

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, July 18, 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
Lieutenant Paul Thompson

Police Division:

Lieutenant John Schneider
Officer Jerry Armendariz
Sergeant Sean Shelton

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. Jess Downer (via teleconference) – Meketa Investment Group
Mr. Leandro Festino – Meketa Investment Group
Mr. Kory Hoggan – Moss Adams
Mr. Warren DeKinder – Intech Investment Management
Ms. Nancy Holden – Intech Investment Management
Ms. Patricia Degman – City of El Paso (arrived at 1:56 pm)

TRUSTEE MEMBERS ABSENT:

Chief Ricci Carson
Ms. Terri Garcia

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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 June 20, 2018.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held June 20, 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.

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

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

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

3. Approve Pension Payrolls:

Fire	\$2,820,716.12
Police	\$4,166,421.88

4. Payments to Service Providers

A.	Salena Karam Ayoub – May 2018 (General)	\$638.75
B.	Salena Karam Ayoub – May 2018 (Cara Rodenhaver)	\$744.10
C.	Legislative Consultants – June 2018	\$5,212.55
D.	Meketa Investment Group – 1 st Q 2018	\$68,750.00
E.	Moss Adams – Progress Billing 2017 Audit	\$26,300.00
F.	Pension Technology Group – 2 nd Q 2018	\$20,000.00

Reports and recommendations of Committees

1. Discussion and action on Disability Recall, Police Department, as recommended by Benefits Committee.

Mr. Grossman explained that the Board recently approved the Benefit Disability Recall Procedure. This was the first recall handled with this policy. The listing of current disability recipients was

narrowed to select this member for the Disability recall. The surviving spouses of disabled members were eliminated, then any disability member over the age of 60 was removed, and finally any disabled members whose disability is one where there is no cure for the ailment were also removed. This left approximately 40 on the list. The member selected is the member who has been receiving a disability the longest. He had been on disability for 32 years and had never been recalled. It was noted that his disability would be reviewed a year later, however that never happened. The recall proceeded in which the new policy worked as predicted. The staff recommended that this member should continue to receive the disability benefit.

After careful discussion and due consideration and at the recommendation of the Benefits Committee, Mr. Schneider moved to not require an Independent Medical Examination on this member, take the member off the disability recall list, and continue the monthly disability benefit payment for this member, seconded by Mr. Armendariz and passed unanimously by the Board.

2. Discussion and action on Electronic Forms Integration with Pension Pro as recommended by the Audit and Risk Management Committee.

Mr. Shelton explained that the committee is waiting on pricing for DocuSign from PTG; therefore at this time no action was taken.

3. Discussion and action on the commitment to Ridgemont Equity Partners Fund III, as recommended by the Investment committee.

Dr. Tollen spoke on behalf of the Investment committee and recommended commitment of \$8M to Ridgemont Equity Partners Fund III. He further stated that the Fund is currently invested in Ridgemont Equity Partners II and it is doing very well with an IRR in excess of 25%.

After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to commit \$8,000,000 to Ridgemont Equity Partners Fund III upon successful vetting by legal counsel, seconded by Mr. Shelton and passed unanimously by the Board.

Unfinished Business

Mr. Villanueva requested that Item 3 be moved ahead on the agenda.

New Business

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

Mr. Hoggan explained that he would be presenting some required communications, summarize the financial statements, then he would review some key footnotes and disclosures. Three documents are being released. The first is audit opinion is an Unmodified Opinion or a clean opinion. It is the highest level of assurance that you can get from an auditor on your financial statements. The second opinion is a certification that your audit was performed in accordance with governmental

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auditing standards. This opinion goes to the City. Finally a memo will be issued to the Board. It is required communications for the Board. The Financial highlights shows that total investments grew considerably in 2017 due to increases in appreciation. Contributions increased slightly due to an increase in membership. The Benefits Paid line went up significantly because people are living longer now and collecting annuities longer. The funded status percentage is 83.2% an increase of 6% to 7% from last year thanks largely to investment performance. Contributing members went up by 3% and the Retirees went up by 1%. The areas of audit emphasis include: Internal Controls, Investments, Participant data, Benefit payments, estimated liabilities and obligations, and Actuarial assumptions and methods. There is a proposed audit adjustment of \$6.1M. This adjustment was to increase the reported fair value of alternative investments.

