

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, April 25, 2018 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
Chief Ricci Carson
Lieutenant Paul Thompson

Police Division:

Sergeant Sean Shelton
Lieutenant John Schneider
Sergeant JD Cotham

Mayoral Appointments:

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

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. William Grayson – Principal Global Investors
Mr. James Dominguez – William Blair
Ms. Tara Patock – William Blair

TRUSTEE MEMBERS ABSENT:

Ms. Terri Garcia

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
April 25, 2018 - 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 held on March 21, 2018.

Mr. Cotham moved to approve the minutes of the Regular Board Meeting held March 21, 2018, seconded by Mr. Schneider 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.

Mr. Cotham was recognized for this service to the Board. He thanked the Board and absented himself at 1:04 p.m.

1. Internal Financial Statements for month ending March 31, 2018.

Northern Trust Financial Statements for month ending March 31, 2018.

2. Expense Reports for the month ending March 31, 2018.

3. Approve Pension Payrolls:

Fire	\$2,835,215.11
Police	\$3,934,517.57

4. Payments to Service Providers

A.	Arthur J. Gallagher & Co – Directors & Officers Insurance 01/20/18 thru 01/20/19	\$7,199.00
B.	Fisher Broyles - thru February 28, 2018	\$3,870.00
C.	Jackson Walker for Trilantic Capital Partners VI - thru February 2018	\$5,717.25
D.	Jackson Walker for Partners Group RE Secondary 2017 - thru February 2018	\$8,415.45
E.	Jackson Walker for BCP Fund II - thru February 2018	\$4,428.00
F.	Legislative Consultants – March 2018	\$5,000.00
G.	Rudd and Wisdom, Inc. – February 2018	\$18,000.00
H.	Pension Technology Group – 1 st Q 2018 Support & Hosting Services	\$20,000.00

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
April 25, 2018 - 1:00 P.M.

3

I.	Pension Technology Group – Implementation of Plan Amendment Changes in Pension Pro	\$3,500.00
J.	Powers Mediaworks, LLC – 1 st Q 2018	\$4,683.65

Reports and recommendations of Committees

1. Discussion and action on dissolving Ad-Hoc Securities Litigation Committee and approving the minutes from the last meeting held on March 20, 2017.

Mr. Grossman explained that the committee had run its course because the Securities Litigation companies had already been selected.

After careful discussion and due consideration, Mr. Carson moved to dissolve the Ad-Hoc Securities Litigation Committee and approve the minutes from its last meeting on March 20, 2017, seconded by Mr. Schneider and passed unanimously by the Board.

Mr. Shelton arrived at 1:07 p.m.

Unfinished Business

New Business

1. Investment Performance Review for period ended December 31, 2017 and update, as presented by Mr. William Grayson of Principal Global Investors.

Mr. Grayson explained that currently the Assets under Management are \$75.9B in real estate assets. El Paso has been in the Core Flagship Fund for four and one-half years. Principal utilizes a four quadrant investment platform in Real Estate: Private Equity – Core, Value-added and Opportunistic Properties, Private Debt – Commercial Mortgages, Bridge, and Mezzanine Loans, Public Equity – Real Estate Investment Trust Securities, and Public Debt – Commercial Mortgage-Backed Securities. The Fund's investment started with \$18M. One year and one-half later, \$10M was added. Fourteen months later, \$15M was withdrawn. Currently the Fund is at \$24M. The Flagship Core Fund has been around for thirty-six years, it has a little over \$10B in gross assets. It has 143 properties in 42 markets across the country. It has fairly low leverage at 23.5%. In the first quarter of 2018, the Fund was up 2.14%. The Portfolio is very well diversified across the United States. Sixty-seven percent of the portfolio is in the Western region and Southern region by design. This is where general population shifts and most of the employment growth throughout the US is occurring. The strategic themes for 2018 is an increase in same-property net operating income. This will be accomplished with measured risk reduction and by decreasing leverage, reducing office allocation, and executing non-core allocation (no long-duration office development). It is expected that this Fund will yield 5% to 7% going forward.

2. Investment Performance Review for period ended December 31, 2017 and update, as presented by Mr. James Dominguez and Mrs. Tara Patock of William Blair.

Mr. Dominguez explained that William Blair is a 100% active employee-owned firm. As of March 31, 2018, the Fund had \$63.8B Assets under Management. Ms. Patock explained that in the small

cap growth portfolio, they are quality growth investors that look for investments with a faster rate and longer period of time than the market expects. The portfolio looks for strong management teams, a sustainable business model, and solid financials. Within these companies, William Blair invests in companies when the stocks are miss-priced. The historical characteristics of this fund are valuation sensitivity, market cap bias, and a contrarian bias. In the first quarter of 2018, the Fund made 5.23% net of fees compared to the benchmark which was at 2.3%. In 2017, the Portfolio was up 27.63% net of fees compared to the benchmark which was at 22.17%.

The small cap value team is distinguished by the tenure of the team. They have been working together at William Blair for thirteen years. The value investment philosophy looks to strike the right balance between valuation and fundamentals. The focus is to invest in attractively valued opportunities where there is stable or improving fundamentals. In the first quarter of 2018, the Portfolio was down 4.09% net of fees compared to the benchmark which was down 2.64%. That underperformance really came in January. In 2017, the Portfolio was up 8.17% net of fees compared to the benchmark which was at 7.84%.

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. Service Retirement (s)
- B. Service/Forward DROP Retirement(s)
- C. Death of Member
- D. Cost of Living Adjustments

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
April 25, 2018 - 1:00 P.M.

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 2:13 p.m.



Chairperson



Secretary