

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, November 29, 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:

Ms. Leila Melendez
Dr. Robert Tollen
Mr. Presi Ortega

City Manager Appointments:

Mr. Gary M. Borsch

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
Mr. Craig Dagen

TRUSTEE MEMBERS ABSENT:

Ms. Terri Garcia

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
November 29, 2017 - 1:00 P.M.

2

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 and Special Board Meeting held on October 18, 2017 and October 27-28, 2017, respectively.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held September 20, 2017, seconded by Mr. Carson and unanimously passed by the Board.

Mr. Cotham arrived at 1:01 p.m.

Consent Agenda

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

1. Internal Financial Statements for month ending October 31, 2017.

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

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

3. Approve Pension Payrolls:

Fire	\$2,785,172.62
Police	\$4,052,791.49

4. Payments to Service Providers

A. Conduent (formerly Buck Consultants) – thru September 30, 2017	\$8,340.00
B. Fisher Broyles thru September 30, 2017 (General)	\$14,535.00
C. Fisher Broyles thru September 30, 2017 (Public Information Act)	\$765.00
D. Legislative Consultants – October 2017	\$5,000.00
E. The Northern Trust Company – 2 nd Q 2017 Custody and Benefits	\$29,825.96
F. The Northern Trust Company – 2 nd Q 2017 Custody and Benefits	\$28,117.07
G. Rudd and Wisdom Inc. - thru September 2017	\$899.25
H. Sheehan Phinney - thru August 31, 2017	\$3,046.07
I. Summit Strategies Group – 3 rd Q 2017	\$58,335.00

Reports and recommendations of Committees

Unfinished Business

New Business

1. Discussion and action on the certification of the election results regarding the Ballot Amendment presented to the Fire Division of the El Paso Firemen and Policemen's Pension Fund, in accordance with Section 4(I) of the Election Policy. The following changes were considered:
 - a. Change the minimum Vesting Service, the minimum Credited Service and the minimum age requirements at Section 7, 8.03, 11 & 12 of the Second-Tier Plan from twenty-five (25) years to twenty (20) years of Vesting Service and Credited Service and the Member's minimum age from fifty (50) years to forty-five (45) years for a Tier 2 Service Retirement Benefit.
 - b. Replace the current Section 7.02 of the Second-Tier Plan with the pre-age 45 early retirement benefit provisions currently in Section 7.02 of the Base Plan, to enable Second-Tier Plan Members with 20 or more years of Vesting Service to retire before age 45, but using the Tier-Two 2.5% multiplier for benefit computations.
 - c. Amend the first sentence of Section 16.01 in both the Base Plan and Second-Tier Plan to make a 50% increase to each of the Section 16 "Minimum Pension" provisions for Firemen (from \$400 to \$600) to be effective December 31, 2017, with the first payment increase to be shown in the end of January 2018 payroll.
 - d. Amend Section 5.01(b) in both the Base Plan and Tier-Two Plan to increase the annual active Member contribution rate for Fire Fighters (presently at 15.28% of wages) by 0.544%, effective September 1, 2018, and by additional cumulative 0.544% increases as of September 1st of each of the next four (4) years, for a total Fire Member contribution rate of 18.00% as of September 1, 2022.

The certified results of the Ballot Amendment for the Fire Division were as follows: Accept or Yes 545 votes or 60% of the membership, Reject or No 118 votes or 13% of the membership. The total membership eligible to vote in the election was 905 members.

Dr. Tollen moved to certify the election results, seconded by Mr. Thompson and passed unanimously by the Board.

2. Discussion and action on the certification of the election results regarding the Ballot Amendment presented to the Police Division of the El Paso Firemen and Policemen's Pension Fund, in accordance with Section 4(I) of the Election Policy. The following changes were considered:
 - a. Change the minimum Vesting Service, the minimum Credited Service and the minimum age requirements at Sections 7, 8.03, 11 & 12 of the Second-Tier Plan from twenty-five (25) years to twenty (20) years of Vesting Services and of Credited Service and the Member's minimum age from fifty (50) years to forty-five (45) years for a Tier 2 Service Retirement Benefit, and
 - b. Replace the current Section 7.02 of the Second-Tier Plan with the pre-age 45 early retirement benefit provisions currently in Section 7.02 of the Base Plan, to enable

