

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, December 19, 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:

Officer Jerry Armendariz
Lieutenant John Schneider
Sergeant Sean Shelton

Mayoral Appointments:

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

City Manager Appointments:

Mr. Gary M. Borsch
Mr. William Veliz

OTHERS PRESENT

Mr. Tyler Grossman – Executive Director
Ms. Christina Ramirez – Deputy Executive Director
Ms. Lena Ellis – Chief Financial Officer
Mr. Frank Guillen, Fire Member
Mr. Hector Gonzales III, Fire Member and family (Norma – spouse and Hector A. Gonzales – son)
Ms. Margaret McKnight, Metropolitan
Mr. John So, Metropolitan
Mr. Leandro Festino, Meketa Investment Group

TRUSTEE MEMBERS ABSENT:

Chief Ricci Carson

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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 1:13 p.m.

2. Reading and approval of the Minutes from the previous Regular Board Meeting held on November 14, 2018.

Mr. Ortega moved to approve the minutes of the Regular Board Meeting held November 14, 2018, seconded by Dr. Tollen and unanimously passed by the Board.

Consent Agenda

Mr. Schneider moved to approve the Consent Agenda, seconded by Mr. Armendariz and passed by the Board.

1. Internal Financial Statements for month ending October and November 2018.

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

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

3. Approve Pension Payrolls:

Fire	\$2,883,305.58
Police	\$3,897,454.17

4. Payments to Service Providers

A.	Baillie Gifford – 3 rd Q 2018	\$132,743.69
B.	Brown Advisory – 3 rd Q 2018	\$46,492.07
C.	Cooke & Bieler – 3 rd Q 2018 (Small Cap Value)	\$48,734.88
D.	Cooke & Bieler – 3 rd Q 2018 (Large Cap Value)	\$80,832.82
E.	DLA Piper thru September 30, 2018	\$1,350.45
F.	Harvest Fund Advisors LLC	\$123,371.89
G.	Intech – 3 rd Q 2018	\$19,503.29
H.	Lawson Attorneys PLLC thru October 31, 2018	\$4,625.00
I.	Legislative Consultants – November 2018	\$5,000.00
J.	Mondrian – 3 rd Q 2018	\$199,113.48
K.	The Northern Trust Company – 3 rd Q 2018	\$8,803.73
L.	PIMCO – 3 rd Q 2018	\$108,577.26
M.	Rudd and Wisdom, Inc. – September 2018	\$3,818.00
N.	Summit Strategies Group – October 2018	\$19,855.00
O.	William Blair – 3 rd Q 2018 (Small Cap Value)	\$141,405.00
P.	William Blair – 3 rd Q 2018 (Small Cap Growth)	\$106,870.52

Reports and recommendations of Committees

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

Mr. Shelton spoke on behalf of the Benefits Committee and stated that the Committee met earlier today and unanimously approved the Qualified Child status of this dependent.

After careful discussion and due consideration, Mr. Schneider moved to approve the Qualified Dependent status for Hector A. Gonzales, seconded by Mr. Armendariz and unanimously approved by the Board.

Unfinished Business

Chairman Villanueva welcomed the Fund's newest trustee, William Veliz. He also requested that Item 4 be moved before Item 1. Item 2 will then follow Item 4.

New Business

4. Discussion and action on repayment of lump sum QDRO payouts.

Mr. Grossman explained that in 2004 the Board approved lump sum payments of QDRO payments as well as the members' ability to buyback the QDRO lump sum payment to make their benefit whole. The issue is that there were no formal guidelines established for this buyback process. The Fund recently had the first member to buyback a QDRO lump sum payment paid to his ex-spouse. Once this was done, taxing questions arose on the transaction. The Fund reached out to our attorney as well as our actuary for guidance. Our attorney explained that an administrative change to the plan document was needed. Also the actuary explained there are IRS tax ramifications to this lump sum buyback. Under IRS Section 415, there are limits to the amount of contributions that a member can pay into the Fund. Our actuary advised us that we must take this amount in two payments. Mr. Guillen paid the Fund \$67,420.85. If the Board approves the needed amendment to the Plan Document, then the actuary will tell us the amount that has to be returned to the member. The member will then have to pay that money back plus any regular interest that has been incurred from the time the money was returned to the time that it is paid back. The amendment will be brought to the Board at the January meeting.

After careful discussion and due consideration, Dr. Tollen moved to allow the QDRO buyback amendment to the Plan Document, seconded by Mr. Ortega and passed unanimously by the Board.

2. Private Equity Performance Review for the quarter ended June 30, 2018 as presented by Mr. Leandro Festino of Meketa Investment Group.

Mr. Festino explained that over the past decade since the inception of the private equity program in 2009, the Fund has had very strong performance. As of June 30, 2018 the Capital committed is \$237.1M. Total Contributions paid are \$131M. The net IRR on this program is 14.6% with a 1.4 multiple.

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The transition from Summit to Meketa has gone well. Data from all of the Fund's investment managers has been provided to Meketa from the Fund's custodial bank. The data has been uploaded to Meketa's platform. The reports were re-run out of Meketa's system and both the market value and performance matched number per number to Summits reporting. From October 1st on, the data has been received from each of the Fund's money managers. All is going well.

1. Investment Performance Review for the period ended December 31, 2017 and update as presented by Mr. Jonathan Seidman and Mrs. Margaret McKnight of Metropolitan.

Mr. John So began by explaining that Metropolitan is Carlyle's global real estate multi-manager platform. Metropolitan has been part of Carlyle Group for the past 5 years. The team has been stable and performance has been strong. The Fund is invested in MREP Global III which has a 14.5% IRR. It has outperformed the benchmark by 1.8 percentage points. The Fund is also invested in MREP Global V which has a 14 % IRR. It has outperformed the benchmark by 1.1 percentage points.

3. Discussion and action on 2019 Budget.

Mr. Grossman explained that the Budget Committee met and approved a draft of the 2019 Budget. There have been some minor changes. The insurance will not increase as much as first presented. The highest increase in the budget is in salaries. This increase is due to the hiring of a new Benefit Specialist effective January 2, 2019. There was a decrease in consultant expenses because of the discount provided by Meketa for General Consulting services.

After careful discussion and due consideration, Mr. Shelton moved to approve the 2019 Budget as presented, seconded by Mr. Borsch and passed unanimously by the Board.

5. Discussion and action on security litigation requests.

Mr. Grossman explained that staff time on the Robbins Gellar case has not exceeded an hour. When the Robbins Gellar case was accepted, the Board's direction was to complete this case before the Fund proceed as lead plaintiff on any other cases. Now Cohen Milstein has requested that we be the lead plaintiff on a case where the Fund has lost over \$200,000. A week later, Labaton requested that we be lead or co-lead plaintiff on a case where the Fund has also lost over \$200,000. Mr. Grossman discussed this with Chairman Villanueva. To wait until the Robbins Gellar case had been fully litigated, could take three years. Therefore Chairman Villanueva requested that this issue be brought to the Board for their consideration to fulfill our fiduciary responsibility in recapturing funds of the Fund.

After careful discussion and due consideration, Mr. Borsch moved to seek lead plaintiff on both cases, seconded by Mr. Schneider and passed unanimously by the Board

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

None.

7. Report of Executive Director.

See submitted Written Report

8. For Notation:

Informational Material For Review. No Action Required.

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

9. 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 2:47 p.m.



Chairperson



Secretary