

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, May 16, 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
Officer Jerry Armendariz

Mayoral Appointments:

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
Ms. Colleen Neu – The Northern Trust Company
Mr. Phineas Troy – Summit Strategies Group
Mr. Matt Jelinek – Summit Strategies Group

TRUSTEE MEMBERS ABSENT:

Ms. Terri Garcia
Ms. Leila Melendez

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 on April 25, 2018.

Mr. Ortega moved to approve the minutes of the Regular Board Meeting held April 25, 2018, seconded by Mr. Schneider and unanimously passed by the Board.

Consent Agenda

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

1. Internal Financial Statements for month ending April 30, 2018.

Northern Trust Financial Statements for month ending April 30, 2018.

2. Expense Reports for the month ending April 30, 2018.

3. Approve Pension Payrolls:

| | |
|--------|----------------|
| Fire | \$2,796,340.85 |
| Police | \$3,973,550.37 |

4. Payments to Service Providers

| | |
|--|-------------|
| A. Legislative Consultants – March 2018 | \$5,000.00 |
| B. The Northern Trust Company – 1 st Q 2018 Custody and Benefit Payments | \$30,074.48 |
| C. The Northern Trust Company – 1 st Q 2018 Quantitative | \$8,885.50 |
| D. Rudd and Wisdom, Inc. – March 2018 | \$628.75 |
| E. Summit Strategies Group – 1 st Q 2018 | \$59,565.00 |

Reports and recommendations of Committees

Unfinished Business

New Business

1. Securities Lending Review for period ended December 31, 2017 and update, as presented by Ms. Colleen Neu of Northern Trust.

Ms. Neu explained the Securities Lending Transaction Process. There are three parties to the process. The Beneficial Owner of the securities who make up the supply side of the transaction. Then there are the Borrowers (like Goldman Sachs and Citigroup) that make up the demand side of the transaction. In the middle is Northern Trust as agent lender who matches up the supply with the demand. NT has a Securities Lending Authorization Agreement with the beneficial owner and Master borrowing agreement with each borrower. Trades are always over-collateralized. Income is generated by the Reinvestment spread which is the yield earned from taking the US dollar cash collateral and reinvesting it. Then there is the intrinsic value spread which is the borrower fee. Northern Trust has been a lending agent since 1981. It is a core part of its business. They have 424 clients in 26 countries with \$1.2T in lendable securities and \$180B in loans outstanding. The four risks associated with securities lending are Borrower defaults, trade settlement, cash collateral reinvestment, and interest rate. The fund began the program in December of 2006. Since inception, the fund has had \$4,176,474 million in gross revenue and \$2,943,689 in net revenue.

2. Presentation and review of first Quarter 2018 Investment Performance and update, as presented by Mr. Phineas Troy and Mr. Matt Jelinek of Summit Strategies Group.

Mr. Troy explained that fundamentals continued to remain strong. Global stocks experienced their first quarterly decline since the third quarter of 2015 returning -0.9%. Tech stocks and emerging markets outperformed during the first quarter. Negative fixed income returns are the result of rising yields. MLPs and commodities have declined year-to-date. Despite recent market fluctuations primarily due to fears of rising inflation and concerns surrounding trade wars, global equities remain 23% above year-end 2016 levels. For the quarter, the Fund was down 14 basis points; however for the trailing year, the Fund was up 11.55%.

Mr. Jelinek reviewed the fees that the Fund is paying to its Investment managers and how those fees compare to fees paid by peers of similar account size and type. There are a few managers that are slightly higher than the median fee paid by peers. Those are: William Blair and Baillie Gifford (International Developed). Fees have to be balanced with performance. For example William Blair (Small cap growth) is 4 bps higher than the median peer in terms of fees; however they have outperformed by 150 bps since inception. In aggregate based on a portfolio of the Fund's size and the manager mix, the Fund should expect to pay \$8.1M; however the Fund is paying \$6.1M for those management services. This is a savings of \$2M. No manager is higher than the 75th percentile within their universes.

Chairman Villanueva absented himself at 1:54 p.m.

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. Death of Member
- C. Cost of Living Adjustments
- D. 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 3:04 p.m.



Chairperson



Secretary