- Second-Tier Plan Members with 20 or more years of Vesting Service to retire before age 45, but using the Tier-Two 2.5% multiplier for benefit computations.
- c. Amend the first sentences of Sections 16.02 in both the Base Plan and the Second-Tier Plan to make a 50% increase to each of the Section 16 "Minimum Pension" provisions for Policemen (from \$500 to \$750) to be effective December 31, 2017, with the first payment increase to be shown in the end of January 2018 payroll.
 - d. Amend Section 5.01(a) in both the Base Plan and Tier-Two Plan to increase the annual active Member contribution rate for Police Officers (presently at 13.89% of wages) by 0.822%, effective September 1, 2018, and by additional cumulative 0.822% increases as of September 1st of each of the next four (4) years, for a total Police Member contribution rate of 18.00% as of September 1, 2022.

The certified results of the Ballot Amendment for the Police Division were as follows: Accept or Yes 646 votes or 62% of the membership, Reject or No 197 votes or 19% of the membership. The total membership eligible to vote in the election was 1,045 members.

Mr. Thompson moved to certify the election results, seconded by Mr. Shelton and passed unanimously by the Board.

Mr. Grossman explained that the City has been contacted and asked to put a place holder so that this amendment can be voted on by City Council. It will be on the agenda December 12th. All city council members, city manager, mayor, city attorney and all deputy city managers have been educated on how this measure will help the Fund and the City of El Paso. No issues have been noted.

3. Presentation and review of third Quarter 2017 Investment Performance and update, as presented by Mr. Eric Ralph of Summit Strategies Group.

Mr. Ralph explained that over the trailing 12 months equities and growth investments have done very well and specifically emerging markets equities have been performing the best up 22.5% Fixed income has been flat and has returned 10 bps over the trailing one year. Real estate was a good diversifier over this time period. The dollar continued its decline versus foreign currencies in 2017. Since the financial crisis, the three major developed market central banks have kept interest rates near or below zero. Today the Federal Reserve has raised rates 100 bps since 2015 and announced the beginning of balance sheet roll-off. With this policy shift, markets will increase their volatility. Master Limited Partnerships have continued to struggle. However, MLP management teams have reduced capex plans while maintaining dividends. The objective is to self-finance growth in the future with cash flow reinvestment. It is expected that the five year return will be 10% or as high as 25% if investors come back to the asset class.

The total fund attribution on calendar year to date thru September 30, 2017 is 13.57%. The fund benchmark returned 12.05%, so the Fund is 153 bps ahead of the benchmark. The Fund's ranking for the quarter, the Fund returned 3.98% ranking the Fund in the 14th percentile of all public funds. Calendar year to date, the Fund returned 13.57% ranking the Fund in the 8th percentile. In the one year, the Fund returned 14.13% ranking it in the 12th percentile. In the three year, the Fund returned 7.44% ranking it in the 26th percentile. The fund is solidly above median in all periods.

4. Discussion and action on approving the 2018 Budget as approved and recommended by the Budget & Finance Committee.

Mr. Grossman explained that there is a reduction of approximately \$972,000 from the completion of our capital outlay projects which includes the pension administration system, the computers, and the roof. There are slight reductions in many areas because now that we have two years of expenses in the building there are better estimates on utility expenses. There was a significant rise in computer maintenance. That is primarily for technical support and maintaining our information in the cloud over at rack space in San Antonio. This is \$20,000 per quarter or \$80,000 for the year. We are no longer paying personal taxes or real property taxes. Some slight increases came from normal contractual agreements: Summit, janitorial service, the alarm system, and other building expenses. The total spending budget for 2018 is \$2,580,950.

After careful discussion and due consideration and at the recommendation of the Budget and Finance Committee, Mr. Borsch moved to approve the 2018 Budget as presented; seconded by Dr. Tollen and passed unanimously by the Board.

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

Mr. Craig Dagen of the El Paso Fire Department spoke briefly. He thanked the Board for being good stewards of the Fund on behalf of firefighters and Local 51. He also thanked the Board for the legislative updates and pension summits that they have been providing the membership. He ask a question regarding cryptocurrency and further asked that the Fund's opinion be shared with the membership.

6. Report of Executive Director.

See Submitted Written Report

7. For Notation:

Informational Material For Review. No Action Required.

- A. Death of member
- B. Cost of Living Adjustments
- C. Refund of Contributions

8. 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 2:06 p.m.

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
November 29, 2017 - 1:00 P.M.



Chairperson



Secretary