

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, August 22, 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
Dr. Robert Tollen

City Manager Appointments:

OTHERS PRESENT

Mr. Tyler Grossman – Executive Director
Ms. Christina Ramirez – Deputy Executive Director
Ms. Lena Ellis - CFO
Mr. Leandro Festino – Meketa Investment Group
Mr. Jeremy Burton – Pinebridge Investments
Mr. Phineas Troy – Summit Strategies Group
Mr. Matt Jelinek – Summit Strategies Group
Mr. Mark Fenlaw – Rudd & Wisdom, Inc.
Ms. Rebecca Morris – Rudd & Wisdom, Inc.

TRUSTEE MEMBERS ABSENT:

Chief Ricci Carson
Ms. Terri Garcia
Mr. Presi Ortega
Mr. Gary M. Borsch

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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 1:06 p.m.

2. Election and approval of a Chairperson and a Vice-Chairperson of the Board of Trustees for a term of two years in accordance with Section 3 of the By-Laws of the Board of Trustees.

Mr. Shelton nominated Mr. Jerry Villanueva for Chairperson, seconded by Mr. Armendariz and the motion passed unanimously by the Board.

Dr. Tollen nominated Mr. Paul Thompson for Vice-Chairperson, seconded by Mr. Schneider and the motion passed unanimously by the Board.

Chairperson Villanueva presided for the remainder of the meeting.

3. Reading and approval of the Minutes from the previous Regular Board Meeting held on July 18, 2018.

Dr. Tollen moved to approve the minutes of the Regular Board Meeting held July 18, 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 July 31, 2018.

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

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

3. Approve Pension Payrolls:

Fire	\$2,911,565.39
Police	\$4,188,271.09

4. Payments to Service Providers

A.	Salena Karam Ayoub – June 2018 (General)	\$192.50
B.	Salena Karam Ayoub – June 2018 (Cara Rodenhaver)	\$490.00

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C.	DLA Piper – May 2018 (Metropolitan Fund VIII)	\$2,963.25
D.	DLA Piper – May 2018 (Charles Bank IX)	\$689.85
E.	DLA Piper – May 2018 (Patria Fund VI)	\$125.10
F.	DLA Piper – May 2018 (BCP Fund II)	\$5,257.35
G.	DLA Piper – May 2018 (Trilantic VI)	\$2,628.00
H.	DLA Piper – May 2018 (PG Real Estate)	\$4,701.15
I.	Lawson Attorneys – June 2018	\$400.00
J.	Legislative Consultants – July 2018	\$5,213.52
K.	Meketa Investment Group – 2nd Q 2018	\$68,750.00
L.	Powers MediaWorks, LLC – 2 nd Q 2018	\$3,328.00
M.	Rudd & Wisdom – May 2018	\$607.50
N.	Summit Strategies Group – 2 nd Q 2018	\$59,565.00

Reports and recommendations of Committees

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

Mr. Grossman explained that PTG was asked to add DocuSign to the forms that the Fund currently utilizes. PTG researched the project and provided a presentation on how this would work. The member can go to the Fund's web portal and request a form. The Form is sent to member with some pre-populated fields then member can update all of the required fields with their electronic signature. The form is then reviewed and accepted by Fund Staff and once approved the form is uploaded in Pension Pro and the appropriate fields are updated. This project will begin with eight of the most used forms. The cost for this is a one-time fee of \$46,000.

After careful discussion and due consideration and at the recommendation of the Audit and Risk Management Committee, Mr. Shelton moved to approve the implementation of the Electronic Forms Integration within Pension Pro at the fee presented. However Mr. Grossman was given authority to attempt to negotiate the fee down if possible and increase the annual budget based on the negotiated fee. This was seconded by Mr. Schneider and passed unanimously by the Board.

Unfinished Business

New Business

Chairman Villanueva requested that Item 2 be moved prior to Item 1.