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

2. Private Equity Performance Review for the period ended December 31, 2017 as presented by Mr. Leandro Festino of Meketa Investment Group.

Mr. Jess Downer of Meketa Investment Group also joined the meeting via teleconference.

Mr. Festino explained that the markets have been good including private equity and the Fund's investments. The Fund has committed \$220M. So far \$116M as of December 31, 2017 has been invested. The difference of about \$113.9M remains to be invested in the next couple of years. The Fund has received back about \$51.6M. There have been \$40M in gains in the Fund's private equity portfolio since inception on an annualized basis. This translates to 14% gain. The cash on cash return translates to 1.3X. In 2009, the Fund started with a 5% allocation and that went up 5 years later to a 10% allocation. There are 41 partnerships as of 12/31/2017 and three more in this current year. The majority are buyouts, then some debt funds, and special situation funds and a secondary's fund. About 82% of the Funds are invested in the US, 8% in Europe and 10% in Emerging Markets. Within sectors, three dominate: Technology, Industrials, and Healthcare.

4. Discussion and action on Contribution Study requested by the City of El Paso.

Ms. Pat Degman spoke on behalf of the City of El Paso and explained that the City is currently working on a Pension Funding Policy and is requesting the Fund's Projection of Fiduciary Net Position to assist with the new policy. She provided a sample of the Projection of Fiduciary Net Position Report for the Board to review.

Mr. Grossman explained that this report requested by the City of El Paso was previously part of the Fund's Actuarial Valuation Report. However since the last Valuation (January 1, 2016), this report was no longer required; therefore the Fund's projection is no longer needed. He further explained that Rudd & Wisdom could provide this report at an estimated cost of \$1,500.00. He recommended that the City of El Paso be charged for this report since it is not required by the Fund and if approved will be created because of City of El Paso's request.

Many board members wanted to make sure that the City understood that when the policy discussions come up that the Fund be included in those discussions. The Board also conveyed

that pension funding is addressed in state law and city ordinance and should be adhered to in any policy written.

After careful discussion and due consideration, Mr. Ortega moved to approve the creation of the Projection of Fiduciary Net Position Report requested by the City of El Paso by the Fund's actuary. He further approved that the report be paid for by the Fund. This motion was seconded by Mr. Borsch and passed by the Board. Dr. Tollen abstained from this vote.

Chairman Villanueva absented himself at 2:41 pm.

1. Investment Performance Review for period ended December 31, 2017 and update, as presented by Mr. Warren DeKinder and Ms. Nancy Holden of Intech Investment Management.

Mr. Warren DeKinder began with the Relationship Recap. On June 2, 2006, the Fund started with \$64M, then added \$41M over the years, and pulled out \$98.5M with an ending value of \$153M. Performance net of fees was tough for the quarter. The Fund returned 1.17% but was behind the benchmark by 2.26%. Performance from inception to date is 31 basis points over the benchmark annualized net of fees. The absolute net return is 8.96% per year.

Intech is different from the average equity manager. Intech uses a volatility capture strategy. These are stocks that have low levels of correlation to each other and fairly high levels of volatility. As these stocks move around, if the stock goes up the stocks will be trimmed. If the stocks go down, more will be bought.

The second quarter was down because mega cap stocks (specifically mega cap tech stocks) within the index were underweighted. This is because these stocks act like the index and were therefore underweighted. These mega cap tech stocks did very well. From a sector perspective, the portfolio was underweight in energy which also did very well and overweight both in financials and industrials which did not do well in the second quarter.

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(s)
- C. Proportionate Retirement (PRP)

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- D. Death of Member(s)
- E. Cost of Living Adjustments
- F. Refund of Contributions

8. Adjournment.

Mr. Ortega moved to adjourn, seconded by Mr. Shelton and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:18 p.m.



Chairperson



Secretary