Service Providers

A. Fidelity Investments – 1 <sup>st</sup> Q 2017 (Final Billing)	\$80,998.39
B. Fisher Broyles thru May 31, 2017	\$1,350.00
C. Legislative Consultants – June 2017	\$8,000.00
D. Mondrian Investment Group – 1 <sup>st</sup> Q 2017	\$189,472.06
E. Moss Adams – Second Progress Billing 2016 Audit	\$35,200.00
F. The Northern Trust Company – 1 <sup>st</sup> Q 2017 (Custody and Benefit Payments)	\$26,978.83
G. Pension Technology Group – Services Exhibit B	\$720,00.00
H. Powers Mediaworks, LLC – June 2017	\$2,176.30
I. Sheehan Phinney – thru 04/30/2017	\$2,227.50

Chairman Villanueva acknowledged and thanked Ms. Carmen Arrieta-Candelaria for her service to the Board for the period of February 2011 to July 2017.

Reports and recommendations of Committees

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

Mr. Shelton spoke on behalf of the Benefits Committee. He explained that no issues were found with Ms. Westphal's Disability application. The Committee thought it was unnecessary to conduct an Independent Medical Evaluation.

*After careful discussion and due consideration and at the recommendation of the Benefits Committee, Mr. Schneider moved to approve the Ordinary Disability Retirement Application, Police Department, seconded by Mr. Shelton and passed unanimously by the Board.*

2. Discussion and action on the commitment of \$8,500,000 to GSO Capital Solutions Fund III, as recommended by the Investment Committee.

Dr. Tollen spoke on behalf of the Investment Committee Meeting. He explained that this will be the Fund's second investment in GSO Capital Solutions. The first investment was done in 2009. It has a net IRR of 11%.

*After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the commitment of \$8,500,000 to GSO Capital Solutions Fund III subject to successful vetting by legal counsel, seconded by Mr. Schneider and passed unanimously by the Board.*

Unfinished Business

New Business

1. Certification of the Trustee Election(s) results to the Board of Trustees in accordance with Section 4(I) of the Fund's Voting Procedures, by the Board Secretary.

**Police Division – Certified Results**

Whereas the Fund received only one eligible nomination form prior to the specified deadline and in accordance with Section 2(c), of the Fund's Voting Procedures, Mr. Shelton shall be deemed duly elected as an unopposed member of the Board of Trustees.

**Fire Division – Certified Results**

Position #1

Whereas the Fund received only one eligible nomination form prior to the specified deadline for Position #1 and in accordance with Section 2(c), of the Fund's Voting Procedures, Mr. Villanueva shall be deemed duly elected as an unopposed member of the Board of Trustees.

Position #2

The certified results of Position #2 are as follows: Mr. Paul Thompson, 274 votes; Mr. Robert Franco, 56 votes; Mr. Jonathon Lawson, 8 votes; Mr. Jonathan Killings, 89 votes; and Mr. Jake Canavan, 50 votes. Whereas Mr. Thompson received the highest number of validated votes for Position #2, Mr. Thompson will be deemed a duly elected member of the Board of Trustees.

Chairman Villanueva requested that Item 2 be moved to after Items 3 & 4.

3. Discussion and action on presentation by Mr. Mark Willis, Mr. Pete Morin, and Mr. James McGovern from Labaton Sucharow regarding Securities Litigation.

Mr. Mark Willis, Mr. Pete Morin, and Mr. James McGovern were formerly with Spector Roseman Kodroff & Willis. Mr. Willis is now working with Labaton Sucharow. Mr. Willis advised in order to continue the relationship with him the Fund would have to hire Labaton Sucharow.

*After careful discussion and due consideration, Mr. Schneider moved to terminate the contract with Spector Roseman Kodroff & Willis and hire the firm of Labaton Sucharow, seconded by Mr. Shelton and passed unanimously by the Board.*

4. Discussion and action on Financial Statements as presented by Kory Hoggan of Moss Adams.

Mr. Hoggan gave a high-level summary of the audit Moss Adams performed. He explained that the financial statement draft would be issued pending the Fund's approval. The report that was issued is an unmodified opinion or a clean opinion. The financial statements are therefore presented fairly in all material respects and accurately represent the true financial status of the Fund at year-end (December 31, 2016). Contributions that have come in to the Fund have been fairly consistent. Benefit payments have continued to rise. People are living longer and more retirees are coming out of the plan. Benefits paid compared to the Contributions coming in are at a deficit of about \$33M. This is where the Fund relies on investment returns. The Fund had \$85M in 2016; therefore the net pension liability improved in 2016. The Net Pension Liability for 2016 was \$399,930,534.

There is a new accounting standard, GASB 72; therefore more time was spent reviewing the private equity and real estate investments in 2016. More time was also spent on the new Forward DROP benefit. There is a new liability line item on the Fund's balance sheet to account for the Forward DROP. The DROP liability at year-end was \$3.6M. The Fund had a positive net change of \$50M in 2016 primarily due to the investment market. Note 5 in the footnotes is the new note that was put into the financial statements in 2016 because of the GASB 72. The supplemental schedules break down the Fund by Fire and Police.

The audit came off as planned with no disagreements with management. There were no material weaknesses. Internal controls were tested. No deficiencies were found.

*After careful discussion and due consideration, Mr. Thompson moved to approve the Financial Statements as presented by Kory Hoggan of Moss Adams, seconded by Mr. Shelton and passed unanimously by the Board.*

Mr. Thompson absented himself at 1:55 p.m.  
Mr. Schneider absented himself at 1:56 p.m.

2. Investment Performance Review for period ended December 31, 2016 and update as presented by Mr. Warren DeKinder from Intech Investment Management.

Mr. DeKinder introduced Ms. Nancy Holden. She is the Senior Managing Director and the Head of Client Relations and has now been assigned to this relationship.

Ms. Holden explained that INTECH celebrated its 30<sup>th</sup> anniversary at the end of June. Janus Capital Group is INTECH's parent company and merged with Henderson Group at the end of May. This did not affect INTECH's operations. There are no changes to INTECH's investment process. From a performance results perspective, 4.23% has been generated versus 3.09% for the S&P Index ahead by 1.14% percent in the second quarter. Year to date through June, the portfolio was up 11.39% versus 9.34% for the S&P Index. Initially \$64M was invested in the portfolio. Over the life of the portfolio, \$41M has been invested. \$93M has been taken out. Therefore the remaining balance is \$139M in investments. One relationship was lost in 2016 due to INTECH's underperformance in 2016. Otherwise flows have been fairly similar to past time periods. The US Enhanced Plus composite has outperformed 274 of the 325 periods or 84% of the time since inception. There are over 300 names in the portfolio with 48% year to date of turnover and an average of 65% per year. INTECH's approach is to reweight stocks based on stock volatility and correlation, and then rebalance periodically in order to capture alpha.

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. Deferred Retirement
- B. Death of member(s)
- C. Cost of Living Adjustments
- D. Refund of Contributions

8. Adjournment.

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*Mr. Ortega moved to adjourn seconded by Dr. Tollen and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:32 p.m.*



Chairperson



Secretary