2. Investment Performance Review for the period of April 1, 2018 to June 30, 2018 and update as presented by Mr. Phineas Troy and Mr. Matt Jelinek from Summit Strategies Group.

Mr. Phineas Troy explained that Summit is being purchased by Mercer. The deal will close at the earliest on October 15th. Once the deal closes Summit will become Mercer. Several years ago,

Mercer decided to get out of the General Consulting practice with public pension plans. Because this will put some of Summit's clients in a bad position, Summit and Mercer did some due diligence and settled on AndCo to continue the business with Summit's public pension plans. AndCo will take over the Summit contracts as is with the same terms, fees, and conditions. Summit will help with the transition thru the year-end.

Mr. Troy continued with the Investment Performance Review thru June 30, 2018. From an economic standpoint, things remain very positive, he explained. US tech and small cap stocks are the best-performing asset classes in 2018. Over time (ten year periods), value outperforms growth 94% of the time. Currently growth has outperformed value. Fear related to trade headlines have brought in investment volatility in 2018.

The Fund's Assets ended the second quarter at \$1.47B. The Fund is up 1.1% over the 3 month period. Relative performance is down about 30 basis points relative to the benchmark. For the most part all equity managers have a slight value bent to them.

1. Investment Performance Review for period ended December 31, 2017 and update, as presented by Mr. Jeremy Burton of PineBridge.

Mr. Burton stated that PineBridge is a private, global asset manager focused on active, high-conviction investing. The cornerstone of the portfolios' AUM is high-conviction credit strategies and fixed income. The PineBridge advantage is a stable, experienced investment management team, a proven investment process and superior risk-adjusted returns.

3. Discussion and action on approval of January 1, 2018 Actuarial Valuation – Fire Plan as presented by Mr. Mark Fenlaw and Ms. Rebecca Morris of Rudd & Wisdom, Inc.

Mr. Fenlaw explained that changes to three sets of assumptions are recommended with the 2018 Valuation. The Investment Return Assumption should be changed. In the 2016 Valuation, a 7.75% assumed rate of return net of all expenses was used; however GASB requires that the Investment Return Assumption be net of only investment expenses with an explicit assumption for administrative expenses.

The second assumption change is to the retirement rate assumption. It should include the DROP participants; therefore retirement rates were changed to reflect the DROP participants.

The last assumption change was the assumed City contribution rate. For Fire, the rate remained at 18.5, but for Police it changed to 18.25. This matches actual experience of the plans.

There were two major influences to the bottom line in the 2018 Valuation. The first occurred in the first six months of the Forward DROP in that there was a large influx of participants to the Forward DROP. The 2016 valuation study used the long-term average experience in its calculation of the retirement rate and not the actual experience that the Forward DROP produced. The second factor was the explicit assumption for recognizing administrative expenses. It adds 4 years in the amortization period for the Fire plan and 3.5 years in the amortization period for the Police plan.

Ms. Morris hi-lighted the amortization period for the fire plan of 28 years; however the bottom line is that the Fire plan has an adequate funding arrangement. She also called attention to the investment return sensitivity.

After careful discussion and due consideration, Mr. Schneider moved to approve the Actuarial Valuation for the Fire Plan as presented by Mr. Mark Fenlaw and Ms. Rebecca Morris of Rudd & Wisdom, seconded by Mr. Armendariz and passed unanimously by the Board.

4. Discussion and action on approval of January 1, 2016 Actuarial Valuation – Police Plan as presented by Mr. Mark Fenlaw and Ms. Rebecca Morris of Rudd & Wisdom, Inc.

Ms. Morris hi-lighted the amortization period for the police plan of 30.5 years. It also has an adequate contribution arrangement. She also called attention to the investment return sensitivity and its effect on the amortization period. The police amortization period went down as compared to the last valuation because there was a bigger increase in the contribution rate for the police plan.

