

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING**  
**Wednesday, June 20, 2018 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  
Chief Ricci Carson  
Lieutenant Paul Thompson

**Police Division:**

Lieutenant John Schneider  
Officer Jerry Armendariz

**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. Phineas Troy – Summit Strategies Group  
Ms. Jennifer Sutherland – Dimensional Fund Advisors  
Mr. Arun Keswani – Dimensional Fund Advisors  
Mr. Nigel Bliss – Mondrian Investment Partners Limited  
Mr. Stephen Starnes - Mondrian Investment Partners Limited

**TRUSTEE MEMBERS ABSENT:**

Ms. Terri Garcia  
Sergeant Sean Shelton

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**June 20, 2018 - 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 on May 16, 2018.

*Mr. Thompson moved to approve the minutes of the Regular Board Meeting held May 16, 2018, seconded by Dr. Tollen 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 May 31, 2018.

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

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

3. Approve Pension Payrolls:

Fire	\$2,836,881.08
Police	\$4,147,736.91

4. Payments to Service Providers

A.	Baillie Gifford – 1 <sup>st</sup> Q 2018	\$144,910.54
B.	Brown Advisory – 1 <sup>st</sup> Q 2018	\$42,809.76
C.	Cooke & Bieler – 1 <sup>st</sup> Q 2018 (Large Cap Value)	\$105,749.99
D.	Cooke & Bieler – 1 <sup>st</sup> Q 2018 (Small Cap Value)	\$66,004.62
E.	Fisher Broyles – April 2018	\$3,915.00
F.	Harvest Fund Advisors, LLC – 1 <sup>st</sup> Q 2018	\$108,120.86
G.	Intech – 1 <sup>st</sup> Q 2018	\$28,850.21
H.	Legislative Consultants – May 2018	\$5,000.00
I.	Mondrian – 1 <sup>st</sup> Q 2018	\$171,585.82
J.	Moss Adams – Progress Billing 2017 Audit	\$12,950.00
K.	PIMCO – 1 <sup>st</sup> Q 2018	\$109,270.28
L.	Rudd & Wisdom, Inc. – April 2018	\$4,600.00
M.	Jackson Walker, LLP – Charlesbank Equity Fund IX – March 2018	\$1,236.15
N.	William Blair – 1 <sup>st</sup> Q 2018 (Small Cap Growth)	\$97,261.87

O. William Blair – 1<sup>st</sup> Q 2018 (Small Cap Value) \$129,766.49

Reports and recommendations of Committees

Unfinished Business

New Business

Chairman Villanueva requested that Item 4 be moved to before Items 1, 2 & 3.

4. Discussion and Action on Overpayment Policy.

Mr. Grossman explained that the procedure is state law. The change is in the Procedure Explanation section which describes the way the Fund enforces state law. Ms. Ramirez further explained that the changes requested are attached in blue. If approved the changes will allow for the collection of an overpayment that is less than \$5000 or less than 10% of the member's annual benefit to be collected by the member over the period of a year or less instead of with an actuarial calculation that is spread over the member's lifetime. This change also allows the Fund to save in the cost of paying the actuary when the overpayment amount is small. The amendment has been reviewed by the Fund's legal counsel.

*After careful discussion and due consideration, Mr. Thompson moved to amend the Overpayment Policy with the changes presented, seconded by Mr. Schneider and passed unanimously by the Board.*

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

Police Division – Certified Results

Position #1 – for Trustee Jeffrey Cotham

The certified results of Position #1 are as follows: Mr. Jerry Armendariz, 252 votes; Mr. David R. Camacho, 210 votes; Mr. Christian Sandoval, 44 votes; Whereas Mr. Armendariz received the highest number of validated votes for Position #1, Mr. Armendariz will be deemed a duly elected member of the Board of Trustees.

Position #2 – for Trustee John Schneider

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

2. Investment Performance Review for period ended December 31, 2017 and update, as presented by Ms. Jennifer Sutherland of Dimensional Fund Advisors.

Ms. Sutherland explained that Dimensional currently has 1200 employees across 13 offices across the globe. Dimensional has offices with investment professionals globally. It is important to have experts across the globe and in various training locations. Most recently an office was opened in Charlotte to service the growing East Coast client base. Year to date the assets under management are \$586B.

Mr. Arun Keswani explained that the International Small Cap Value Portfolio invests in 22 developed markets with no emerging markets and excluding the United States. The portfolio uses what has been learned with academic research in the US for the past 100 years and developed markets for the past 30 to 50 years and emerging markets. This research shows that certain things lead to higher returns than the broader market. Those things include: 1) the size premium – if you buy smaller capitalization stocks you do better than if you buy large stocks, 2) if you buy value securities you do better than you would if bought the broader market or growth securities, and 3) if you buy securities of profitable companies than those with low profitability. This is how Dimensional builds their portfolio. If you hold small caps, values securities, and small value securities that have high profitability over the long run you will come out ahead over the broader market. The portfolio has a large number of names, 2000, compared to another managers with only 50 to 100 names. This allows the picking of securities that can be traded at the most advantages fashion. Turnover is 15% to 30%.

Over the last year, the value premium has been negative; however over the long term value stocks should outperform. In addition, the micro cap names also slightly detracted.

Mr. Schneider absented himself at 1:40 p.m.

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

3. Investment Performance Review for period ended December 31, 2017 and update, as presented by Mr. Nigel Bliss and Mr. Stephen Starnes of Mondrian.

Mr. Starnes explained that Mondrian currently has approximately \$60B in assets under management. All of their products utilize an income-oriented value discipline. They are an employee-owned business with about 80 employees who are owners. There are 56 investment professionals and all are in London.

Mr. Bliss explained that Mondrian's investment philosophy is that of a value-oriented defensive manager. Value is defined using a dividend discount model. Modeling is used with the starting dividend of a company to see how that company can grow the dividend in the future in real terms after inflation. Then the future stream of dividends is discounted back to its present value. That gives Mondrian the valuation of the company in local currency. Then purchasing power parity is used as currency approach to convert that valuation into US dollars. This approach has been in use for over 40 years.

Over the last seven plus years, value has been out of favor over growth stocks. In bull markets, Mondrian will not outperform but will participate in those strong market rallies and capture a lot of the upside. Mondrian will lag when markets are led higher in non-fundamental factors. In the period of quantitative easing, the market has been distorted by some of these monetary policies. The fundamental backing for stocks has not been in place. Markets have been led higher by re-

rating rather than by fundamentals. Mondrian has struggled as markets have moved higher; however the defensive characteristics of the portfolio are still in place. Therefore if markets decline, Mondrian will decline less than the market. If the capital base of the portfolio can be preserved, then there is more of a base from which to grow when markets recover.

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. Proportionate Retirement (PRP)
- D. Cost of Living Adjustments

8. Adjournment.

*Mr. Ortega moved to adjourn, seconded by Mr. Carson and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:30 p.m.*

  
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Chairperson

  
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Secretary