After careful discussion and due consideration, Mr. Schneider moved to approve the Actuarial Valuation for the Police Plan as presented by Mr. Mark Fenlaw and Ms. Rebecca Morris of Rudd & Wisdom, seconded by Mr. Armendariz and passed unanimously by the Board.

5. Discussion and action on approval of January 1, 2016 Actuarial Valuation – Staff Plan as presented by Mr. Mark Fenlaw and Ms. Rebecca Morris of Rudd & Wisdom, Inc.

Mr. Fenlaw explained that the staff plan states that the actuary determines the contribution; however the Board practice is to adjust the contributions with plan experience. It is recommended that the language in the Plan Document be changed to match Board practice.

Ms. Morris explained that currently the assets are greater than the accrued liability which results in an overfunded actuarial accrued liability (OAAL). The OAAL was amortized over 30 years. The actuarially determined contribution rate is 9.85% which is less than the current funding rate of 12.50%.

Mr. Fenlaw also recommended that the plan language be changed to reflect how to handle an OAAL. This should be done over a long period.

After careful discussion and due consideration, Mr. Thompson moved to approve the Actuarial Valuation for the Staff Plan as presented by Mr. Mark Fenlaw and Ms. Rebecca Morris of Rudd & Wisdom, seconded by Mr. Armendariz and passed unanimously by the Board.

6. Discussion and action on General Investment Consultant for the El Paso Fire and Police Pension Fund.

Mr. Grossman explained that Summit will cease to exist in the next couple of months. Summit was hired in July of 2002. The contract has been renewed three times. He recommended that an

RFP be prepared and that the Fund move forward as quickly as possible to hire a new consultant. He also explained that Mr. Leo Festino is present to assist and answer any questions the board may have on moving forward in this process. The Board could chose to move forward with AndCo or Meketa temporarily until the RFP process is completed.

After careful discussion and due consideration, Mr. Shelton moved to create an Ad-Hoc Committee in order to procure a new General Investment Consultant thru the RFP process with the goal to hire the consultant by January 1, 2019, seconded by Dr. Tollen and passed unanimously by the Board.

7. Approval/denial of full-time Student Request Application in accordance with Section 3.21 "Qualified Child" of the Plan Document.

Mr. Grossman explained that all of the documentation is in order for approval.

After careful discussion and due consideration, Mr. Schneider moved to approve the full-time Student Request Application presented in accordance with Section 3.21 "Qualified Child" of the Fund's Plan Document, seconded by Mr. Armendariz and passed unanimously by the Board.

8. Approval/denial of Qualified Dependent status for a disabled and non-self-supporting Police dependent in accordance with Section 3.21 "Qualified Child" of the Plan Document.

Mr. Grossman explained that this is the first time that the Fund was asked to place a Qualified Child to be paid pension benefits into a trust. Documentation is in order to qualify the child as per the Fund's guidelines. The legal opinion is that the deposit can go into a trust as long as the trust is irrevocable, the trust is in the child's name, there is an EIN number, and there is a named trustee for the trust. Attorney Lawson provided Release and Indemnity Agreements to be signed by the Qualified Child and Trustee.

After careful discussion and due consideration, Dr. Tollen moved to approve the Qualified Child status for the disabled dependent in accordance with Section 3.21 "Qualified Child" of the Fund's Plan Document. It was also approved that the Trust set-up by the deceased member on behalf of the Qualified Child would be paid the pension benefit once the Release and Indemnity Agreement was signed and returned to the Fund. This was seconded by Ms. Melendez and passed unanimously by the Board.

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

None.

10. Report of Executive Director.

See submitted Written Report

11. For Notation:

Informational Material For Review. No Action Required.

- A. Service/Forward DROP Retirement
- B. Service/Back DROP Retirement
- C. Proportionate Retirement (PRP)
- D. Death of member (s)
- E. Cost of Living Adjustments
- F. Refund of Contributions

12. Adjournment.

Mr. Schneider moved to adjourn, seconded by Mr. Thompson and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 4:07 p.m.



Chairperson



Secretary